



EITI REPORT OF THE REPUBLIC OF SURINAME

**Report on the Extractive Industries Transparency
Initiative for the fiscal year ending December 31, 2016**

ABSTRACT

Suriname became a candidate country for the Extractive Industry Transparency Initiative in May 2017. The EITI standards require each country to report to the community. In accordance with these requirements Suriname presents its first EITI report. This report covers the fiscal year January 1, 2016 to December 31, 2016.

Foreword

It is with great pride and a sense of accomplishment that I present to you Suriname's first EITI Report on behalf of the Minister of Natural Resources and the Suriname EITI Multi Stakeholder Group.

As indicated in the EITI Standard, the EITI process requires effective multi-stakeholder oversight, as well as a functioning multi-stakeholder group that involves the Government, companies, and the full, independent, active and effective participation of civil society.

The year 2016 was the year in which the Suriname EITI Multi Stakeholder Group (MSG) was formed. In a series of workshops and seminars, stakeholders from Government, companies and civil society worked on the drafting of a Terms of Reference (including a Code of Conduct) for the MSG and on selection processes for 9 MSG members and 9 alternates.

For the companies, it was decided to segment their representation per sector: oil and gas, mining under the Mineral Agreement or Mining Decree or Authorization Act. Each sector chose one member and one alternate. For civil society, a broad coalition of more than 30 civil society organizations was brought together by the NGO Projekta, for the preparation of nomination criteria and a selection process. A noteworthy aspect of the MSG composition was the reservation of at least one spot for Indigenous & Tribal People and one spot for mine workers' unions.

In absence of formal legislation for EITI in Suriname, it was decided to add an extra layer of formalization to the MSG by Ministerial Decree, establishing the MSG as a Presidential Committee as of December 1, 2016.

The following stakeholders participate in the MSG:

Government	Civil Society	Companies
<ul style="list-style-type: none"> •Ministry of Natural Resources •Ministry of Finance •Ministry of Regional Development •Ministry of Trade, Industry and Tourism 	<ul style="list-style-type: none"> •Foundation Projekta (NGO) •Vereniging van Inheemse Dorpschouffden in Suriname (Association of Ingegenous Village Heads in Suriname)/VIDS •VSG •Federatie van 12-Lo's der Aucaners (Federation of 12-Lo's of the Aucaners) •Staatsolie Werknemers Organisatie Suriname (Union of Staatsolie)S/WOS •Rosebel Gold Mines Werknemersorganisatie (Union of Rosebel)/RGWO •FoundationTropenbos Suriname •Green Heritage Fund Suriname 	<ul style="list-style-type: none"> •SHMR (Stichting Houders van Mijnbouwrechten): <ul style="list-style-type: none"> * Canasur Gold Limited * Nana Resources NV •Staatsolie Maatschappij Suriname NV •Kosmos Energy Suriname •Newmont Suriname LLC •Rosebel Gold Mines NV

This Report represents the culmination of nine years of dialogue and efforts by Government, civil society and companies. Upon Suriname's re-engagement with the World Bank in late 2010, the EITI was a key focus area for cooperation.

After an initial start-up phase, the process laid still for some years. During the 2015 Democracy Month, companies and civil society revived this issue and successfully obtained the buy-in and commitment of the Minister of Natural Resources, Mr. Regilio Dodson.

Starting from early 2016, all three stakeholder groups have been working tirelessly to come to an agreement and work out the details of the management and implementation of the Suriname EITI and to secure funding for the process. Although there were some serious capacity constraints and differences of opinion, the general atmosphere was one of teamwork and cooperation. The EITI process can also be viewed as an interesting case of multi-stakeholder governance and partnership.

The first report is expected to be a landmark publication, indicating an important step towards true transparency in the extractive industries in Suriname. Some expected areas for improvement following the publication of the report will be in the existing Government systems for collecting and publishing financial and other data from the extractives sector in general, and in the government system for registering the sales, purchase, royalty payments and export in the gold sector in particular. These improvements should contribute to a decrease in 'leakage' of revenues from the extractive sector.

I take this opportunity to thank all those who have contributed to this first report.

A handwritten signature in blue ink, appearing to read "D. Abeleven", written over a horizontal line.

Dave A. Abeleven

Chair of the Suriname EITI Multi Stakeholder Group

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Abbreviations and Acronyms

Abbreviations/ Acronyms	Explanation
ABS	(Stichting) Algemeen Bureau voor de Statistiek (Foundation) General Office for Statistics
Adek	Anton de Kom University of Suriname
CARICOM	Caribbean Community (CC)
CBvS/CBoS	Centrale Bank van Suriname /Central Bank of Suriname
CC&I	Chamber of Commerce and Industry
CSR	Corporate Social Responsibility
DNA	De Nationale Assemblee (The National Assembly)
E&P	Exploration and Production
FTE	Fulltime equivalent
GB	Gouvernementsblad (the precursor of Surinaams Staatsblad/SB)
GDP	Gross Domestic Product
GLIS	Grondregistratie en Land Informatie Systeem (Land Registration and Land Information System)
GMD	Geologisch Mijnbouwkundige Dienst (Geological Mining Service)
Grassalco	Grasshopper Aluminum Company Suriname NV (LLC)
IA	Independent Administrator
IOC	International Oil Company
KPCS	Kimberley Process Certificate Scheme
MOF	Ministry of Finance
LOA	Letter of Agreement
MONR	Ministry of Natural Resources
MOSPL&FP	Ministry of Spatial Planning, Land & Forest Management
M.O.U.	Memorandum of Understanding
MSG	Multi Stakeholder's Group
NHAS	Nederlandse Hulp Allocatie aan Suriname (Dutch Aid program to Suriname)
NOB	Nationale Ontwikkelingsbank NV (NOB/National Development Bank LLC)
NS	Newmont Suriname LLC
N.V.	Naamloze Venootschap (Limited Liability Company (LLC))
NV1	NV EEN
O&G	Oil and Gas
PSC	Production Sharing Contract
RGM	Rosebel Gold Mines N.V.
SAI	Supreme Audit Institution
SAS	Self-Assessment System
SEMiF	Suriname Environmental and Mining Foundation

Abbreviations/ Acronyms	Explanation
SB	Surinaams Staatsblad (an official gazette of the Government after November 25, 1975)
SHMR	Stichting Houders Mijnbouw Rechten (Foundation Holders Mining Rights)
SRD	Surinaamse Dollar (Surinamese Dollar)
SRG	Surinaamse Gulden (Surinamese Guilder)
SOE	State owned enterprise/entity
Staatsolie	Staatsolie Maatschappij Suriname NV
Suralco	Suriname Aluminum Company
USD	United States Dollar
UJV	Unincorporated Joint Venture

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Report of the Independent Administrator

Suriname EITI Multi Stakeholder Group
Attn. Managing director of BIS and chairman of MSG
c/o SEITI Secretariat
Mr. J.C. de Mirandastraat 13-15
PARAMARIBO

Paramaribo May 23, 2019

BDO Assurance N.V. in Suriname has been appointed by the multi stakeholder group (MSG) of EITI Suriname as the Independent Administrator for the Republic of Suriname to produce an EITI Report on payments directly or indirectly made by participating extractive oil and mining companies and associated activities to the Government of the Republic of Suriname (GoS) and revenues reported as received by the GoS agencies from those companies for the fiscal year 2016, January 1, 2016 to December 31, 2016 (“Engagement”).

The Engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this report, except where stated otherwise in this report including its appendices.

We set out our findings in this EITI report for fiscal 2016 including its appendices. Pages 26 to 79 are the responsibility of the MSG of EITI Suriname and not part of the engagement. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the MSG and Republic of Suriname regarding the procedures and results of the work executed by the Independent administrator.

The report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any taken as a whole.

For BDO Assurance N.V.



R.D. Ferrier MSc RA

Partner

1. INTRODUCTION

The Republic of Suriname became an implementing country of EITI on May 24, 2017. This is the first EITI Report issued for Suriname and covers the period January 1, 2016 to December 31, 2016 (fiscal year 2016). The Independent Administrator's work was carried out between May 2018 and May 23, 2019 in accordance with the Terms of Reference included in Appendix A of this report.

1.1 Objective

The objective of this engagement is to produce an EITI Report on payments directly or indirectly made by participating companies in the extractive industry of Suriname to the Government of Suriname. For these payments to the Government and other Government agencies' revenues are reported for the fiscal year 2016.

The extractive companies participating in this report and based on materiality consist of:

1. Oil companies in upstream and associated activities
2. Mining companies that are active in gold mining

This engagement includes an analysis and reconciliation of material payments and receipts made by the specified reporting entities, in the fiscal year 2016, in the oil and mining sector.

1.2 Scope of work

BDO Assurance Ltd ("the Independent Administrator") was assigned to undertake the work set out in the Terms of Reference for this engagement. The reconciliation has been executed on a cash accounting basis in order to align with the accounting policies of the Government of Suriname.

For the implementation of the EITI standards a Multi Stakeholder Group (MSG) has been installed in Suriname. The MSG consists of:

- Representatives of the Ministry of Natural Resources
- Representatives of the Ministry of Finance
- Representatives of the state oil company
- Representatives of private companies in the oil sector
- Representatives of the two large mining companies
- Representatives of small- and medium-sized (gold) mining companies
- Representatives of civil society

The MSG defined the flows to be included in the reconciliation and the entities which should report after having carried out research on the extractive industry in Suriname. Furthermore, the MSG has defined the materiality which is included in Appendix B of this report.

If there are material receipts or payments omitted, or not reflected due to the nature of a transaction in relation with EITI, in the reporting templates by both the paying and receiving entities, our work would not be sufficient to detect them. Any such receipts or payments would therefore not be included in our report. In conducting our work, we have relied upon the information and explanations obtained from Reporting Entities, amongst which the Ministry of Natural Resources and other Government agencies.

Our report incorporates information received up to May 17, 2019. Any information received after this date is not included in our report. Confirmations or explanations received after this date are not affecting data or reconciliations included as appropriate.

1.3 Structure of the report

The following chapters are included in this report

- Executive summary
- Overview of the extractive industry in the Republic of Suriname
- Description of flows and entities and reconciliation principles
- Reconciliation Oil and Mining Companies
- Recommendations
- Approach, methodology and scope
- Appendices

1.4 Acknowledgements

We express our sincere gratitude to the Ministry of Natural Resources and Ministry of Finance, the members of MSG SEITI and the Secretariat of SEITI for the assistance and constructive working relationship. A special thanks goes to the Director of the Ministry of Natural Resources, Mr. Dave A. Abeleven, for providing detailed information and answers regarding the extractive industry and providing ongoing information on specific EITI matters.

2. EXECUTIVE SUMMARY

2.1 Overview of the extractive sector

For the purpose of the Extractive Industries Transparency Initiative, Suriname became a candidate country as of May 24, 2017. In accordance with the EITI standard the MSG engaged BDO in Suriname as the Independent Administrator to carry out specific agreed-upon procedures for fiscal year 2016 based on the aforementioned standards. During the period from May 2018 up to May 23, 2019 the procedures have been carried out by the IA. This summary sets out the main findings of the IA for fiscal year 2016.

The summary contains the following:

- Section 2.1: Overview of the extractive sector
- Section 2.2: Government receipts reported in the EITI reconciliation
- Section 2.3: Company payments
- Section 2.4: Key findings
- Section 2.5: Completeness and accuracy of data

2.1.1 Background of Suriname



The Republic of Suriname is located on the northeast coast of South America and has a population of approximately 572,000. It gained independence on November 25, 1975. Currently Suriname consists of 10 districts and has a total of 16 ministries. The ministries responsible for the extractive industry are the Ministry of Finance and the Ministry of Natural Resources. The Ministry of Finance is responsible for the Government budget and collection of direct and indirect taxes and other levies relating to the extractive sector. The Ministry of Natural resources performs oversight and stimulates the natural resources sector. The local currency is the Surinamese Dollar (SRD).

Suriname has a long history of mining. It started with gold mining in the 18th century. Oil sector started in late 1920 with explorations. The bauxite industry was a primary source of income from 1940 to 2010 due to the Paranam operations.

2.1.2 Current situation in the Oil and Mining Industry in Suriname

Oil Industry

State-owned entity Staatsolie is the predominant oil company in Suriname. Until 2016, they have been mainly active in on shore oil production. In addition, Staatsolie executed retail activities via its subsidiary GOw2. Through a 25% interest in the Merian Gold Mine, operated by Newmont Suriname, they also generate revenues from the mining sector. For offshore explorations Staatsolie is considered, on behalf of the Government of Suriname, the contracting party for IOCs.

As of December 31, 2016, the oil companies operating in Suriname are:

Oil companies	Law/regulations	Dec 31, 2016
Onshore		
Staatsolie Maatschappij Suriname N.V. (state owned)	Concession Agreement 1981 (Decree E8-B) (Official Gazette 1981 no 59)/ Mining Decree 1986/Petroleum Act 1990	See figure 3.13
Offshore		
		Blocks #
Kosmos Energy Suriname	PSC	42 and 45
Teikoku Oil Suriname (TOS)	PSC	n/a
Apache Suriname Corporation LLC	PSC	53 and 58
Petronas Suriname E & P B.V.	PSC	48 and 52
Tullow Suriname B.V.	PSC	47 and 54

Mining Industry

The following minerals are produced in the mining sector:

- Gold and silver
- Diamond
- Bauxite
- Quarry for building purposes
- Other ores

Gold was the primary mining product in 2016 since the activities in the bauxite industry have stopped due to termination of the mining activities of Suralco. Quarry for building materials is less significant than gold. Diamond mining is still in the stage of reconnaissance.

Gold mining consists of two main categories. The artisanal and small and medium scale gold mining is one category and other is the industrial gold mining. In the small and medium scale mining there is a bundling of small and medium size gold companies (approx. 40 entities) into a foundation for holders of mining rights and other small and medium miners.

As of December 31, 2016, the mining companies operating in Suriname are:

Mining companies	Law and regulations	Area of interest Dec 31, 2016
Rosebel Gold Mines N.V.	Mineral Agreement 1994/1 st amend-ment 2003/2 nd amendment 2013	Rosebel, Charmagne, Overman Resources, Thunder Mountain, Saramacca
Newmont Suriname LLC	Mineral Agreement 'Merian Gold Project' / 2013	Merian, Amazonia, Hill 1627
N.V. Grassalco (state owned)	National Prosecution Service of 1971/ authorization act 1971 to establish NV Grassalco SB/ Mining Decree 1986	Maripaston, Lely, Goliath, Rosebel (aggregate)
Small and medium size gold mining companies	Mining Decree 1986	Several

Laws and regulations

The main regulations applicable to the extractive industry are:

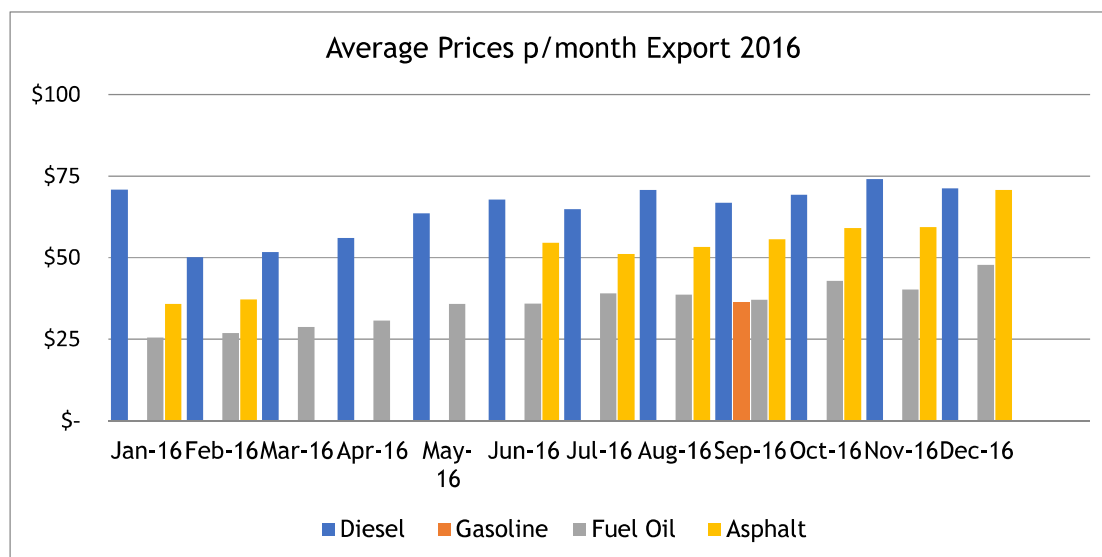
Specific laws and regulations	Tax and other laws
<ol style="list-style-type: none"> 1. Concession Agreement 1981 (Staatsolie) 2. Petroleum Act (1990) 3. Mining Decree 1986 4. Mineral Agreement 1994 and amendments 5. Mineral Agreement 2013 6. Labor Act (1963) 7. Law on Financial Statements (2017) 8. Law on Foreign Exchange (1947) 9. Reporting of Unusual Transactions (amended 2016) 	<ul style="list-style-type: none"> • Income tax law (1922) • Wage tax and social premiums (amended 2016) • Turnover tax (amended 2013) • Custom Duties (amended 2004) • Statistic right and consent levies • Dividend tax (1973) • Investment Code (2001)

These rules and regulations can be found on the website of 'De Nationale Assemblée' (DNA/The National Assembly) (<http://www.dna.sr/wetgeving/>)

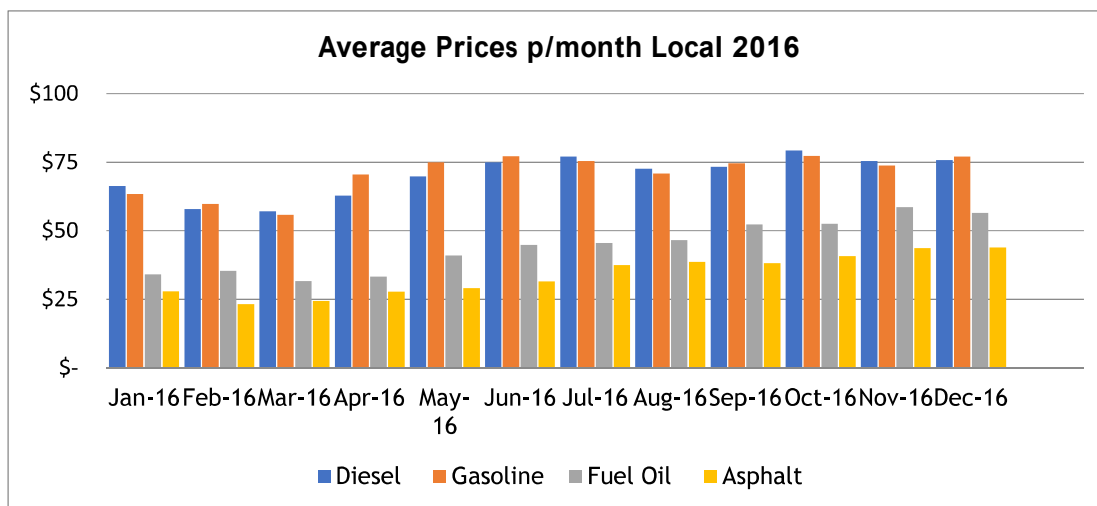
2.1.3 Oil prices and production

Overall the global oil & gas market saw its value fall from USD 1,395.7 billion in 2015, to USD 1,205.6 billion in 2016. Oil prices were volatile in 2016. Staatsolie saw a clear correlation between the decline in the price of crude oil and a general decline in the value of the oil & gas market, especially taking into consideration the fact that volume consumption levels globally actually increased rather than decreased in 2016. Consequently 2016 was one of the most difficult years Staatsolie has ever confronted.

The price of Saramacca Crude is linked to USGC HSFO Waterborne. In January 2016, this price fell to USD 16 per barrel. During the rest of the year an increase of the USD price per barrel was shown. The next two charts show the value of oil and derivatives divided in export and local sales.



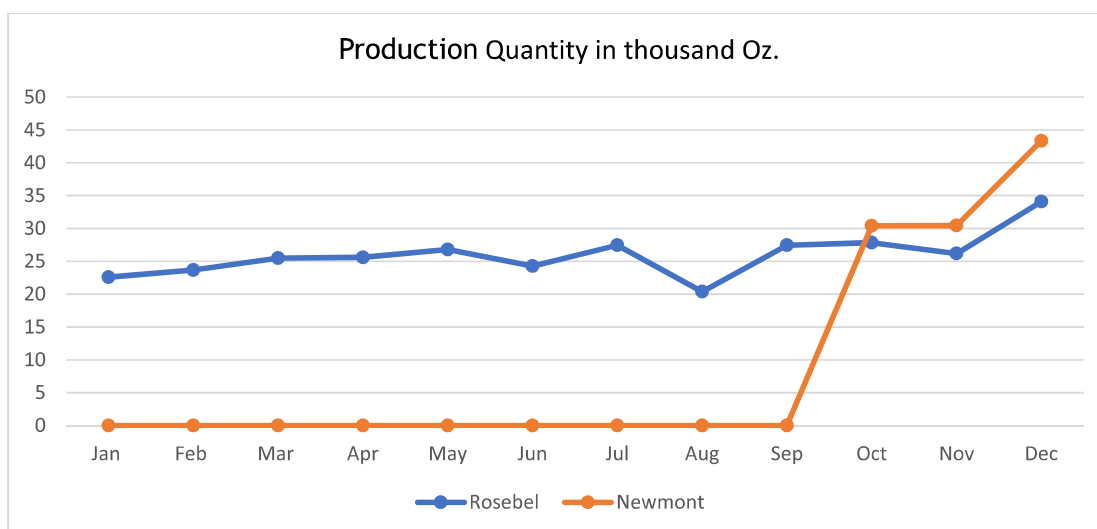
Staatsolie achieved an average daily crude production in 2016 of 16,327 barrels of oil per day, equating to a total annual production of 5.9 million barrels.



2.1.4 Mining prices and production

1. Rosebel Gold Mines and Newmont Suriname

Rosebel Gold Mines (RGM) started the first large scale commercial production of gold in Suriname in 2004 and was therefore a full year in production in 2016, while Newmont Suriname commenced commercial production in the last quarter of 2016. The chart below shows the production in thousand Oz.



Source: data provided by RGM and NS

Note, this chart does not reflect the small and medium size mining companies due to absence of reliable production data of the total small-medium scale mining sector.

2. Grassalco

Grassalco reported a production of 167,408 m³ aggregate for 2016 and started with the export of these crushed rocks in September 2016 to Guyana. Please note that the data regarding the export volume and value are not shown in multiples of 1,000.



Source: Grassalco

3. Small and medium size mining companies

The small and medium size gold mining companies do not export their product but sell this to local buyers. Royalty fees are collected from the exports of gold undertaken by the licensed gold exporter(s). Small and medium size miners therefore do not pay royalty fees directly to the Government but to the buyers of gold. Royalty payments, at the point of export, are being deposited in the account of the State at the Central Bank of Suriname (CBoS). The buyers and exporters of gold are not holders of mining rights and therefore do not operate under the Mining Decree or a special mining agreement. The quantity of the estimated production by the small-medium scale gold mining companies amounts to 14,475 kilos in 2016, while exports and royalties paid amount to 13,786 kilos and SRD 93,079 thousand respectively. This working assumption does not include or estimate the possible smuggling of gold in and out of Suriname.

2.2 Government receipts reported in the reconciliation

2.2.1 Revenue flows

Revenue flows	Beneficiary	Recipient
Direct taxes	Tax authority	MINISTRY OF FINANCE
Indirect taxes	Tax authority	
Other income:		
- Dividend SOE/interest State	MOF	
- Application fee	MONR	
- Surface rights: Exploration and Exploitation fee	MONR	
- Statistic and consent right	MOF	
- Custom duties	MOF	
- Lease of land	MOSPL&FP	
Production sharing contract:		
- Royalty (IOCS)	MONR/MOF	
- Profit share IOCS	MONR/MOF	
Mineral Agreement RGM/NS:		
- Royalty in cash RGM/NS	MONR/MOF	
- Royalty in kind (RGM)	MONR/MOF through GRASSALCO	
Specific arrangements:		
- PPA-1 arrangements (RGM)	MONR	
- NV 1 (RGM)	MONR/MOF	

2.2.2 Revenue streams received in 2016

The following regards a summarized view of the revenues received in 2016 by the Government:

	*2016	Relative to total
Revenue income Suriname	SRD	%
Extractive industry (mining sector reported revenues by MOF)	565.6	16.6%
Non-extractive industry	<u>2,839.0</u>	<u>83.4%</u>
Total revenues	3,404.6	100.0%

*) Amounts are expressed in millions

During 2016 the Government collected SRD 3,404.6 million in total revenues from both the extractive industry and other companies and citizens. Of the total reported (cash paid) revenues SRD 565.6 million (16.6%) is collected from companies in the extractive industry.

MOF provided information on receipts from each of the companies required to report payments to government, which were reconciled to the payments reported by the companies (see sections 4 and 5 of this report).

The following information is disclosed by the Government to the public:

Revenue from mining (oil and mining)	2016 SRD (*1 million SRD)	Relative to reported revenues
1. Direct taxes		
Income tax	18.1	3.2%
Wage tax and Government Retirement Scheme**	186.9	33.1%
Other direct taxes	-	-
Total direct taxes	205.0	36.3%
2. Indirect taxes		
Custom duties	1.3	0.2%
Turnover tax	0.2	0.0%
Other indirect taxes	0.2	0.0%
Total indirect taxes	1.7	0.3%
3. Non-tax income (receipts)		
Statistic and consent rights	43.0	7.6%
Royalties	196.7	34.8%
Other non-tax income	119.2	21.1%
Total non-tax income	358.9	63.5%
Total reported revenues by Government in budget realization	565.6	100.0%
Non-cash revenues	36.0	
Total revenues subject to EITI fiscal year 2016	601.6	

*) Amounts are stated in millions. Information derived from the Ministry of Finance

**) This refers to Social Security Premium

The direct taxes amounted to SRD 205.0 million in 2016. This amount represents 36.3% of the total received revenues by the Government due to income taxes (SRD 18.1 million) and wage tax and public retirement plans (SRD 186.9 million). The income tax and wage tax that are received by the Government are based on the law on Income Tax and Wage tax respectively. Of the total direct taxes, the majority is received from wage tax and the public retirement plan (*social security plan*) as this represents more than 91% of the direct taxes. Of the total direct tax income (SRD 205.0 million) SRD 202.6 million originates from the large mining companies and the remainder (SRD 2.4 million; 0.4% of total revenues) from small and medium size gold companies.

Relative to the total reported revenues the indirect taxes amount to just over 0.3%. Most of the indirect taxes (SRD 1.7 million) are received from custom duties (SRD 1.3 million), while the remainder of SRD 0.4 million relates to turnover tax and other indirect taxes paid to the Government.

As noted from the table the non-tax income, amounting to SRD 358.9 million, covers a significant portion (63.5%) of the total reported Government revenues during 2016. This amount is for SRD 225.4 million received from the large companies and SRD 133.5 million is received from small and medium size gold companies. Thus, both sub-sectors contributed significantly to the reported non-tax revenues of the Government. The non-cash revenues relate to the value of the payments received in-kind by the Ministry of Finance -through Grassalco- with respect to the extractive industry. These payments relate to royalties paid in gold for an amount of USD 4.9 million (equivalent SRD 36 million).

2.3 Reconciliation of companies - Oil sector and Mining sector

	MOF reported			Total revenue 2016 in % of the GDP
	OIL	MINING	Total O&M	SRD 19,720,377
*1,000 SRD	SRD	SRD	SRD	%
DIRECT TAXES				
Income Tax	-	4,257	4,257	0.0
Wage Tax & Social Security Premium	84,713	130,689	215,402	1.1
Dividend Tax	-	-	-	
	84,713	134,946	219,659	
INDIRECT TAXES				
Custom duties	-	223	223	0.0
Rental value Tax	-	197	197	0.0
Wealth tax	-	1,376	1,376	0.0
	-	1,796	1,796	
OTHER INCOME				
Statistics and consent rights	-	2,040	2,040	0.0
Surface rights	-	217	217	0.0
Mining rights	-	633	633	0.0
Cash Dividend SOE*	50,879	-	50,879	0.3
Royalty fee Newmont	-	8,757	8,757	0.0
Royalty fee RGM	-	75,838	75,838	0.4
Payment to NV1 (RGM)@	-	1,533	1,533	0.0
Payment based on PPA 1 (RGM) @	-	64,900	64,900	0.3
	50,879	153,913	204,797	
Total cash payment from companies (EITI 2016)	135,592	290,660	426,252	2.1
Royalty fee from exporters (not included in EITI 2016)		93,081	93,081	0.5
Total cash payment	135,592	383,741	519,333	2.6
Non-cash transaction reported by Grassalco for MOF				
Payment in-kind RGM converted to SRD: USD/SRD 6.173	-	36,069	36,069	0.2
Total payment stream 2016	135,592	419,810	555,402	2.8
Payments Extractive Industry as stated in the materiality statement			565,600	

*The cash dividend paid is from Staatsolie (SOE) regarding fiscal year 2015 and includes 25% dividend tax. On State level this does not affect the amounts of payments received.

Notes:

- Part of the payments made by the companies in 2016 is received in 2017 by MOF due to timing differences.
- In the reported revenue streams for the extractive industry (SRD 565,600 thousand) not all the above reported payments are included or initially recognized as proceeds from the extractive industry (see @). While on the other side revenues are included originating from the extractive industry but considered as 'non EITI-income' of which royalty fee paid by the exporters of gold amounted to SRD 93,081 based on exported value of gold is reflected in the amount of SRD 565,600 thousand by MOF on their website (See www.gov.sr/ministerie-van-financiën.aspx)

The following payment flows from the reporting companies are included in the reconciliation:

Payment flows	Staats- olie	IOCS	RGM	NS	Gras salco	Total Com- panies	Total MOF	Recon- ciliation differen- ces
*1,000 SRD	SRD	SRD	SRD	SRD	SRD	SRD	SRD	SRD
<i>Direct taxes</i>								
Income Tax			134			134	4,257	4,123
Wage tax	90,627	1,764	53,543	72,615		218,549	215,402	-3,147
Dividend tax								
	<u>90,627</u>	<u>1,764</u>	<u>53,677</u>	<u>72,615</u>		<u>218,683</u>	<u>219,659</u>	<u>976</u>
<i>Indirect taxes</i>								
Turnover tax								
Custom duties			52		223	275	223	-52
Rental value tax and wealth tax							1,573	1,573
			<u>52</u>		<u>223</u>	<u>275</u>	<u>1,573</u>	<u>1,521</u>
<i>Other Income</i>								
Statistic and consent rights			2,040			2,040	2,040	0
Surface rights			12		12	24	217	193
Mining rights							633	633
Cash Dividend	50,879					50,879	50,879	-
Royalty fee Newmont				21,545		21,545	8,757	-6,612
Royalty fee RGM			90,460			90,460	75,838	-14,622
	<u>50,879</u>		<u>92,512</u>	<u>21,545</u>	<u>12</u>	<u>164,948</u>	<u>138,364</u>	<u>-26584</u>
	<u>141,506</u>	<u>1,764</u>	<u>146,241</u>	<u>94,160</u>	<u>235</u>	<u>383,906</u>	<u>359,819</u>	<u>-24,087</u>
<i>Specific arrangements</i>								
Payment to NV1 (RGM)			74,700			74,700	1,533	-73,167
Payment based on PPA 1 (RGM)			64,966			64,966	64,900	-66
Cash payment included in reporting	<u>141,506</u>	<u>1,764</u>	<u>285,907</u>	<u>94,160</u>	<u>235</u>	<u>523,572</u>	<u>426,252</u>	<u>-97,320</u>
Royalty gold export received by MOF not included in EITI scope							<u>93,081</u>	
Cash payments incl Royalty gold export							<u>519,333</u>	
Value Royalty in-kind (non-cash) reported by Grassalco on behalf of MOF							<u>36,069</u>	
Total revenue streams reported by MOF							<u>555,402</u>	
Volume Royalty in-kind/special royalty (non-cash) reported by RGM and by Grassalco on behalf of MOF			Oz				Oz	
Gold in Oz			14,027				11,222	
Silver in Oz			1,595				1,275	

The volumes of the royalty in-kind of gold and silver in the column 'Total MOF' reflects 80% of the payments in-kind made by RGM as reported in the column 'RGM'. The value of the volume of the payments in-kind as reported by MOF is calculated for SRD 36,069 thousand.

2.3.1 Results of reconciliation of payment flows

For a list of companies included in the reconciliation we refer to section 4.4. Not included in the data collection and reconciliation are the small and medium size gold mining companies (except for SHMR), the exporters and buyers of gold and the companies with licenses for production of quarrying building materials. Information was obtained on the small and medium size gold mining companies from the SHMR, however this was not included in the reconciliation.

Reconciliation differences MOF and reporting companies:

Company	(*1,000 SRD)		Analysis of reconciling items					
	Reported by Government	Reported by company	Reconciling items	Timing differences	Exchange differences	Settlement differences	Other Differences	Uncleared Differences
Staatsolie	133,825	141,506	-7,681	-	-	-	-	-7,681
Kosmos Energy Suriname	1,530	1,530	0	-	-	-	-	-
Petronas Suriname E&P B.V.	-	-	-	-	-	-	-	-
Tullow Oil Suriname B.V.	237	234	3	-	3	-	-	-
Total Oil industry	135,592	143,270	-7,678	-	3	-	-	-7,681
RGM	205,106	285,907	-80,801	-70,652	890	7,200	-18,093	-146
NS	84,847	94,160	-9,313	-13,112	324			3,475
Grassalco	707	235	472					472
Total Mining Industry	290,660	380,302	-89,642	-83,764	1,214	7,200	-18,093	-3,801
Total Oil and Mining	426,252	523,572	-97,320	-83,764	1,215	7,200	-18,093	11,482

In the reconciliation of the flows we have identified, followed up and resolved the following differences:

Timing differences RGM

Timing differences RGM: these regard payments made by RGM on December 15, 2016 to NV1 based on the 2 second amendment /2013 and the letter of agreement/ 2016, amounting to approximately USD 10 million, i.e. SRD 70,562 thousand. MOF has confirmed receipt of these payments in favor of NV1 in January 2017.

Timing differences NS

These regard a payment of the royalty fee of November 2016 to Staatsolie on behalf of the Government. Staatsolie transferred the payment received in 2016, amounting to USD 1,806 thousand, to the Government in January 2017. This amount was received by the Government in January 2017.

Settlement differences RGM

These differences regard a settlement of a claim against the Government regarding excess payment of income tax in previous years. Based on an agreement with the tax authority RGM monthly deducted a fixed amount of SRD 600 thousand of the monthly payment of wage tax.

Other differences Grassalco

These differences regard differences between MOF and Grassalco that are cleared and confirmed by MOF as a difference but not settled with Grassalco. In 2016 the Government unintentionally received SRD 18,093 thousand on royalty fee that needed to be transferred to Grassalco, but this did not happen.

On State level this does affect the amounts of payments received by the Government negatively, since the initial claims on Grassalco have been turned into debt to Grassalco due to this mistaken processing of the payments, received in 2016. Upon proposal of Grassalco to the Government, made in October 2018, the claim on the Government can partially be used as settlement for the outstanding balance of wage tax/social security premium and turnover tax. Grassalco did not pay wage tax/social security premium and turnover tax in 2016, regarding 2016 and prior years.

Uncleared differences Staatsolie

These differences are uncleared differences between MOF and Staatsolie amounting SRD 7,681 thousand regarding wage tax paid during 2016 by Staatsolie (reported SRD 90,627 thousand) and MOF (SRD 82,946 thousand). Therefore, MOF has reported in total, less wage tax received in 2016.

Uncleared differences other mining companies

MOF reported the receipt of payments which are not reported by the companies. This could be partly due to mistakenly incorrect coded by MOF of the various tax payments from a company; ultimately this has no effect on the level of the total amount received.

The following table provides a breakdown of the uncleared differences for the mining companies in 2016:

Category payment	Uncleared difference (mining) SRD * 1,000
<i>Uncleared differences:</i>	
More income tax reported by MOF than reported by company	4,123
Less wage tax reported by MOF than reported by company	-2,669
More other revenues reported, e.g. surface right, rental value tax etc. by MOF than reported by companies	2,347
Total uncleared differences	3,801

Within the materiality set for the 2016 reconciliation the amount of the total uncleared differences of SRD 3,801 thousand is not considered material and therefore no action is taken to clear these differences.

2.3.2 Results of reconciliation of payments in-kind

An excess royalty of 6.5% is paid by RGM to Grassalco on a quarterly basis in case the gold price increases above the threshold of US\$ 425 per Troy Ounce. The payment of the special royalty takes place in accordance with Article 20.11 of the Mineral Agreement (1994) and Article 4.2 of the First Amendment (2003). Regarding the payment in-kind, 2% must be paid to Grassalco and 0.25% to SEMiF. The difference regarding payment in-kind between Grassalco and MOF has been partially cleared in 2018.

2.4 Key findings

Reference is made to section 6 of this report for a detailed overview of the key findings. The findings are summarized as follows:

1. Institutional/organizational improvements for EITI purposes
2. Legal and regulatory framework for the extractive industry in Suriname
3. Supervision of the PSC agreements and offshore oil and gas
4. Financial reporting of SOE's
5. Reconciliation process EITI 2016
6. Memorandum of Understanding signed by EITI reporting companies
7. Issuance and monitoring of licenses for Oil & Gas and Mining
8. Other financial and non-financial flows
9. Gold exports, royalties for ores and quarrying materials (building)
10. Grassalco and the 80/20% ratio
11. Assurance environment of Government reporting
12. Government systems
13. Improvements for registration of licenses and data collection at MONR
14. Revenue allocation

2.5 Assurance

2.5.1 Assurance - Government

Income and expenditure of the Government are required to have an annual audit performed by the Supreme Audit Institution (SAI). We understand that this audit could not be executed annually since the requested information is not provided to SAI with no formal consequences. Thus, for the assurance of the revenues as reported by the MOF, it should be mandatory to have an audit executed on the reported income and expenditures relating to at least the mining sector on an annual basis.

Regarding state-owned entities the following is noted:

- Grassalco: The last financial statements available are from 2016 and was still in draft as per draft V5 of this report. The financial statements have been finalized after the execution of the work by the IA, but before the final approval of this EITI report.
- Staatsolie: Has disclosed their financial statements of 2016 on their webpage. These financial statements have an unqualified auditor's report.
- Bauxite Institute Suriname (BIS): The financial statements of BIS have been audited. The auditor's report is unqualified.
- N.V.1: This company has no audited financial statements for 2016. These are currently in draft version and are awaiting some adjustments still subject to audit.

2.5.2 Assurance - Companies

In accordance with the law on the financial statements (2017) companies should, if required according to the law, have their financial statements approved within 6 months after the year end. RGM, Staatsolie and the IOCs have their financial statements approved. NS did not report local financial statements. Grassalco has provided its final annual statement 2016 in April 2019 but is not approved yet as we were informed. There is an arrear in approval from annual 2013 onwards.

No financial statements 2016 were submitted to the IA by:

- SHMR (group of 15 companies engaged in EITI reporting process)
- Teikoku Oil Suriname (did not report over fiscal year 2016 due to termination of its PSC in August 2016.)

3. THE EXTRACTIVE INDUSTRY IN SURINAME

3.1 Introduction

3.1.1 About Suriname

Suriname, officially known as the Republic of Suriname (Dutch: Republiek Suriname), is located on the northeastern Atlantic coast of South America. It is bordered by the Atlantic Ocean to the north, French Guyana to the east, the Co-operative Republic of Guyana to the west and the Federative Republic of Brazil to the south. In the west and east the demarcation of the borders is respectively set by the River Corantijn and the River Marowijne. However, there are historic disputes regarding the south-west and south-east borders, which have not yet been settled to the satisfaction of Suriname.

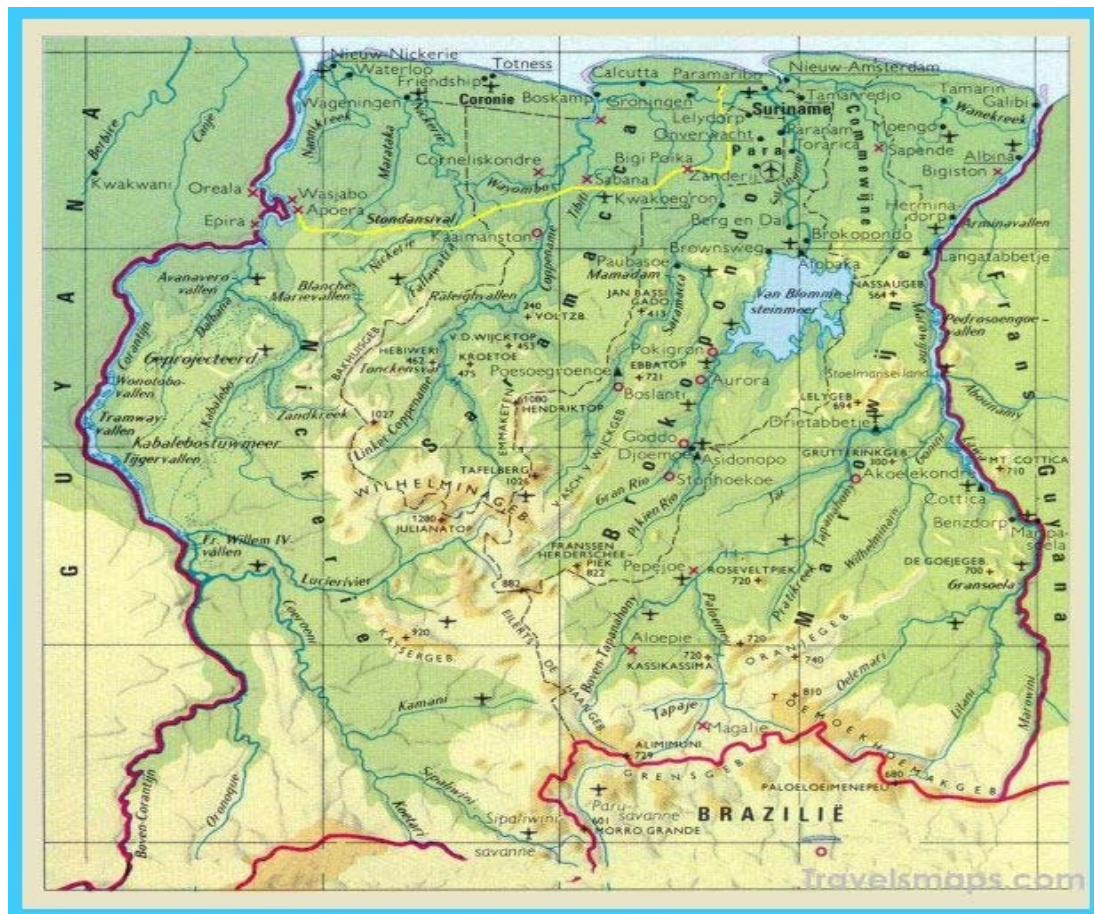


Figure 3.1 Map of Suriname

Suriname at just under 165,000 square kilometers (64,000 square miles) is the smallest sovereign state in South America. Suriname has a population of approximately 572,000. Most of the population (65.1%) is urban and lives on the country's north coast, in and around the capital Paramaribo and the other large cities of district Wanica and district Nickerie.

The original inhabitants of Suriname are the indigenous people. The Suriname population is a mixture of different ethnic groups formed by the colonial background of Dutch -farmers-, African slaves and contract laborers from India (1873) and Indonesia (1890). In the mid-19th century, migrants from China

arrived in Suriname and this trend continued in the 20th century with migrants from other continents as well from the neighboring countries Guyana and Brazil.

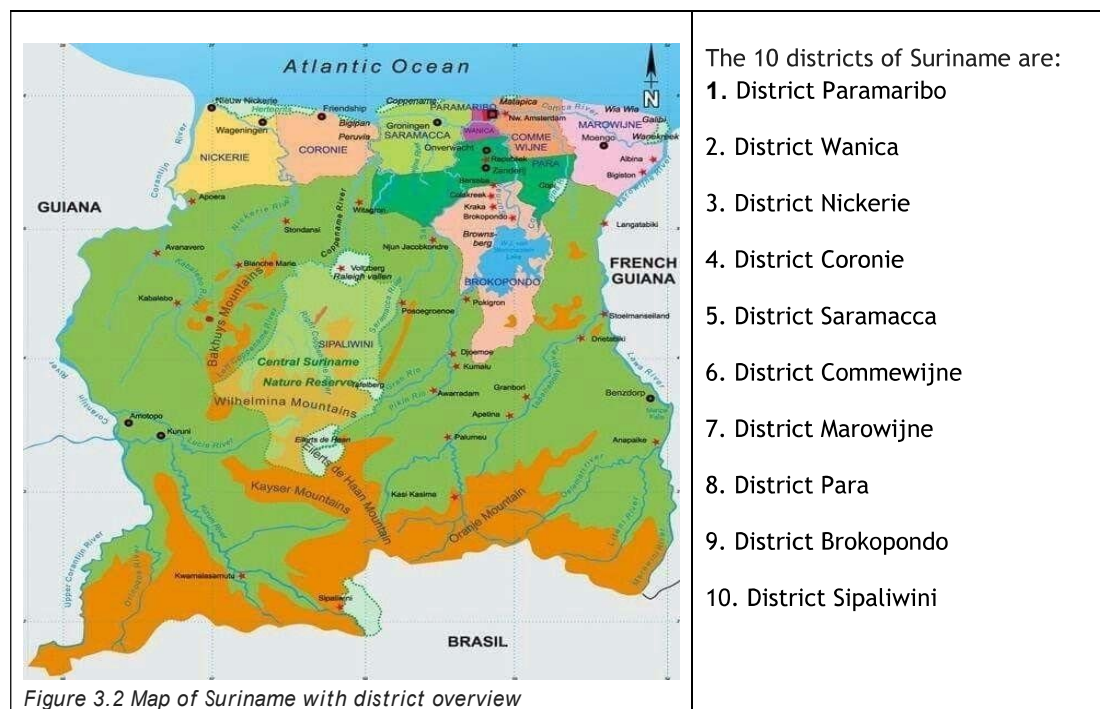
Though various languages or dialects of those languages are spoken, due to our historical past, Dutch is the official language of Suriname and English is commonly understood and spoken.

3.1.2 Governmental Structure

1. General

The Republic of Suriname is led by a President and a Vice President who lead the Council of Ministers. The members of De Nationale Assemblée (DNA; National Assembly of Suriname) are elected by voters from the 10 districts. Suriname is divided into 10 districts, which are all governed centrally from Paramaribo, the capital of Suriname. In district Paramaribo, most developed and populated, all the Government ministries, the National Assembly (DNA), the courthouse, the judicial committees are established. The districts have their Government offices offering several designated services, directed by district commissioners/councils who are appointed -for a certain period- and limited mandate given by the Government. In the interior, village chiefs of the various tribes are the point of contact for disputes among the villagers and between the village/villagers and the Government. The tribes consist of several indigenous and tribal groups:

- the Kalinya's (Caribs), the Lokonos (Arawaks) living on the coastal strip, and the Akoerio, the Trio and Wayana tribes live deeper in the interior of Suriname
- the descendants of the slaves, the Marrons (Maroons) who fled from the plantations and/or chose to stay in the interior after the abolition of slavery in 1863.



2. Ministries

The Republic of Suriname is led by a President and a Vice President leads the Council of Ministers. The members of De Nationale Assemblée (DNA/National Assembly) of Suriname are elected by voters from the 10 districts. Suriname has currently the following Ministries:

Ministries of Suriname	
1	Agriculture, Animal Husbandry and Fisheries
2	Defense
3	Education, Science and Culture
4	Finance
5	Foreign Affairs
6	Home Affairs
7	Justice and Police
8	Labor
9	Natural Resources
10	Public Health
11	Public Works, Transport & Communication
12	Regional Development
13	Social Affairs and Housing
14	Spatial Planning, Land Management and Forest Policy
15	Sports and Youth Affairs
16	Trade, Industry and Tourism

Table 3.1 Ministries of Suriname (website DNA/ www.dna.sr/wetgeving)

The two most responsible ministries regarding the extractive industry within the scope of this EITI report are:

- The Ministry of Natural Resources (MONR)
- The Ministry of Finance (MOF)

Ministry of Natural Resources (see <http://www.gov.sr/ministerie-van-nh/>).

MONR was established on July 26, 1958, with the purpose to ensure sustainable and efficient management and development of the natural resources potentially present in Suriname.

In order to achieve the objective, the following tasks have been assigned to the Ministry:

- development and implementation of a national policy on natural resources and energy;
- responsible for inventory, exploration, optimal exploitation and management of: minerals, the natural resource water and the natural resources needed for energy;
- water management, where necessary in an interdepartmental context;
- the drinking water supply;
- the energy supply;
- checking compliance with rules and regulations regarding minerals, water management, generation, transport and distribution of energy.

The vision of the MONR is to pursue the efficient management and sustainable development of the water and energy supply and the development of the mining sector for the welfare and prosperity of our nation. The ministry its mission is as follows: "The sustainable development of a transparent and integrated policy for the management of natural resources, in particular water, minerals and energy, for the benefit of human, economic and environmental capital development of Suriname".

The available natural resources form an important basis for making a significant contribution to the welfare and prosperity of the Surinamese nation. The policy in this context is therefore based on the principle that all resources present in Suriname are made available to and benefit the entire Surinamese population as much as possible. As a result, the Ministry occupies an important place in the national production by focusing on increasing national income.

To achieve this objective a few departments, such as Energy and Water supply and Mining, were established with specific tasks.

The mining department consists of:

- The Geologisch Mijnbouwkundige Dienst (*GMD/Geological Mining Department*) This department is responsible for stimulating mining in general;
- The Bauxiet Instituut Suriname (*BIS/Bauxite Institute Suriname*). BIS has the task to collect, process and analyze data related to the circumstances in and around the bauxite industry at national and international level. This institute is now under review and in transition.

History of the GMD and BIS

Although mining has played an important role in the Surinamese economy since the nineteenth century, the sector did not get its own Government service until the 1940s. On December 14, 1943, the decision was taken to appoint a person responsible for Social and Economic Affairs to enforce the provisions of the Minerals Ordinance. The Government service was transformed in 1949 into the GMD part of the Department of Economic Affairs. In 1958, the GMD was housed under the Ministry of National Development, predecessor of the MONR.

From the inception, the GMD was assigned four tasks: producing geological maps, making an inventory of minerals, advising the minister on mining legislation, exploration permits and concessions, monitoring the resulting activities of third parties (mine inspection), and providing services to third parties in the field of geological exploration and mining inventory.

With cooperation of ‘Operation Grasshopper’ (1959-1962), which included airstrips being built inland, the geological inventory of Surinamese territory in the 1960s and 1970s could be carried out smoothly and effectively. One of the most important results of that geological fieldwork was the creation of the geological map of Suriname in 1977.

In the 1960s, thanks to researches by the GMD, bauxite deposits were discovered in the Bakhuis area in West Suriname. To mine these and further develop West Suriname, N.V. Grassalco, a state-owned mining company, was founded in 1971.

In 1971, Grassalco entered into a joint venture with Reynolds Suriname Mines Ltd., but due to differences of opinion that collaboration was ended three years later, after which Grassalco continued the activities independently. To start bauxite mining in this region, the construction of a 72-kilometer railway line from Bakhuis to Apoera (both in district Sipaliwini, West Suriname) started in 1976.

Since the late sixties, more than 45 years have gone by in which there was philosophized about the development of an integrated aluminum industry in West Suriname, including a hydroelectric power station at Kabalebo. Apoera was destined to grow into an industrial center and one of the drivers of the Surinamese economy. Various activities to develop bauxite reserves in West Suriname, both by the government and by various multinationals, have not, however, led to exploitation activities to date.

Based on the idea that bauxite was the cork on which the Surinamese economy floated, the Bauxite Institute Suriname (BIS) was founded in 1981. To preserve it, attention had to be paid to the preservation and expansion of the bauxite industry, to obtain a fair share of the proceeds from bauxite and its derivatives, and the acquisition of specific knowledge and expertise about this industry.

When it was set up, the BIS was therefore given two main tasks:

- supporting the Government in bauxite policy with advice, policy preparation and cooperation in implementation, and
- collecting and processing data about the bauxite industry.

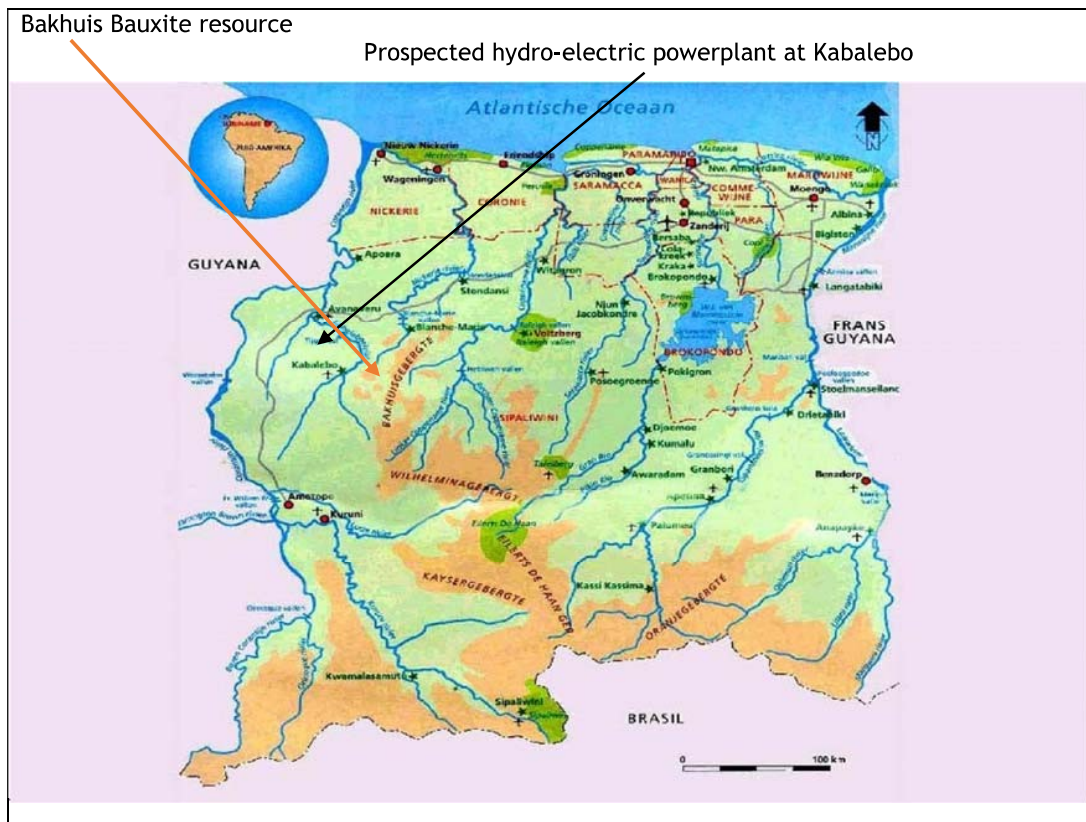


Figure 3.3 Prospected Bauxite resource and hydro-electric powerplant (source: Suriname prospects for bauxite growth)

Ministry of Finance

MOF consists of three directorates:

1. Finance

The Finance Directorate is responsible for:

- the general management of all Government funds and the supervision of their correct use. Here, the financial interests of the state and other institutions, in which the state has a financial interest, are also monitored. The representation of the state in all cases in which it participates in the share capital of financial institutions is also monitored by this Directorate;
- the supervision of state banks, as well as the public credit system and pawnshops, the levying and collection of stamp duty and other legally levied duties, the postal system, the national lotteries;
- all matters relating to the state budget and general budgetary policy, as well as the accountability and accountability of state funds;
- the general financial and monetary policy, insurance and the circulation of coins and notes;
- matters of foreign exchange - policy nature, all this in cooperation with the Ministry of Trade and Industry and the supervision of compliance with the foreign exchange regime regarding licenses for import and export of goods and services;
- taking out loans, issuing treasury bills, promissory notes, issuing state guarantees and investing or reinvesting government funds.

2. Taxation

The Directorate Taxation is divided in:

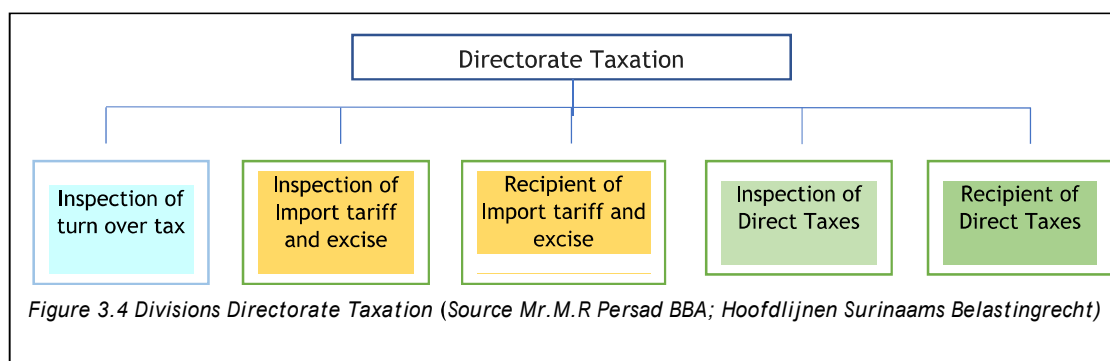


Figure 3.4 Divisions Directorate Taxation (Source Mr.M.R Persad BBA; Hoofdlijnen Surinaams Belastingrecht)

In Suriname taxes are levied based on guidelines within the law. These are contained in various tax laws, such as Direct Taxes: Income Tax Act 1922, Wage Tax Act, Rent Value Tax Act 1955 and Property Tax Act 1944, the Collection Act (The Royal Decree of April 3, 1869) and the Surinamese Code of Civil Procedure. In the case of Indirect Taxation, these include the following: Import Tariffs Act 1996, Excise duties on, among others, alcoholic and alcohol-free beverages, Consumption Tax Act and Statistics Law. The Tax and Customs Administration is responsible for the implementation of these laws and has the task of levying and collecting taxes, such as Income Tax, so that the tax funds end up in the state treasury. The tax authorities also monitor compliance with the laws.

These two directorates are primarily involved in the extractive sector.

3. Development Planning and Development Financing

Based on the ministerial decision of May 2015, the directorate 'Planning and Development Financing' has been added to MOF with retroactive effect from September 2010. This department oversees medium and short-term planning as well as the recruitment and management of funds that are available for the implementation of development plans and projects through development partners and international financing institutions.

3.1.3 Overview of the economic development

3.1.3.1 General

From 1667-1975 Suriname was off and on colonized by the Dutch. In 1954 Suriname became an autonomous country within the Kingdom of the Netherlands until it gained its independence on November 25, 1975, as the Republic of Suriname. At the time of independence, The Netherlands granted Suriname NLG 3 billion -Dutch Florins- aid (Nederlandse Hulp Allocatie aan Suriname/NHAS) for the development of Suriname, based on mutually approved project plans.

After independence, Suriname established a democratically elected Government until they were overthrown with a coupe d'état on February 25, 1980. The military regime lasted until 1987 when democratically elected officials, once again took over and they became in charge of Suriname, though allowing for a brief come back made by the military from December 1990 to September 1991.

Historically from the 17th century to the 19th century, Suriname's economy was primarily focused on agriculture with the cultivation of cocoa, sugar and cotton on plantations located along the various Surinamese rivers.

During the colonization the triangular trade consisted of:

- Trade of labor -People procured from Africa and shipped to South America, the Caribbean and North America to work as slaves on the plantations, while
- Trade of commodities -sugar, coffee, cotton etc. were sailed back to The Netherlands /Europe and then
- Trade of manufactured goods and textile in exchange for the trade for slaves.



Figure 3.5 The Triangular Trade in the 17th–19th century

After the abolition of slavery in 1863 and the arrival of East-Indian Immigrants -from India-, as contracted laborers, in 1873, rice as an export commodity was added to the list of agricultural products. In the 20th century bananas, citrus and seafood/fish were added to this list of export goods. During the early stages of the 20th century the export of extractive products, with a high focus on bauxite and aluminum, started. This was by far the largest source of income from the beginning of the 20th century until present.

Due to the plantation culture that Suriname has known from its colonial past, the coastal area has been developed and infrastructure has been constructed in this area. Partly because of its limited types of exports, insufficient local production due to the small population and labor force, the Surinamese economy, can be characterized as an import economy: it depends heavily on importing basic commodities such as food, healthcare products and medicine, textile manufactured goods, and also cars, building materials, industrial machinery/heavy equipment. In contrast to the triangular trade, export and import of goods as well as the export and import markets have changed significantly and expanded during the 20th and 21st century.

Overview of the 5 main streams of export and import goods, the export markets and import countries:

Export of products	Export markets
Bauxite/aluminum (2015)/Gold*	Switzerland
Precious metal scraps**	Hong Kong
Wood (unprocessed)	Belgium & Luxemburg
Diesel oil	Guyana
Bananas	United Arab Emirates

Import of products	Import markets
Refined petroleum	USA
Heavy equipment	The Netherlands
Industrial machinery	China
Trucks	Trinidad & Tobago
Cars	Brazil

Table 3.2 a/3.2 b: OEC - Suriname (SUR) Export, Import, and Trade Partners/
<https://atlas.media.mit.edu/nl/profile/country/sur/>

* (2015/ Gold) is added to this line, since 2015 bauxite mining has stopped.

** According to 'Algemeen Bureau voor de Statistiek'(ABS)/General Office for Statistic) the 2nd ranking export good is Refined petroleum.

Suriname's export, mostly based on raw materials and basic agricultural products, is dependent on developments on the international commodity markets and therefore volatile.

3.1.3.2 Local Currency

Up till December 31, 2003, the Surinaamse gulden (SRG/ Surinamese Guilders) was the official currency. The exchange rate of SRG-USD was stable until mid-1980/1981. Suriname's currency was linked to the USD. Previously, until 1994, there was a fixed exchange rate ratio between the USD and SRG of USD/SRG 1.77.

As a result of the unification of the exchange rates on July 1, 1994:

- a floating exchange rate was established based on the supply and demand mechanism
- so-called subsidized rates were eliminated
- ban on foreign exchange trade on the 'parallel'/black market

The SRG as a currency was replaced on January 1, 2004, by a new currency called Surinamese dollar (SRD). At the time of the transfer, the nomination on banknotes expressed in SRG was divided by a factor of 1,000. On January 1, 2004 the exchange rate for the USD was set at USD/SRD 2.77.

From January 1, 2004 to November 19, 2015 the SRD was twice devaluated as a monetary necessity, i.e.:

- on January 21, 2011, the exchange rate quotation became USD 1 = SRD 3.25
- on November 19, 2015, the exchange rate quotation became USD 1 = SRD 3.96

From February 2016 on the SRD was disconnected from the USD for its daily quotation. On December 31, 2016 the exchange rate for the USD based on the quotation of CBoS was USD/SRD 7.354 and the average month exchange rate for 2016 was USD/SRD 6.173.

3.1.3.3 Commercial and reporting currencies

Although the trade currency in Suriname is the SRD, unlike in other South American countries, buying and selling goods and services in USD and Euro informally became a common practice. Since July 1, 1994, it is legal to carry foreign currency and hold foreign currency accounts in the banks.

Public Sector

All the financial accounts reports and the budgets of the Government are stated in SRD. In accordance with Article 10 of the Government Accounts Act 1952 (Comptabiliteitswet) "taxes and other sources or benefits, must be recorded for the service of the year in which they are received".

Private Sector

The financial accounting (bookkeeping) of companies must take place in SRD unless the economic reality of the company is based on a different currency, i.e. its functional currency. According to article 36 paragraph 4 of the Income Tax Act 1922 a taxpayer can request to prepare its financial statement in accordance with the provisions of Article 42, third paragraph, in a currency designated for this purpose by the Minister.

The amounts mentioned in the Income tax law are converted to the aforementioned currency according to the unified exchange rate set by the CBoS. Though the request must be made to the Minister of Finance it must be submitted to the Inspector of Direct Tax. To obtain approval, the taxpayer must comply with the conditions as mentioned in the State decree of December 3, 1995.

The conditions for eligibility are as follows:

- regular financial accounting i.e. bookkeeping is conducted with regular annual closures, which should also meet the requirements as set by the Inspector of Direct Taxes;
- it concerns a foreign exchange-generating company; this is understood to mean a company that has demonstrably achieved its turnover, wholly or almost entirely, in the previous calendar- or financial year in a currency other than the local currency with a minimum of USD 250,000 or its equivalent in the designated currency, or the company can demonstrate that this will be the case in the current calendar- or financial year.

The large size mining companies, and the IOCs can conduct financial accounting and reporting in USD according to their agreement. Staatsolie has been granted permission by the Tax Authority to conduct financial accounting and reporting in USD from January 1, 1995, when it adopted the US-GAAP for oil and gas as accounting principles.

3.1.4 History of Oil and Mining

Suriname is part of the Guiana Shield and harvests as such many minerals as gold and bauxite. Hydrocarbons, Oil is as well a source of the Surinamese extractive findings.

3.1.4.1 Oil Industry

The oil industry started in the late 1920's, when the entire coastal plain area was investigated through shallow drilling (<1500 m), with the GMD, Shell and Elf as main operators. These activities did not result in a commercial discovery, even though a number of oil occurrences were found in the 1960's. Oil was struck while drilling for drinking water wells in the district of Saramacca. But the environment in Suriname was not ideal to build on the oil discoveries.

Between 1970 and 1983 offshore, a number of seismic surveys were executed, and 18 wells were drilled. Operators were Gulf Oil, ExxonMobil, Shell, and Elf-Acquitaine. While most of the wells were in shallow water, and of limited penetration depth, a few very daring and costly wells were completed in this period. The ExxonMobil A-2 well was drilled in 1200m deep water to 4200m depth while North Coroni-1 set the depth record in Suriname waters at 5,406m.

With the establishment of Staatsolie Maatschappij Suriname NV (Staatsolie) on December 13, 1980, a big step was made in the development of an oil industry. Staatsolie was to execute the new oil policy on behalf of the Republic of Suriname (the sole shareholder). According to the concession agreement Decree E-8B (Official Gazette 1981 no 59) Staatsolie was granted exclusive rights to hydrocarbons. This right was later confirmed in the Mining Decree (Official Gazette 1986 no 8).

Only State-owned enterprises can get the mining rights for hydrocarbons. Oil and gas companies can operate in Suriname through a petroleum agreement with Staatsolie.

In 1980, in order to gain the necessary knowledge and experience, the first Managing Director, decided to exploit the oil discoveries in Saramacca. After a successful drilling campaign, the first commercial production started on November 25, 1982. From then on, many milestones were reached.

Staatsolie is a vertically integrated energy company which has 4 subsidiaries and has invested in the gold mining industry:

- Ventrin Petroleum Company Limited, a Trinidad-based bunkering company (sole owner);
- GOw2 Energy Suriname N.V., a subsidiary through which Staatsolie has entered the retail market in 2011 (sole owner);

- Paradise Oil Company N.V., a company for carrying out exploration and production activities in cooperation with third parties (sole owner);
- Staatsolie Power Company Suriname N.V. (SPCS), a thermal plant (sole owner);
- A 25% percent interest in Merian Gold Mine operated by Newmont Suriname.

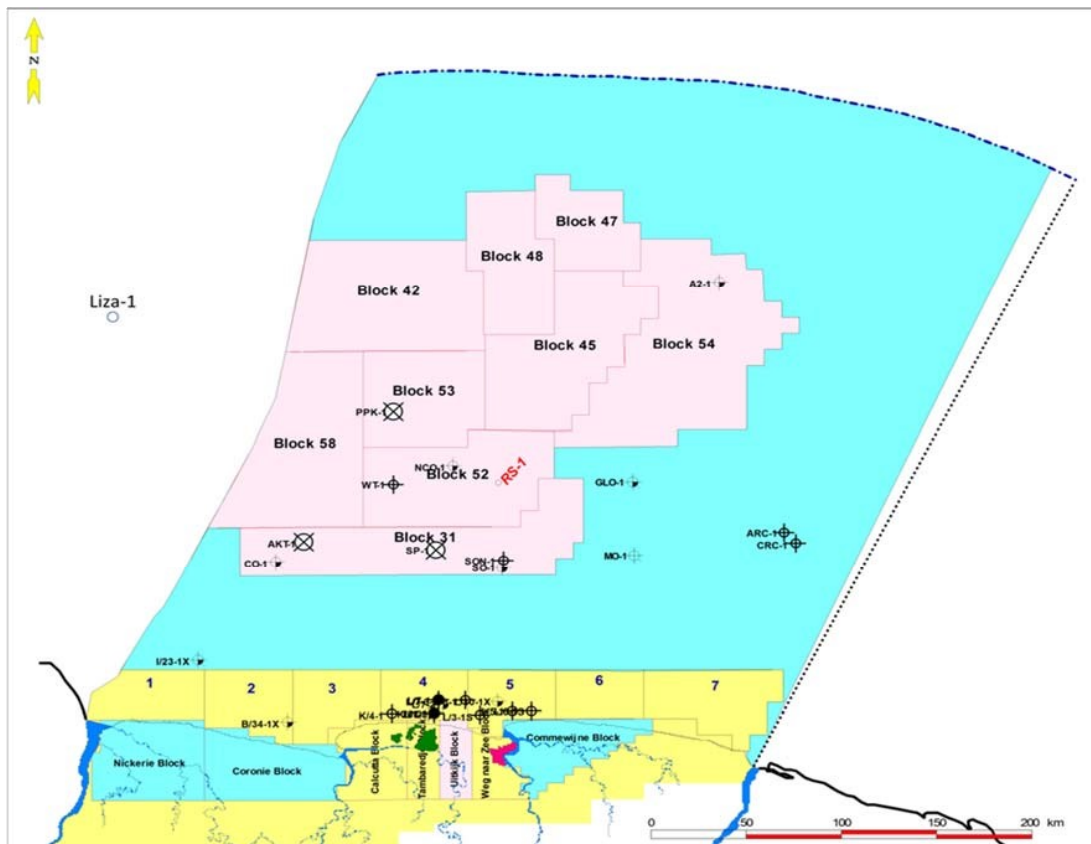


Figure 3.6 Overview of E&P Blocks. (source Staatsolie)

Nearshore

Staatsolie has focused on exploration of the nearshore blocks based on data gathered till 2015. In block 4 a geological and geophysical evaluation was carried out in 2016. Additional drilling is required before economical volumes can be realized.

As the nearshore activities will start a close cooperation with the Maritieme Autoriteit Suriname (*Maritime Authority Suriname*) will be requested as well for e.g. security and monitoring and technical purposes.

Offshore

The offshore area is demarcated in blocks. Staatsolie acts as an agent of the Republic of Suriname with respect to the oversight and contracting in the petroleum industry. Staatsolie has been granted the exclusive right to explore for, develop and produce petroleum onshore and offshore. O&G companies interested in executing petroleum operations in Suriname can do so based on Article 5 of Petroleum Law 1990 (SB 1991/ 7). According to this article Staatsolie can sign petroleum agreements with third parties after approval from the MONR. Through the petroleum agreement, Staatsolie transfers its rights to explore, develop and produces hydrocarbons in a contract area (Block) to a contractor (IOC).

As of December 31, 2016, the oil companies operating in Suriname are:

Oil companies	Law/regulations	Dec 31, 2016
Onshore		
Staatsolie	Decree E-8B (SB 1981 no 59)/ authorization act 1981 to establish Staatsolie Maatschappij Suriname N.V. Petroleum act 1990	See figure 3.13
Offshore		
Kosmos Energy Suriname	PSC	42 and 45
Teikoku Oil Suriname (TOS)	PSC	
Apache Suriname Corporation LLC	PSC	53 and 58
Petronas Suriname E & P B.V.	PSC	48 and 52
Tullow Suriname B.V.	PSC	47 and 54

Table 3.3 Overview Oil companies /Law/ Fields

The offshore companies are in their exploration phase as per December 31, 2016. Teikoku Oil Suriname (TOS), a subsidiary of the Japanese Inpex, performed exploration drilling in block 31. At the end of the exploration period, the operator did not establish a commercial field and TOS decided to withdraw from Block 31 and the PSC with TOS was terminated in August 2016.

3.1.4.2 Mining Industry

Suriname is part of the Guiana shield and has a variety of minerals as shown in the next figure.

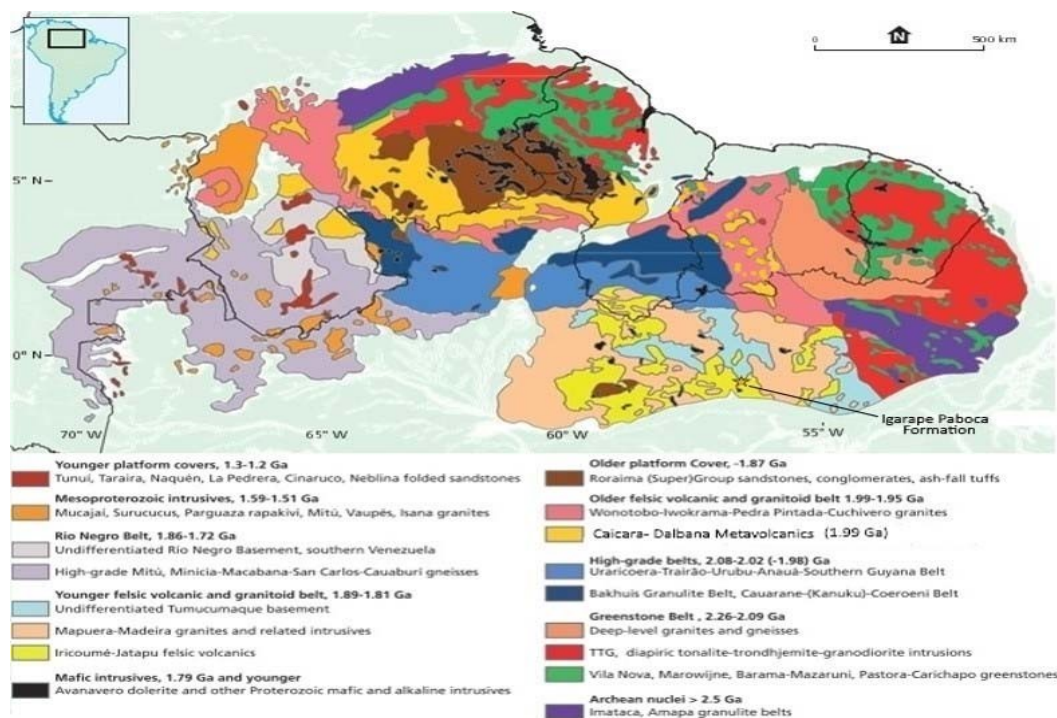


Figure 3.7 projection of the Guiana Shield (source GMD)

In Suriname the mining of minerals includes:

- Gold and silver based on the Mining Decree 1986 and Mineral Agreements between Government and companies;
- Diamond mining (still in the stages of reconnaissance and therefore not commercialized yet);
- Bauxite (production of bauxite ended in 2015);
- Quarry for building purposes;
- Other ores (such as kaolin, manganese, chromium, tin, phosphate and silica sand)

In assigning concessions which run through the tribal areas in the interior, settlements are made between the concessionaires or Government and these tribes if deems necessary. The aspects of tribal habitats are a point of attention regarding the concessions of gold and diamonds compared with the other sectors of the extractive industry. In December 2017 a law is approved by the DNA regarding the living areas of the indigenous community and tribes and their consensus regarding the development projects in the interior in accordance with the Free Prior and Informed Consent (FPIC) procedure. This law is not yet endorsed.

Given its history Suriname is mostly developed and populated in the coastal area of the country. Though district Sipaliwini, the interior, is the largest district it is the least populated one. It is part of the amazon rainforest and harvests the mayor part of minerals findings. The interior is hilly and consists of a dense part of the Amazon rainforest but also contains the minerals and ore, while the oil deposits are in the coastal plain and offshore. The characteristics of the interior make the accessibility and development as well as good infrastructure very costly. This was one of the reasons why gold mining in the past was not profitable. The minerals of Suriname are mostly located on the eastern side of the country and inland. The construction of infrastructure for the supply and removal of equipment, setting up facilities for the mining sector is very costly and comes at the expense of fauna and flora of the wooded concession areas.

In the next figure it is projected where specific mineral findings are located.

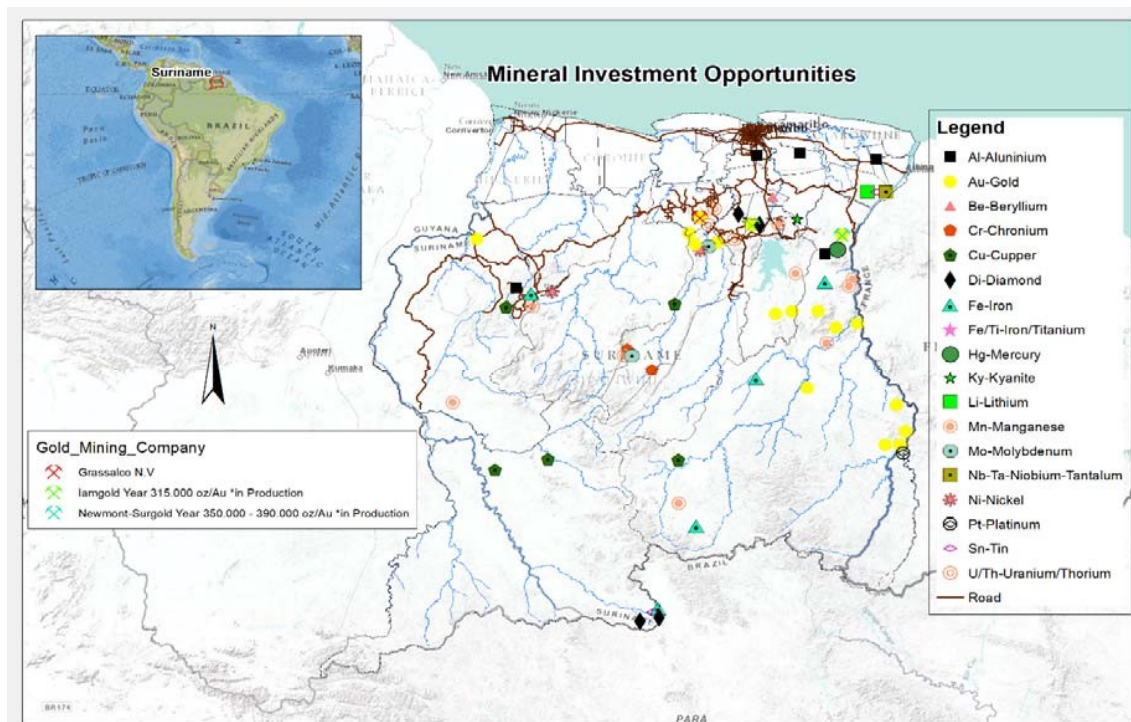


Figure 3.8 MAP-Mineral sources in Suriname (source GMD)

Gold mining

Mining and quarrying by moving soil dates from prehistoric times. At that time people already started using natural resources, including mineral deposits, to provide for their survival and development. The earliest form of mining in Suriname was the exploitation of clay around the seventeenth century.

The exploration of gold on small-scale in Suriname started in the late 17th century but was terminated due to lack of gold discoveries. Nevertheless, ever since then efforts were made to find gold in Suriname. The first gold was found in the 18th century and leading to the establishment of gold mining companies and allocation of concessions and issuance of mining licenses.

During the administration period of governor Van Sypesteyn (1873-1882) this industry was strongly stimulated for developing it and to improve the relationship with the hinterland residents. Exploration and exploitation activities increased steadily during that time. This structured, mechanized gold mining, however, was short-lived. After a few years, it came to a halt again due to inadequate exploration, lack of knowledge of gold mineralization, mismanagement, speculation and diseases such as malaria.

These mining activities happened mostly along the River Marowijne (eastern side Suriname) and River Suriname.

In 1903 the colonial Government decided to stimulate the gold industry with the construction of a railway line from Paramaribo to the gold fields: along the River Lawa via Kwakugron, Kabel and Dam on the Sarakreek. But when the production of gold started to decline again and the results of the research in the Lawa area turned out to be disappointing, it was decided in 1912 that the route from Dam to the Lawa gold fields would no longer be laid.

In the 1980s the small-scale gold mining regained attention again. This was then seen as a possible source of employment and income for especially hinterland residents and as a catalyst for rural development.

In 1981, the Minister of Natural Resources and Energy proposed to the Government to introduce special regulations for small scale gold mining to be incorporated in law. The mining law that came into effect in 1986 also considered the negative consequences and therefore set out a clear policy of discouragement. Small scale gold mining could only take place in areas designated for this purpose by the Government.

The development of large-scale gold mining in Suriname faced other difficulties. Between 1974 and 1977, the Government explored the gold deposits in the Gross-Rosebel area in a joint venture relationship with the Canadian gold mining company Placer Dome. However, the results were marginal. In 1979 the State Mining Company N.V. Grassalco obtained the right to explore. A feasibility study in 1984 showed that economic exploitation of the gold deposit to a depth of ten meters was possible, but it was not possible to get this project funded.

In April 1994 the Government signed a Mineral Agreement with Golden Star Resources and N.V. Grassalco (Grassalco) for the further exploration and exploitation of gold reserves in the Gross-Rosebel area. In the following period, however, the situation on the world gold market changed dramatically: the gold price fell below the level at which the feasibility study of the project had been carried out and the conditions for financing gold projects were tightened. The Mineral Agreement therefore had to be amended in 2003. In May 2002, Cambior Inc. took over the majority of stocks of Golden Star Resources. The official opening took place on April 14, 2004, by startup of production in the Rosebel Mines and with that also the large-scale industrial gold mining in Suriname got a big boost. In November 2006, the interest of Cambior Inc. was completely taken over by IAMGOLD Corporation.

Mining methods in Suriname

Historically manual mining has been the main method used, which is still being applied in the small and medium-scale gold mining. Since the last decades of the 20th century up until today gold mining has been flourishing and lucrative for small and medium scale miners using mechanic methods of mining.



Figure 3.9 manual mining 21th century (source SHMR)

In Suriname mainly two methods are distinguished for gold mining:

1. The artisanal and small-scale gold mining (ASGM) and
2. The industrial gold mining

The small- and medium-scale gold mining in the interior of Suriname, based on formal as well on informal mining activities, increased rapidly in the past two decades.

With the establishment of a committee in 2006 for structuring the gold sector the Government aimed to structure the gold sector in its entirety, but up to date still faces several challenges to complete its mission. Whereas in 2015 there was still a material contribution of the small and medium-scale mining to the gold sector, the share of this group was relatively reduced in 2016 by the operation of another industrial mining company, NS.

In general, the formal small and medium scale mining is based on licenses assigned by MONR with reference to the Mining Decree 1986, while industrial mineral mining is based on mineral agreements between the Republic of Suriname and the Companies and approved by DNA. In 2016 there are two companies operating under a Mineral Agreement, Rosebel Gold Mines NV (RGM) and Newmont Suriname LLC (NS).

Mint House

Since February 20, 2015 Suriname has its own gold refinery, Kaloti Suriname Mint House (KSMH), which at that time was the subsidiary of Kaloti Precious Metals from Dubai. As far as the Caribbean is concerned, Suriname is Dubai's largest trading partner. Kaloti Suriname Mint House conducted its first official gold refining as well as subsequent export of the produce on July 21, 2015.

Kaloti Suriname Minthouse is a joint venture between the Republic of Suriname, Kaloti and some gold traders. The Government has a 10% interest in KSMH. The Government started late 2018 with the evaluation of the joint venture with KSMH and how to continue further.

Diamond mining

The mining of diamonds is in the reconnaissance phase. The first discovery of diamonds in Suriname dates from 1880 and was made in the Suriname River, in the area of Berg en Dal. In the course of time, diamonds were mainly found in the Rosebel formation, in the Rosebel area in Brokopondo. Research has also been carried out into the occurrence of diamonds in various areas along the Suriname River and in the savannah area in the vicinity of Zanderij and Tafelberg. Up to the 1980s, the GMD carried out research into the origin of the diamonds but was unable to determine them. In 2012, the Canadian exploration company Canasur Gold Ltd. exploration activities in the Goliath Tibiti area. They provided indications that diamond-containing kimberlite pipes may be found there.

In 2016, two applications for the right of reconnaissance for Diamond were assigned. Before starting with the exploitation of diamonds, however Suriname needs to be certified first before exploration can commence.

On March 9, 2019, an important treaty, the Kimberley Process Certificate Scheme (KPCS), was approved by DNA. With the KPCS, doors are opened for Suriname on the international market regarding the diamond industry, which can most definitely lead to significant economic benefits in the future. As for 2016 there were no commercialized operations yet.

Bauxite mining

As the gold mining was decreasing in the early 20th century another mineral came to perspective to be explored. Aluminum Company of America (Alcoa) had put its interest in the exploitation of this mineral.

In 1916, the Surinaamsche Bauxiet Maatschappij (SBM) was established by Alcoa and has successfully prospected many bauxite reserves in Suriname. Alcoa was the single operator in this field and began with a bauxite mine on the north east side of Suriname, Moengo. Since 1938, Billiton Maatschappij Suriname (BMS), related to the Australian-owned BHP-Billiton, also entered into bauxite mining in Suriname next to Alcoa.

In the following years the exploitation of bauxite was the main purpose. The bauxite mining took place mainly in the coastal plain. Bauxite findings are registered in the highland areas as well, but they were not included in exploitation till 2015. The Paranam factory from Alcoa started operation around 1940. To meet the energy requirements, the possibilities of a hydro-electric power station at Afobaka were investigated. Opportunities were explored for blast furnace capacities close to the bauxite wells. In the late 1950s, there was a growing awareness that it would be more lucrative for Suriname to process the raw material locally into alumina and aluminum. On February 4, 1957, the Surinamese Government and Alcoa signed a declaration of intent: Alcoa would build an aluminum smelter in Suriname for new bauxite concessions in the country and a hydro dam for generating energy for the smelter. However, due to opposition from the Dutch Government, which refused to issue a guarantee for a loan from the World Bank that was necessary for the construction of the dam, this was canceled.

In 1958, the structure of the so called 'Afobaka project' was established between the Dutch Government and Alcoa in the 'Brokopondo Agreement'. The Surinam Bauxite Company then became Suriname Aluminum Company (Suralco).

The Brokopondo agreement, mainly provided for the construction of a dam, a hydroelectric power plant, a bauxite melting plant, an aluminum mining installation and the extension of the rights to water, bauxite concessions and land for geological research. The agreement was signed for a period of 75 years. Alcoa became the owner of the dam and the aluminum smelter. Suriname received 10% of the capacity of the hydroelectric power plant at cost price. According to the agreement Suriname would become the owner of the hydroelectric power plant in 2033.

Alcoa took upon themselves the costs of the construction of the dam. It was completed in 1964, and in 1965 a hydroelectric power plant of 189 megawatts, an aluminum smelter with a capacity of 60,000

tons per year and an alumina refinery with a capacity of 650,000 tons per year were completed. Suralco also received bauxite exploration concessions until 2032.



Figure 3.10 Afobaka hydro-electric power plant (source History of Mining in Suriname)

After having a booming time and a dominant position in the bauxite supply, with peak moments for aluminum in World War II and after, the bauxite industry in Suriname was facing a continuous decline in demand since last decades of the 20th century and as it entered this century.

Some salient moments leading to the shutdown of bauxite mining in Suriname:

- The shutdown in 1999 of the aluminum smelter;
- The forecasted depletion of 2 major mines in the first decennium of the 21st century;
- The termination of activities by BHP /Billiton Maatschappij Suriname;
- The announcement of Alcoa in 2015 to discontinue its operation in Suriname.

The aforementioned events immediately affected the revenues of Suriname downwards and created a turning point in the mining sector.

As of December 31, 2016, the mining companies are:

Mining companies	Law and regulations	Area of interest Dec 31, 2016
RGM	Mineral Agreement 1994/1 st amendment 2003/2 nd amendment 2013	Rosebel, Charmagne, Overman Resources, Thunder Mountain, Saramacca
NS	Mineral Agreement ‘Merian Gold Project’/ 2013	Merian, Amazonia, Hill 1627
Grassalco	National Prosecution Service of 1971/ authorization act 1971 to establish NV Grassalco SB/ Mining Decree 1986	Maripaston, Lely, Goliath, Rosebel (aggregate)
Small and medium size gold companies		
Gold	Mining Decree 1986	Various
Building materials	Mining Decree 1986	Various

Table 3.4 Overview Mining companies /Law/ Fields

3.2 Legal and Tax framework, procedures, contracts and licenses

3.2.1 Legal framework Oil and Mining sector

Introduction

Every law and decree or amendment thereof is after approval by the President of the country, published in Surinaams Staatsblad (S.B.), an official gazette of the Government.

Before the constitutional sovereignty of Suriname on November 25, 1975, the publication took place in the Gouvernementsblad (G.B.), the precursor of Surinaams Staatsblad, and these laws were identified with a G.B. number.

Main General Acts and Regulations in Suriname applicable for the extractive industry

1. Concession Agreement 1981 (DecreeE8-B) (Staatsolie)
2. Petroleum act (1990)
3. Mining Decree 1986 (*Decreet Mijnbouw*)
4. Mineral Agreement RGM 1994 and amendments 2003/2013
5. Mineral Agreement Merian Project 2013
6. Labor Act 1963 (*Arbeidswet*)
7. Law on Financial Statements 2017 (*Wet op de jaarrekening*)
8. Law on Foreign Exchange 1947 (*Deviezen wet*)
9. Unusual Transactions Reporting Act amended 2016 (*Wet Melding Ongebruikelijke transacties*)

The first five acts govern the mining and oil sector for exploration and exploitation of minerals where appropriate, whereas the 6th till the 9th contains general regulations and are applicable to all companies. The Law on Financial Statements had not been implemented in 2016 yet.

- **Petroleum act 1990**

(SB 1991/7 Act of March 6, 1991)

According to the Explanatory Memorandum of the Petroleum law, this law is regarded a “lex specialis” as to the Mining Decree that is regarded a “lex generalis”. The petroleum law specifies that Staatsolie can sign petroleum agreements with third parties to explore, develop and produce hydrocarbons. It gives instructions to Staatsolie concerning the negotiations (article 6) and the content (chapter IV) of the petroleum agreement. It specifies the rights and obligations of the parties (Chapter III).

- **Mining Decree /1986**

The Mining Decree 1986 generally concerns the governing of the Mining sector.

Article 2 Section 2 of the Mining Decree clearly states that all minerals within the territory of the Republic of Suriname, including the territorial sea, its soil and subsoil as defined in the Law of April 14, 1978 (S.B. 1978 26) are the property of the Republic of Suriname.

- **Labor Act**

(GB 1963/163- effective May 16, 1965/33 - adjusted October 12, 1983/SB 1983/91 decree E-41)

This law and its amendment regulate all matters relating to work in terms of working hours per day and week, holiday overtime, rewards, etc.

- **Law on Financial Statements**

(SB 2017/84)

On October 5, 2017, the Law on Financial Statements was enacted. The objective of this law is to regulate the preparation, publishing, audit and filing of financial statements by companies. Furthermore, the law aims to regulate the accounting policy / standards for the preparation of financial statements. The law aims to further regulate the external reporting of companies.

The following companies are subject to the law:

- Limited liability companies (N.V.);
- Partnerships (general and limited) with foreign capital holders (V.O.F/UJV, C.V.);
- Foundations;
- Associations;
- Government owned entities (e.g. Sui generis);
- Foreign companies formally operating in Suriname.

Size criteria and public interest entities

The law is effective as of January 1, 2018, and a transition period is formalized. According to the law the following size criteria, to be measured for two consecutive years, should be considered:

Size of entity	Criteria company size			Financial statements reporting standards	First year for reporting
	Value of total assets SRD	Net revenue SRD	Fte		
Large	> 12 million	> 24 million	> 50	(Full) IFRS	2020
Mid-size	> 3 million	> 6 million	> 20	IFRS for SME	2021
Small	≤ 3 million	≤ 6 million	≤ 20	Fiscal policies	2021

Table 3.5 Criteria company for applying reporting standards

In addition to the size criteria, the Law prescribes that certain companies are considered public interest entities and as such also qualify as large companies. Thus, these companies should also prepare IFRS financial statements.

These entities are:

- Companies with a listing on the local stock exchange;
- Government owned entities;
- Companies that are subject to supervision of the Central Bank of Suriname, which are banks and related entities (e.g. savings funds, investment funds, commercial banks, credit corporations), insurance companies, pension funds.

Publication and filing of financial statements

The law prescribes that financial statements and a report from the board of management need to be prepared within six months after the balance sheet date. The financial statements should be filed at the Chamber of Commerce and Industry, generally, within 7 days after the approval by the general meeting of shareholders or equivalent body. Only small entities are exempted from this general rule, but they are required to keep their financial statements available for third parties at their offices.

Audit of the financial statements

According to the law public interest entities, large companies and medium size entities should have an audit performed on their financial statements. Small entities are exempted from this rule.

Enforcement and sanctions

The law offers every interested party the opportunity to enforce compliance through the subdistrict court for the preparation and publication of financial statements as well as for the execution of an independent audit. Fines for non-compliance can be imposed.

In future this act will generally serve the purpose of transparency and comparison of financial matters based on the required disclosures of the topics of the annual statement and environmental aspects well.

- **Law on Foreign Exchange (1947)**

Under the Surinamese Foreign Exchange Act a number of foreign currency and securities transactions are subject to the approval by the Foreign Exchange Commission.

A foreign exchange license is required by law for a branch or a subsidiary of a foreign (parent) company to:

1. *Take out a loan from the foreign (parent) company*

Under the Surinamese Foreign Exchange Act Surinamese branches and Surinamese subsidiary companies of foreign companies are qualified as residents. A license from the Foreign Exchange Commission is required to open foreign currency accounts and to credit these accounts with foreign currency, transferred by the parent company abroad.

On January 20, 1999, the Foreign Exchange Commission issued a general license (AB no. 206) to residents to (among other things) open foreign currency accounts and dispose of and receive foreign currency in Suriname. Foreign companies and their Surinamese subsidiaries however are excluded in this general license, which means that these companies cannot use the general license for the mentioned transactions.

According to the exchange control regulations a subsidiary of a foreign company must be in the possession of a license from the Foreign Exchange Commission in order to be able to legally open a foreign exchange account and receive a loan from its parent company abroad.

It is not clear if the Foreign Exchange Commission qualifies a branch as a subsidiary.

It is recommended to apply for the special licenses (open foreign currency account and to credit these accounts with foreign currency) at the Foreign Exchange Commission (in name of the subsidiary or the branch), before entering into loan agreement.

2. *Transfer of cash dividend to the foreign parent company*

According to Article 11 of the Foreign Exchange Act, a license from the Foreign Exchange Commission is required for foreign currency transactions between residents and nonresidents. This Act qualifies the parent company abroad as a non-resident. As the transactions will not be covered by the general license (AB no. 206, see above) a special license from the Foreign Exchange Commission will be required to transfer dividend to the parent company.

To conclude, for either to take out a loan or to transfer dividend to the parent company outside Suriname, special licenses from the Foreign Exchange Commission are required. The branch or subsidiary in Suriname should apply for these licenses.

- **Unusual Transactions Reporting Act**

(SB 2002/65 and its amendment in 2012 and 2016)

According to this Act, a service provider, who in the performance of its duties, discovers facts that are indicative of money laundering, taking into account indicators to be determined by State Decree, is obliged to immediately notify the Reporting Center, in writing, of an unusual transaction performed or intended. A service provider is a financial or non-financial service provider, which can be a natural person, a legal person, a company or a partnership that provides professional or business services. An unusual transaction is any transaction that deviates from the normal course of the account, from the normal business activities of the service provider and from what is usual in daily practice.

The report must contain, as far as possible, the following information:

- a. the identity of the client;
- b. the nature and number of the client's proof of identity;
- c. the nature, time and place of the transaction;
- d. the extent and in the case of a financial service provided with reference to the listing in Article 1 (c);
- e. the destination and origin of funds, securities, precious metals or other securities involved in the transaction;
- f. the circumstances on which basis the transaction is considered unusual.

The service providers are obliged to document all national and international unusual transactions as complete as possible. The relevant documents concerning national and international transactions, for at least seven years must be kept in such a way that they can be made available for inspection without much effort and loss of time at the request of the proper authorities.

Service providers, their directors and employees are not liable under criminal or civil law for the violation of restrictions on the disclosure of information imposed by agreement or by legal provision if they report their suspicions of money laundering to the Reporting Center.

3.2.2 Fiscal regime (taxes, royalties and incentives) Oil and Mining Companies

In this section an overview of regulations and legislation are provided that are applicable to the Surinamese Extractive Industries.

- **Income Tax 1922**

(G.B. 1921 No. 112, Acting G.B. 1960, No.84, as last amended by S.B. 2016

According to the Income Tax Law 1922 individuals and companies are subject to income tax. The companies which are subject to the Income Tax Law 1922 are stipulated in this Law. Sole traders are considered individuals and are taxed as such. Resident companies are taxed on worldwide income. Companies established in Suriname are considered resident companies.

Non-resident companies are subject to income tax in Suriname, if they have income derived from sources as real property or beneficial rights to real property and profits from enterprises carrying out operations through a permanent establishment (e.g. a branch) in Suriname.

Regarding the determination whether the activities of an enterprise can be considered as a permanent establishment in Suriname, the rules as set out in the Model Tax Convention of Organization for Economic Cooperation and Development (OECD) are considered. Furthermore, the Income Tax Law 1922 assumes that the following activities performed in Suriname are deemed to be carried out through a permanent establishment.

- Acting as an insurer;
- The execution of building, construction, assembly, digging, exploration, dredging or cleaning activities or other activities, either for more than 183 days within a period of twelve months, or as part of work which is subsequently executed by various entrepreneurs and of which the total duration exceeds 183 days within a twelve months period;
- Aerial surveying activities and other activities aimed at the inventory of natural resources.

Based on Article 28, paragraph 3 of the Income Tax Law, profit from a business shall always be considered to have been obtained by means of a permanent establishment present in Suriname for as far as it results from exploration or exploitation of natural resources on a part of the continental shelf in front of the Surinamese coast for which the State has granted a license or concession for such exploration or exploitation.

In the year 1998 Suriname ratified the United Nations Convention on the Law of the Sea. According to the United Nations Convention on the Law of the Sea, the exclusive economic zone is an area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdiction of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of this Convention. It should be noted that the exclusive economic zone in principle does not extend beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured. However, we note that the rights of Suriname may be extended up to 350 nautical miles from the coastal baseline.

Taking the limit set forth in the Convention it can be concluded that the Surinamese tax authorities have the power to tax up to 350 nautical miles from the baselines from which the breadth of the territorial sea is measured if a permanent establishment is considered as mentioned above.

Effective tax rate for companies

For Surinamese tax purposes there is in principle no difference in the manner of how the tax base for Surinamese operations is calculated for locally established companies and for branches. The income tax rate for both resident and non-resident companies is a flat rate of 36%.

Tax administration for corporations and individuals

The Surinamese Income Tax system is a so-called ‘Self-Assessment System’. This system entails that the taxpayer has to calculate the income tax due and has to report it.

Each taxpayer is obliged to file two tax returns: a final income tax return for the past year and a preliminary tax return for the current year.

At the latest on April 15th of the calendar year, the taxpayer must file a preliminary income tax return, which includes an estimate of the tax due for the current year. The estimated tax should be paid in four equal installments, which are ultimately due on April 15th, July 15th, October 15th and December 31st.

At the end of each year, individuals and companies must file a final income tax return. The due date for the filing and payment of the final tax amount calculated on the return (reduced with provisional tax paid) is April 30th for individuals and for companies June 30th. Interest will be charged for late tax payments. In addition, penalties can be imposed if filing/payment of the required tax return/installment has not been done on time.

Individual Income Tax

The Income Tax Law contains a distinction between resident and non-resident individuals. Resident individuals are subject to income tax for their worldwide income, while non-residents are only taxed on their income derived from Surinamese sources.

An individual is considered a resident of Suriname if the center of his personal economic interests lies in Suriname. This is determined based on actual facts and circumstances, e.g. the place of work or the place where the family lives. It should be noted that a tax residency can exist without official residency (fulfillment legal requirements).

A non-resident is only taxable on Suriname-source income, which includes:

- Employment income in so far as the services pertaining to that income are physically rendered in Suriname (from day 1, as such the 183-rule does not apply);
- Income from a Surinamese business if attributable to a permanent establishment present in Suriname, by means of which the business is conducted;
- Income from immovable property located in Suriname;
- Rights to a share in the profit of a Surinamese company, other than those based on share ownership or employment;
- Income from a Surinamese public body.

Resident and non-resident individuals are taxed based on the following:

Portion of annual taxable income	%
up to SRD 2,646	0%
exceeding SRD 2,646 up to SRD 14,002.80	8%
exceeding SRD 14,002.80 up to SRD 21,919.80	18%
exceeding SRD 21,919.80 up to SRD 32,839.80	28%
from SRD 32,839.80 and above	38%

Table 3.6 Income tax rate schedule

On the calculated taxable income, a tax credit with a maximum of SRD 1,500 per annum can be made.

- **Wage Tax and Social Security Premium**

(S.B. 1981 No. 181, valid text S.B. 1985 no.10, as last amended by S.B. 2016 No. 149)

Wage tax

Taxable income includes the taxable employment income. According to the Surinamese Wage Tax Act, employment income, paid by a Surinamese withholding agent (employer) to an employee is subject to the withholding of wage tax. This must be credited against the income tax payable on the taxpayer's income tax return or may serve as a final tax. A permanent establishment is considered a withholding agent according to the Wage Tax Act.

The wage tax schedule is as follows:

Portion of annual taxable wage	%
up to SRD 11,356.80	8%
exceeding SRD 11,356.80 up to SRD 19,273.80	18%
exceeding SRD 19,273.80 up to SRD 30,193.80	28%
from SRD 30,193.80 and above	38%

Table 3.7 Wage tax rate schedule

Note that exceptions on the above rate may apply for lump sum benefits and overtime payments.

Social Security Premium

All resident individuals/employees under age 60 are required to make this contribution. The social security premium amounts to 4% of the net income/wage. Note that the social security premium is not the same as the pension premium/contribution. Non-residents are not subject to social security premium contributions. Previous contributions to the General Old Age Pension Reserve are not returned at the end of the labor contract and/or departure from Suriname.

- **Withholding tax and capital gains**

(G.B. 1973 No 8)

Suriname levies a dividend withholding tax on dividends distributed by Suriname resident companies. The dividend tax rate is 25% (if no tax treaty is applicable).

In principle Suriname does not levy a withholding tax on royalties, service fees, management fees, overhead fees, interest and rent. Suriname does not levy withholding taxes on branch distributions.

Please note that under the Surinamese Foreign Exchange Act a license from the Foreign Exchange Commission is required for foreign currency transactions between residents and non-residents, according to Article 11 of the Act. This Act qualifies the parent company abroad as a non-resident. As the transactions will not be covered by the general license, a special license from the Foreign Exchange Commission will be required to transfer dividend to the parent company.

To conclude, to transfer dividend to the parent company outside Suriname a special license from the Foreign Exchange Commission are required.

As mentioned under chapter three, the Foreign Exchange Commission will grant permission to contractors to transfer capital and/or profits - related to the export and/or sale of petroleum - outside of Suriname. No separate capital gains tax is levied in Suriname.

Capital gains within a corporate business of resident or nonresident company are subject to regular income tax. Regular income tax rates apply to capital gains realized on the disposal of business assets.

- **Turnover Tax/ Sales tax**

(S.B. 1997/83, as last amended by S.B. 2013/117)

Suriname does not have a value-added tax (VAT), but a turnover tax (also referred to as sales tax).

Under the name of Turnover Tax Act 1997, tax is levied in compliance with the stipulations of this law on:

- a. goods produced in Suriname and delivered in Suriname by entrepreneurs within the scope of their enterprise;
- b. services, mentioned in appendix no. 1 of this Law, performed in Suriname by entrepreneurs within the scope of their enterprise;
- c. the import of goods.

The rates of the Turnover Tax are:

- 10% for the supply of goods and on imports (with the exception that for certain luxury goods a rate of 25% is applicable);
- 8% for the rendering of services which are included in the appendix to the law;
- 0% in the case of export of goods.

According to the Turnover Tax Act 1997, turnover tax, which has been paid by a manufacturer on raw, auxiliary materials, semi-finished products and services rendered, necessary for the production of taxed goods, can be deducted from the turnover tax due, provided that adequate administration is maintained. The same rule applies to turnover tax paid by the manufacturer on imported goods.

Based on several Acts exemptions might be applicable.

Turnover tax should be transferred to the Tax Authorities no later than the 15th of the month following the month in which the amount is received. According to the Turnover Tax Act, in Suriname, the cash accounting method is applicable. Turnover tax on imports is levied at import.

The Turnover Tax Act has a provision in which is stated that if a non-resident (company) is of service to a resident (company) of Suriname, the Surinamese resident is responsible for the turnover tax, (“reverse mechanism”). Please note that this includes the filing of the tax return and the payment of the turnover tax due.

• Custom Duties

(Act Tariff of Import Rights) 1996 /S.B. 1995 no.111, last amended by S.B. 2004 no. 79) in conjunction with the Petroleum Act 1990)

With the entry of Suriname to the Caribbean Community (CARICOM) in 1995 the regime of import duties was brought into line with CARICOM arrangements. The tariffs of the import duties inserted in the Tariff Law of Import Duties vary from 0 to 40%. If one imports goods, this person has to pay import duties and turnover tax. Please note that goods that are produced in the CARICOM are for the most part exempted from import duties. There are also various exemptions mentioned in the Tariff Law on Import Duties.

With the import some other duties, namely statistic 0.5% and consent rights 1.5%, of the CIF-value are due. Over CIF-value added with the total of the aforementioned duties, 10% turnover tax on the import of goods (25% on luxury goods) will be calculated.

Incentives on custom duties

Exemptions and special incentives on custom duties are found in different regulations, such as the Petroleum Act, which provides special incentives to oil companies, contractors and subcontractors of oil companies.

- **Statistic and consent levies**

Oil companies

With reference to Article 9 of the Petroleum Act and Article 4 for SB 2005/52, the statistical and export consent levies for the export of goods as the result of operations in the concessions will not exceed the equivalent of USD 300,000 in any calendar year.

The above provision applies to the Contractor *mutatis mutandis*. If multiple petroleum agreements have been signed with one Contractor, payable statistical and export consent levies will be determined for each petroleum agreement separately.

With reference to Article 9 of the Petroleum Act and Article 5 for SB 2005/52, Staatsolie, will be granted full exemption from statistical and export consent levies relating to the export of petroleum in the context of reimbursement of loans and other funds for the implementation of the petroleum agreement referred to in Article 1 sub b. These provisions apply to the Contractor *mutatis mutandis*.

Large mining companies

In the mineral agreements of the two large gold mining companies, the statistical and export consent levies for the export of gold is also limited to the equivalent of USD 300,000 per calendar year.

Investment facilities

The following listed investment facilities are set to stimulate investments in Suriname through tax benefits. These facilities are applicable only under certain conditions.

The Investment Code 2001 provides the following facilities:

- free depreciation on fixed assets;
- a tax holiday of ten years for certain new businesses;
- relief of losses between two joined companies;
- investment allowance (tax credit) for certain investments.

According to the “Raw material/commodity act” the import of commodities (raw material, auxiliary material and semi-finished goods) is free of import duties and turnover tax, provided that these commodities are not being resold, but used in a production facility or factory.

The tax authorities also provide a reduction of import duties and a full exemption for turnover tax on import of certain fixed assets as part of an investment.

Recently this investment facility has been amended. Currently, there is only a partial reduction possible on import duties and turnover tax, i.e. 75% is free of import duties and turnover tax, whilst 10% of the aforementioned mandatory to pay. Also, a partial exemption is granted for statistic rights with a maximum of SRD 100.

- **State Decree Royalty Offshore**

(SB 2005/52)

This State Decree sets the Royalties for offshore at 6.25% of gross production among others.

Significant development in the Oil and Gas regulations concerning taxes.

As of May 22, 2018, a State Decree has been issued effective as of June 8, 2018 which clarifies the position of the Surinamese Government in relation to PSCs signed by Staatsolie.

The purpose of this decree is to provide certainties to contractors and contractor parties in the oil and gas sector and to ensure that there are guarantees for the investments made by these parties. The important aspects that are mentioned in the State Decree, are (among others) the following:

- The term ‘affiliated party’ is included in the State Decree. This term was not mentioned earlier in the Petroleum Act. According to the State Decree, an affiliated party means, any company,

organization or entity who -directly or indirectly- controls, is controlled by or is under common control by a company, organization or entity.

- Conventions, inter-Governmental agreements or any other International and National regulations have no impact and/ or influence on the rights and obligations of the contractor, unless the Constitution of Suriname and/or International Law justify this.
- The Government guarantees full and prompt compensation of the contractor party in case of non-compliance with a provision in the Decree.
- For ships sailing under a foreign flag there will be no legal barriers to operate in the territorial waters of Suriname, when carrying out activities which are related to petroleum activities.
- Contractors will have the possibility to buy Surinamese Dollars from the CBoS or from a local merchant bank at an exchange rate that accurately reflects the international market value. However, these Surinamese Dollars must be used only for the purpose of the petroleum activities.
- The Government will guarantee that they will provide contractors and subcontractors with licenses, permits, approvals, customs clearance, visa residence permits which will be necessary for the purpose of carrying out petroleum activities.
- Contractors should pay all taxes in USD.
- The Foreign Exchange Commission will grant permission to contractors to transfer capital and/or profits - related to the export and/or sale of petroleum - outside of Suriname.
- Contractor parties and its subcontractors are exempted from the following taxes:
 - a. Surinamese turnover tax on the purchase of goods and the delivery of services during the period of the PSC. Such services provided to contractors, which relate to oil and gas activities, will in principle no longer be subject to the Suriname turnover tax.
 - b. Taxes on dividends, paid by a contract party to non-Surinamese shareholders, the transfer of profits to a foreign head office, or the re-transfer of dividend payments by non-Surinamese shareholders.
 - c. Taxes on the sale of an interest arising from an agreement or the sale of the shares of a contractor party by non-Surinamese shareholders, the revenues on the sale of these kinds of interests or shares and the re-transfer of these revenues in accordance with the Stamp Act. However, in general contractors and subcontractors are taxable in accordance with the Income Tax Act 1922.

3.2.3 Procedures Oil and Mining Sector

3.2.3.1 General

The main laws applicable to the Suriname Extractive Industries are the:

- Concession decree E-8B/SB 1981
- Mining Decree, Decree E-58, of May 8, 1986, and
- Petroleum Act 1990 /SB 1991
- Mineral Agreement 1994 and the Mineral Agreement 2013

These contain the general rules and regulations for exploration and exploitation of minerals.

Large mining companies enter into a separate mineral agreement with the Republic of Suriname.

According to Article 2 of the Mining Decree, all minerals existing in the Republic of Suriname and its exclusive economic zone, are the property of the Republic of Suriname, and the Republic holds exclusive sovereign rights regarding the exploration and exploitation of these resources. Petroleum resources are the property of the State. The Mining Decree (article 32) provides the Government of Suriname with an option to participate directly in any mining project. The national mineral policy is vested by the Government. The MONR is responsible for the implementation of such policy.

The Mining Decree determines 5 groups of minerals:

1. Bauxite;
2. Radioactive minerals;
3. Hydrocarbons;
4. Other minerals, exclusive of building materials;
5. Building materials.

In Suriname the following minerals were extracted in 2016:

- Bauxite until 2015;
- Gold;
- Oil ;
- Building materials (not part of this first report and therefore further disclosed).

Mining rights can be obtained by:

- State enterprises for radioactive minerals and hydrocarbons;
- State and private enterprises for bauxite;
- State enterprises, Private enterprises and persons for other minerals and building materials.

3.2.3.2 Mining rights, mining license for all minerals

Oil industry

Staatsolie has been granted the exclusive right to explore, develop and produce petroleum onshore, and offshore. (see: <http://opportunities.staatsolie.com/media/1244/hydrocarbon-legal-facts-of-suriname>). Through the Petroleum Act, the IOC can operate in Suriname by signing a petroleum agreement, referred to as Production Sharing Contract (PSC) with Staatsolie.

Mining industry

Mining rights, except for oil should be applied for at the MONR. The GMD has an important role in supporting the development of the mining industry.

Mining companies require a license from the MONR. In addition, the company does not need to apply for a business license from the Ministry of Trade, Industry and Tourism. The license already states the business activities that the license holder is entitled to exercise and the associated rights and obligations. The rights and obligations of the license holder include the right to sell the extracted minerals and the duty to pay royalties.

Mining rights confer on the holder thereof the right to carry out mining operations and these mining rights can be divided into:

- the right of reconnaissance. This grants the holder an exclusive right to perform reconnaissance work on the reconnaissance site;
- the right of exploration. This grants the holder an exclusive right to perform exploration work (drilling, sampling, etc.) on the exploration site regarding to the mineral (s) for which the right has been granted;
- the right of exploitation. Article 34 section 1 of the Mining Decree states, that the holder of the right of exploitation is, to the exclusion of others, entitled to extract minerals for which the right has been granted in or on the exploitation site, with due observance of the statutory regulations and agreed conditions, including the ones stipulated in Mineral Agreements where applicable;
- the right to small mining. The right to small and medium scale mining grants the holder thereof an exclusive right to carry out exploration work and extraction of the mineral for which the right has been granted in or on the site to which the law applies;
- the right to exploit building materials. Building materials are all forms of rocks such as gravel, sand, clay, shells, crushed stones and other materials used in the construction of buildings, roads, dams and similar works.

Overview of period and surface size mining rights:

Right to:	Term in years (y)		Transferable*	Surface size Maximum
	At start	Extension		
Reconnaissance	2y	Once: 1y	No	200,000
Exploration	3y	Twice:	No*	40,000
		2y	No*	75% of 40,000
		2y	No*	50% of 40,000
Exploitation	25y max	Possible	No	10,000
Small mining	3y	Max 3y	No	200
Exploit building materials	5y max	Each time 5y max	No*	400

Table 3.8 Overview duration mining rights and surface size

* transfer upon request is possible with approval of the Minister of MONR

** 1 ha = 2,47 acres

Mining rights are granted by the Minister of MONR provided that all conditions and requirements are met.

Mining rights will only be granted if the applicant can validate, among other things, the following:

- financial position;
- technical ability and capabilities;
- organizational competence;
- experience with minerals.

There are certain requirements for the holder of mining rights:

- The holder of a mining right shall maintain an office in Suriname where a copy of all technical reports of his operations must be available and where he should keep a regular record of the accounting books with annual closure statements;
- If the holder of a mining right is a person, the person must be a Suriname resident and legally competent. The holder of a mining right, who is not located in Suriname, must have an office space in Suriname.

Mining rights expire when:

- the period of the mining rights expires;
- by renunciation of the mining rights;
- by revocation of the mining rights.

3.2.3.3 Taxes and retributions and royalties

During the exploration and the exploitation phase the holder of the right must pay a fee at the beginning of each one-year period.

The holder of a right of small and medium scale mining must pay a fee at the time the application for the right is submitted. If the right of small or medium scale mining is not granted, the money shall be refunded, with the expenses deducted. The holder of a right to quarry building material must pay a fee. The amount must be paid in advance, and for the first time, at the granting of the right.

Royalty

The holders of a right of exploitation, small and medium scale mining or to quarry building material should pay royalties to the Government. The calculations of these royalties depend on the type of mineral.

The royalty contribution by the large goldmining companies is settled in their respective Mineral Agreements with the Republic of Suriname.

It is possible to apply for a (partly) exemption for royalties. Exceptions can only be granted by:

- Government Decree to the holder of a right of exploitation and
- Ministerial order to the holder of a right to quarry building materials and the holder of a right of small and medium scale mining.

3.2.4 Permit application procedure Oil and Mining

Oil industry

The main set of rules which govern petroleum operations in Suriname for the oil and gas sector are:

- the Staatsolie's Concession Agreement of Staatsolie (Decree E8-B, SB 1981/59);
- the Mining Decree 1986; and
- the Petroleum Act.

They contain instructions and directions for the gas and oil sector and describe the available investment incentives for the industry.

Unlike the mining industry with many mining right holders and with reference to the Petroleum Act 1990, Staatsolie is the only license holder of the concessions granted in oil industry. Staatsolie keeps track of all the issued concessions and monitors closely the extensions of these oil concessions. Therefore, there is no public register for oil and gas licenses.

To apply for an oil concession Staatsolie states a written request provided with a map and a description of why the area or an extension thereof is needed. The last one was in 2008 (see map page 58). Several authorities and departments within the Government such as GMD provide their advices after which the Minister of MONR approves the application. There is no formal procedure or law as such for application for oil concessions.

Staatsolie as the state-owned oil company of Suriname holds all mining rights, for both onshore as well as offshore.

Staatsolie has its own onshore operations and for offshore activities Staatsolie enters into agreements with IOCs.

Offshore

According to the Petroleum Act, State Owned Enterprises with petroleum concession rights are authorized to enter into petroleum agreements with other established petroleum companies. After a bidding round or via direct negotiations, petroleum agreements or PSCs are signed with Staatsolie.

Since 1980 Staatsolie has negotiated petroleum agreements with several IOCs which resulted in signing of several PSCs. The specific individual agreements are based on the Staatsolie PSC Model, as disclosed on de Staatsolie website. (see model PSC 2017 on <https://www.staatsolie.com>)

In 2016 Staatsolie, as regulator in the petroleum industry and acting as an agent of the Government, continued to promote offshore Suriname through the "Open Door Invitation". Closed on September 7, 2016, this process encouraged several international oil companies to bid on Suriname's open offshore blocks. For 90 calendar days other Oil & Gas Companies (O&GCs) would be aware of the proposal and could submit another proposal for the same acreage. If after ninety (90) calendar days Staatsolie did not receive another proposal for the acreage, Staatsolie would start negotiations with the O&GC that submitted a proposal. If within the 90) calendar days Staatsolie received another proposal it would select the best proposal based on the submitted work program. This PSC-negotiations in 2016 resulted in 2017 in assigning the offshore block 59 between a consortium consisting of the oil companies ExxonMobil, Hess Corporation and Equinor. A contract for Block 60 has been assigned to Equinor.

Generally, a signed PSC will remain in force for 30 contract years from the effective date and may be extended upon mutual agreement of the involved parties.

The term of a PSC is divided in the following two stages:

1. exploration
2. development and production

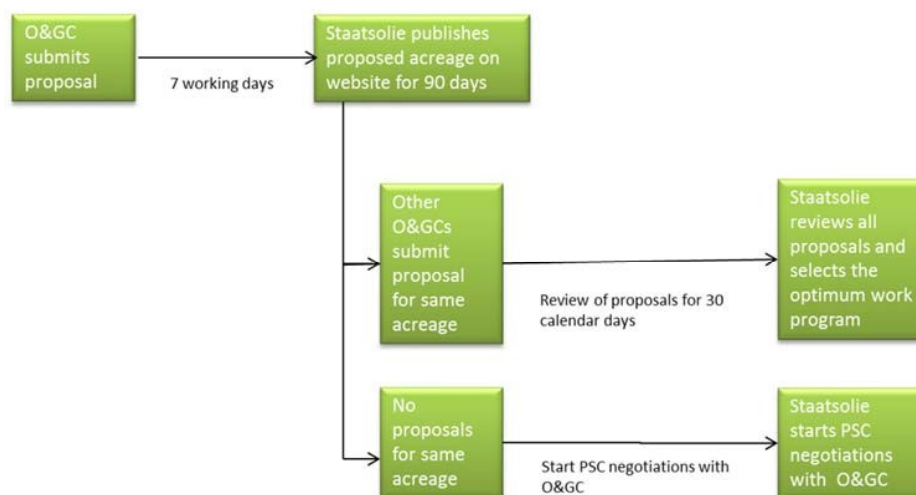


Figure 3.11 Process Open Door Invitation

The exploration period is approximately 9 years and is divided into 2 or 3 phases of various durations, dependent upon the committed work program for each phase. Parties can decide to extend each phase of the exploration period and the contractor can withdraw at the end of each phase of the exploration period. For any discovery made at any point during this period in any phase, the contractor has the right to retain such discovery and its resulting discovery area to appraise and submit a development plan.

Mining industry

The main set of rules that govern mining industry in Suriname are the:

- Brokopondo Agreement;
- Mining Decree 1986 and
- Mineral Agreement 1994 and its 2 amendments and the Mineral Agreement 2013.

The GMD is in charge of handling the mining license application for mining minerals except for Oil. In this context, the following procedure applies:

- The permit applicant should personally provide the map indicating the desired location of operation. GMD verifies whether the aforementioned location is vacant;
- If the location is available, the application for the permit will commence;
- During the processing of the application, GMD will seek advice from the Ministry of Spatial Planning, Land and Forest Management and the Commissioner of the district of the requested location of operation;
- After a positive advice from these Government agencies, a decision from GMD will be issued to the Minister of MONR.

Companies operating on the concession of someone else may suffice with a registration at the Chamber of Commerce and Industry with approval from the Minister of MONR.

Gold

For regulations of the gold sector it is important to distinguish:

- Small- and medium-size companies and
- Large companies

The small- and medium-size mining companies are solely governed by the Mining Decree. These mining companies can apply for a mining concession at the MONR with input from the GMD. They are not allowed to dispose of their license to third parties.

Large gold companies, namely RGM and NS, have concluded and entered into mineral agreements with the Republic of Suriname, in which specific conditions for conducting the operations are enshrined.

Bauxite

For bauxite, the legislation and regulations were not only controlled by the Mining Decree, but also by the Brokopondo Agreement between Alcoa and the Republic of Suriname. Bauxite production has ceased late 2015 and parties are currently negotiation the termination of the Brokopondo Agreement. Suriname has stopped with the production of bauxite and is currently dismantling these operations.

License register

At GMD all the requests for mining rights are registered and those applications that are approved by the Minister of MONR are recorded by GMD which is accessible on their website. At this moment the data is fully updated. (see <https://geologymining-sr.maps.arcgis.com/home/index.html>)

All approved mining rights should be registered at the Management Institute 'Grondregistratie en Land Informatie Systeem' (GLIS/Land registration and Land Information System) before the mining rights can be executed. Because of privacy protection GLIS does not expose the registered data publicly but any inquiry can be requested at GLIS for a specific mining right and or concession.

3.2.5 Compliance with environmental laws and regulations in the extractive sector

A draft Environmental Act has been submitted to the National Assembly (DNA) for approval. Currently, DNA is engaging stakeholders to discuss and provide input to this draft Environmental Act. The 'Nationaal Instituut voor Milieu en Ontwikkeling in Suriname', (NIMOS/National Institute for Environment and Development in Suriname) established in 1998, also started with the process to develop draft regulations (Environmental Impact Assessment, Pollution Control, Environmental Fund, etc).

The main objectives of NIMOS are:

- The implementation of national environmental legislation in the broadest sense;
- Preparing and implementing environmental protection regulations;
- Coordination and monitoring of compliance.

NIMOS gets support in the field of policy and advice from the 'Nationale Milieu Raad' (NMR/National Environmental Council). The NMR is an advisory body of the Government of the Republic of Suriname, set up by Presidential Decree in 1997, with the aim of preparing environmental policy and exercising control over its implementation. (see <http://www.gov.sr/themas/milieu-en-omgeving/nimos.aspx>)

NIMOS is one of the senior beneficiaries and responsible partner and MONR is the implementing Partner with the focus on Improving environmental management in the mining sector with emphasis on the ASGN sector in Suriname. Enacted legislation covering and regulating the current activities of small scale and artisanal gold mining is essential in general but in particular, in the field of informal activities in the small-scale gold mining. NIMOS also started the process of development. It is worth mentioning, that although no environmental law is in force yet, for the past decennia, an

Environmental Impact Assessment process has been complied by all the multinationals in the Mining Sector for gold mining and all hydrocarbon activities of Staatsolie and for offshore exploration activities.

The Government of Suriname, in some cases in cooperation with other actors and partners, has from time to time taken actions and implemented activities aimed at regulating illegal activities in the small-medium scale gold mining sector and improving environmental protection. One of the important focus areas of the Government is to end the use of mercury in the small-scale gold mining sector. In 2018, DNA has approved the ratification of the ‘Minamata Convention on Mercury’.

Some of these activities include:

- Project on Artisanal and Small-Scale Gold Mining (ASGM), National Action Plan (NAP) for Suriname with the Partners: Government of Suriname (NIMOS), United Nations Development Program (UNDP) and the Global Environment Facility Trust Fund (GEF Trust Fund), Global Environment Facility - Least Developed Countries Fund (GEF LDCF) and Global Environment Facility - Special Climate Change Fund (GEF SCCF). The duration is 2 years, starting period November 2017, and projected cost is USD 500,000. The expected outcome is inclusive and sustainable solutions adopted for the conservation, restoration and use of ecosystems and natural resources (A Sustainable and Resilient Caribbean).
- Project on Reducing the Use and Release of Mercury by Artisanal and Small-Scale Gold Miners in Suriname with the Partners: United States Government and the Artisanal Gold Council. This project was initiated in September 2016 and financed by the United States Government.

Due to lack of legislation on environmental protection Suriname is reflecting on internationally accepted treaties, regulations and practices for its mining operations.

Due to the above, and to protect the rain forest and tribes etc., environmental protection has become of paramount importance, especially within the context of sustainable and responsible mining. There are developments towards the preparations of environmental topics, as well paragraphs to be inserted in the draft mining act, in progress. In the absence of formal environmental law there are general provisions regarding the environment included within the various mineral agreements, the PSC and in the constitution.

By participating in and committing to international conventions, there is also an indirect commitment to compliance with environmental regulations. NIMOS, although not a legal body for environmental management in practice, plays an important role in environmental matters.

Mining companies have to follow internationally established rules and laws when conducting operations in Suriname, of which some are embedded in the ISO 14001 Certification. Currently, a draft Environmental Framework Law has been submitted to DNA on January 25, 2019, which has placed the law on its agenda for debate and approval. The law aims to set forth rules and regulations for sustainable environmental protection and management, in order to create a balance between economic growth and environmental protection. So far, this process is still pending.

3.2.6 Beneficial ownership

In the spirit of the times in which the existing procedures for granting licenses and entering into mining agreements were developed, the need for beneficial ownership was not, or hardly at all, required. Hence, among other things, an extract from the Chamber of Commerce and Industry (CC&I) was sufficient. This Chamber does not require information about shareholders or beneficial ownership for registration. (See *annex for requirements CC&I*).

But considering the requirement of transparency regarding the actual ownership of companies, this will be considered, and additional measures will be taken. The law of 2017 regarding annual accounts effective as of on January 1, 2020, requesting IFRS as reporting standard will help to provide transparency in this matter.

3.2.7 State participation in the extractive sector

In 2016 the Government participates in the extractive industry through:

- Staatsolie and Grassalco, both being 100% State owned enterprises;
- A 5% non-paid shareholding in RGM;
- An UJV between RGM and NV EEN (N.V.1), in which N.V.1 - Government - has a 30% participating interest right. In 2016 the UJV was not established yet;
- N.V. 1: 98% directly state owned and 2% through Nationale Ontwikkelingsbank (NOB/National Development Bank).

3.3 Exploration Oil and Mining

Oil industry

Petroleum exploration and production is ongoing onshore by Staatsolie. Staatsolie is also actively exploring offshore in shallow water. Offshore exploration is ongoing by various IOCs that have signed a PSC with Staatsolie.

Offshore petroleum exploration activities conducted during 2016 consisted of five IOCs exploring eight blocks. One dry well was drilled by Petronas in Block 52 during 2016. Teikoku Oil Suriname finalized its exploration campaign that year and relinquished Block 31.



Figure 3.12 Ralph Coffman jack-up rig that drilled the Roselle prospect in Block 52 in 2016 (Source Staatsolie)

The next figure provides an overview of the onshore and offshore concession area of Staatsolie.

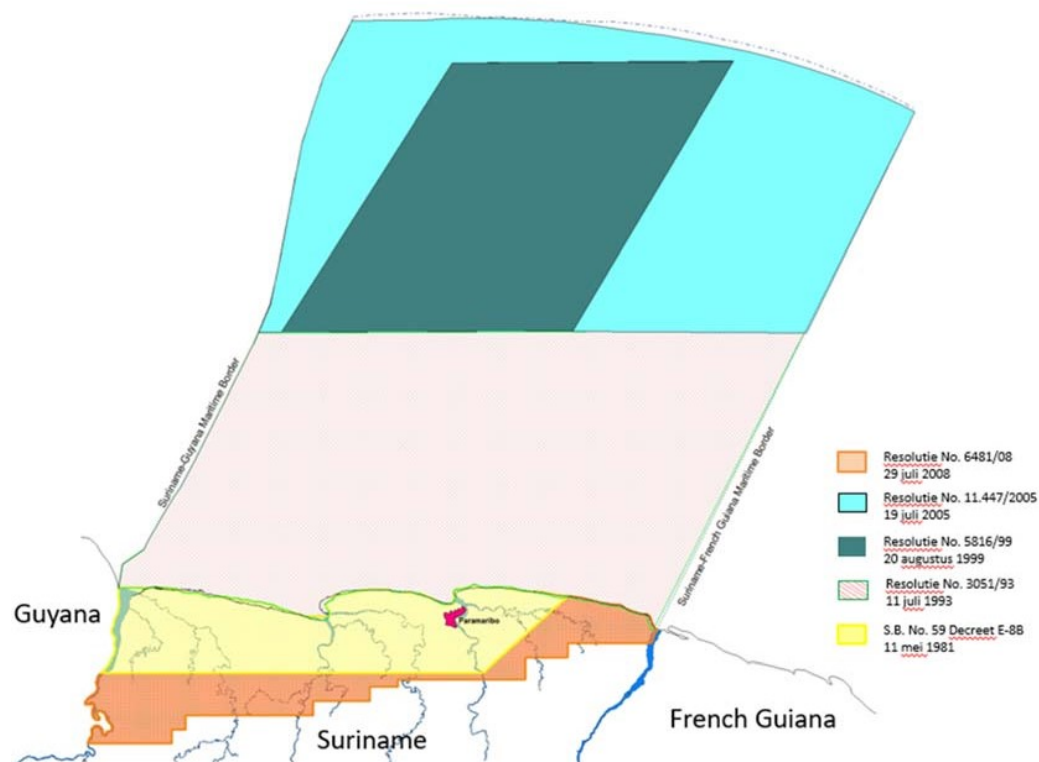


Figure 3.13 overview of onshore and offshore Oil Concessions granted to Staatsolie (source Staatsolie)

Mining industry

Mining activities in Suriname are conducted by two large scale mining companies namely RGM and NS and in addition by numerous small and medium size entities. Staatsolie is a participating partner with NS. Grassalco's main activity in 2016 was focused on crushing waste rock obtained from RGM into aggregate for the commercial market.

Small and medium size mining companies collective

There are many small and medium size mining companies. Out of this group about 40 small and medium size mining companies have grouped together and have ultimately formed a platform as a foundation to address their needs and goals as a collective to the Government.

After a successful collective resistance against a huge increase of the surface rights fees in 2014, based on the Mining Decree on May 26, 2014, because of its financially unbearable effects for the small and medium scale miners, the group acknowledged the need to be organized. Stichting Houders Mijnbouw Rechten' (SHMR/Foundation for Holders of Mining Rights) was established on August 15, 2014, to represent the interests of its actors within the mining sector in broad sense, to act as a discussion partner and to represent them in every respect, to discuss further development of the mining sector and to act as counterpart towards the Government.



Figure 3.14 prospecting operation medium-scale mining (SHMR)

Areas of interest

The large-scale gold companies as well as the small and medium scale miners are conducting ongoing exploration aimed at finding gold in their existing and/or newly acquired concessions. The areas of interest of the three large mining companies are projected as shown in figures 3.15 to 3.17

ROSEBEL GOLD MINES

Area of interest of RGM

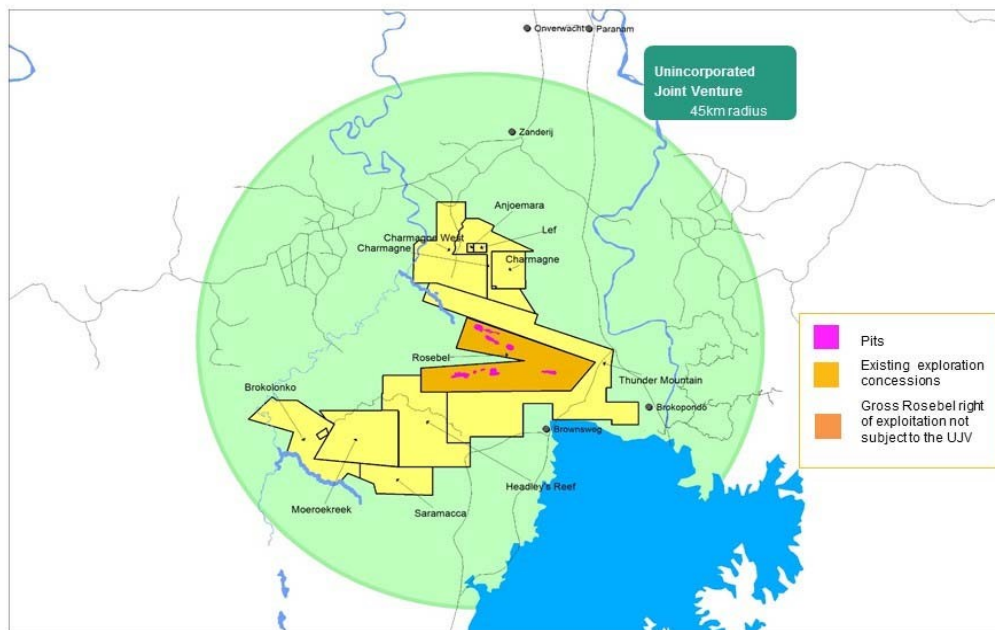


Figure 3.15 Area of interest, exploration and exploitation fields, RGM

NEWMONT SURINAME

Area of Interest of NS

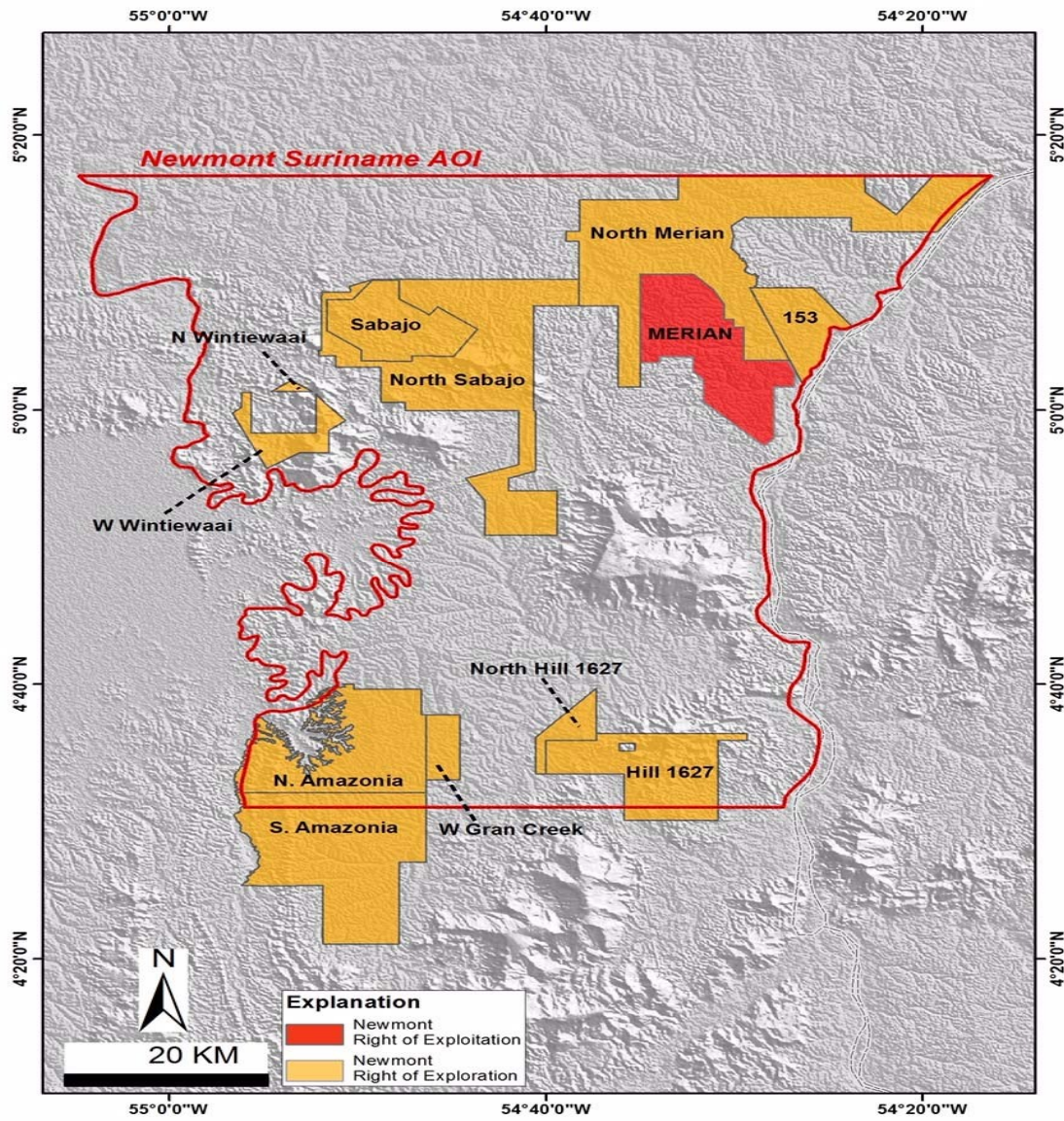


Figure 3.16 Area of interest, exploration and exploitation fields, NS

GRASSALCO

Area of interest of Grassalco

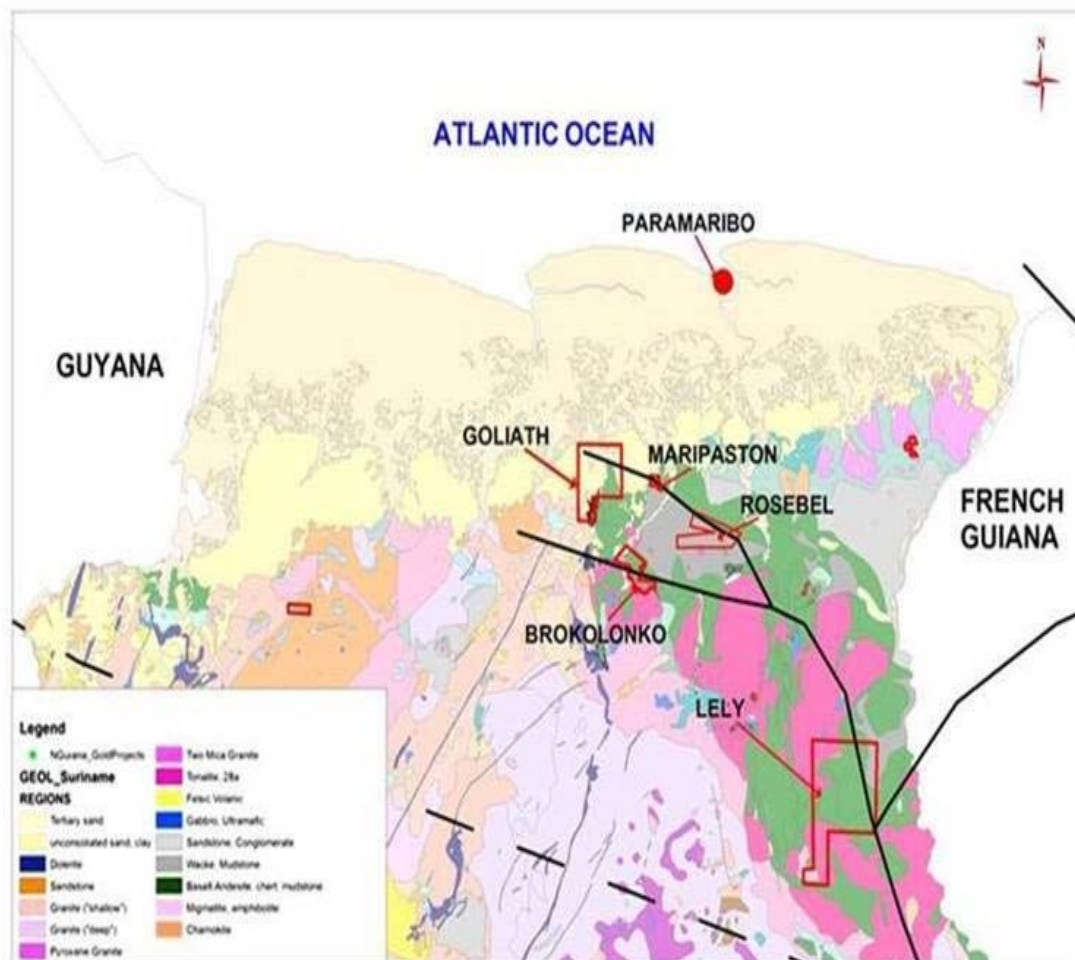


Figure 3.17 Area of interest, exploration and exploitation fields, Grassalco

3.4 Production Oil and Mining

Within the MONR there are no designated departments yet that keep track of the production of oil and minerals.

Oil industry

Staatsolie has achieved an average daily crude production in 2016 of 16,327 bopd (barrels oil per day), equating to a total production of 5.98 MMbbls (million barrels).

Mining industry

RGM started the first large scale commercial production of gold in Suriname in 2004 and was therefore a full year in production in 2016. NS commenced commercial production in the last quarter of 2016.

Production volume 2016 of RGM and NS

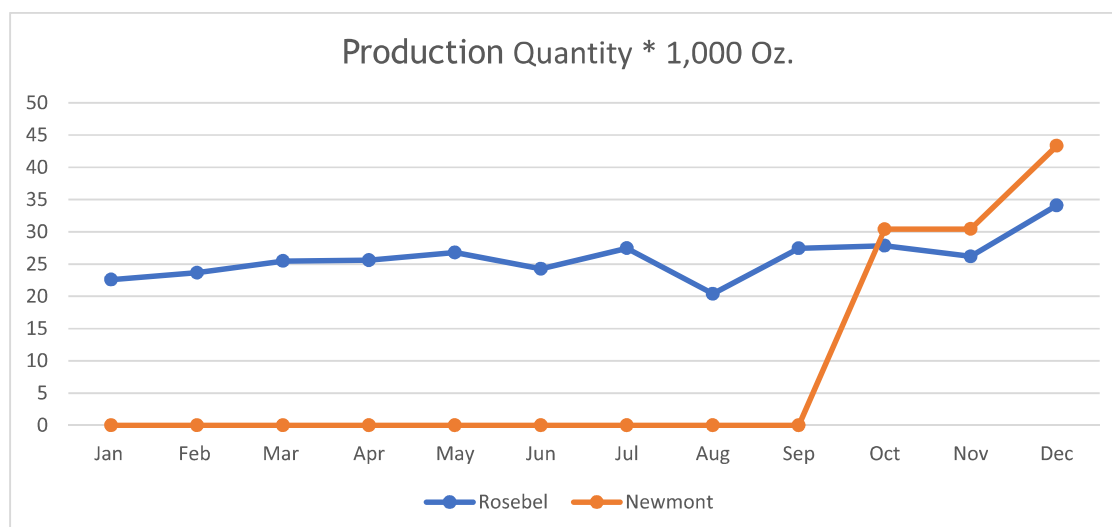


Figure 3.18 Source data provided by RGM and NS

Small and medium size mining companies

There are no accurate and reliable data about production by small and medium scale gold mining available as such.

3.5 Exports Oil and Mining

Within the MONR there are no designated departments keeping track of the export of oil and minerals based on criteria set for this ministry in order to monitor and navigate the extractive sector.

According the 'Stichting Algemeen Bureau voor de Statistiek' (ABS/ Foundation General Office for Statistics) the total -undivided- value of the export 2016 for the top 5 commodities amounted SRD 1,204 million (See <https://statistics-suriname.org/statistieken-en-publicaties/>)

Oil industry

Overall the global oil & gas market saw its value fall from USD 1,395.7 billion in 2015 to USD 1,205.6 billion in 2016. Oil prices are notoriously volatile, and their actions in 2016 were no exception. Crude oil prices fell into what seemed like a bottomless pit in early 2016.

Staatsolie saw a clear correlation between the decline in the price of crude oil and the decline in the value of the oil & gas market generally, especially taking into consideration the fact that volume consumption levels globally actually increased rather than decreased in 2016.

With an average oil price that fell below the cash cost in the first quarter of 2016, and the resultant negative impact this had on our cash flow and debt servicing capacity, 2016 was one of the most difficult years in 'Staatsolie's history.

The price of Saramacca Crude is linked to USGC HSFO Waterborne. In January 2016, this price felt to USD 16 per barrel. During the rest of the year an increase of the USD price per barrel was shown.

The next two charts show the value of oil and derivatives divided in export and local sales.

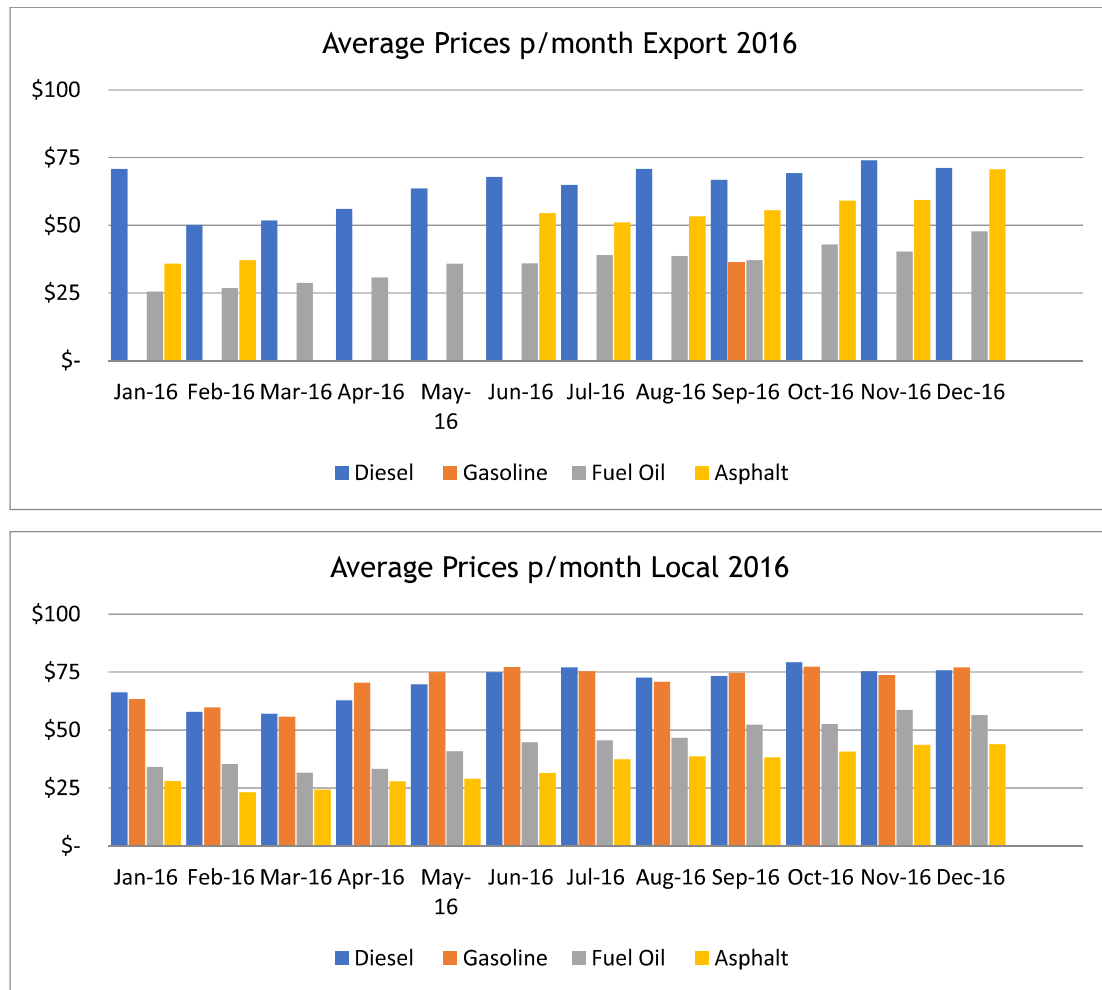
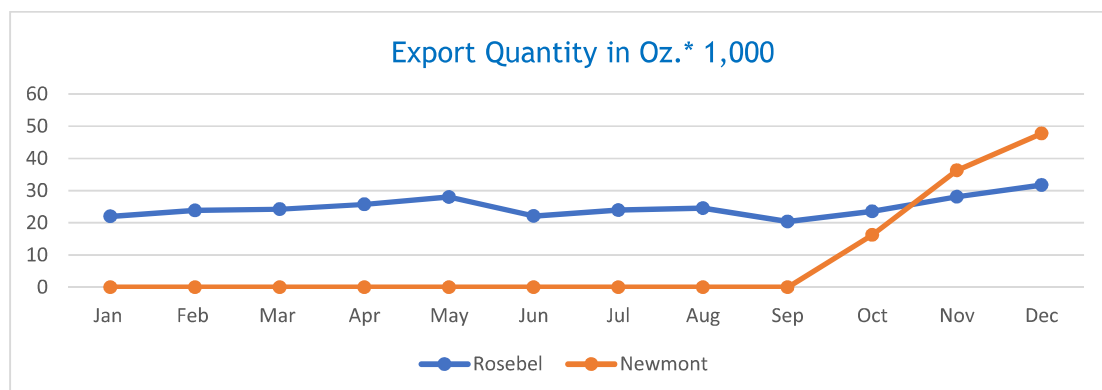


Figure 3.19 A&B Source data provided by Staatsolie

Mining industry

Export of Gold by RGM and NS

The next chart regards the volume and value of gold exported by RGM and NS



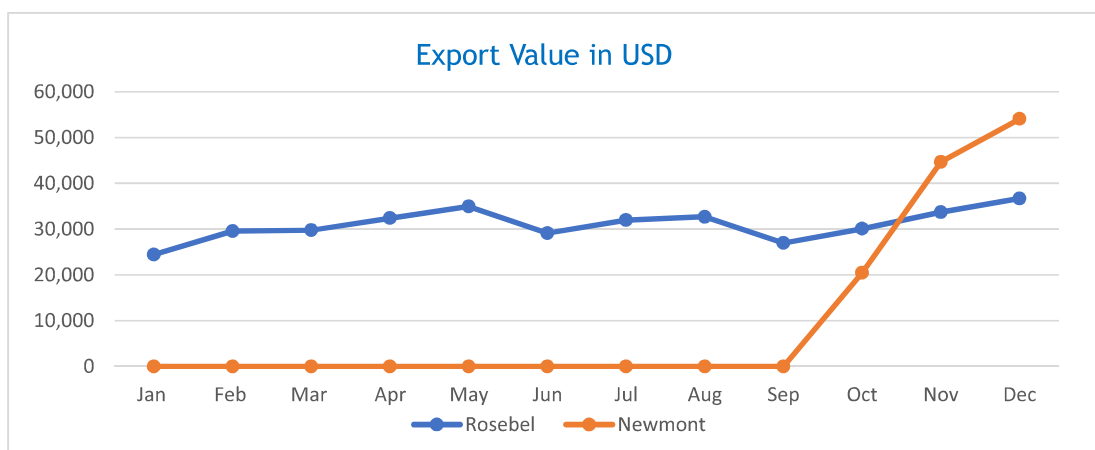


Figure 3.20 A&B export volume and export value /data provided by RGM and NS

Export of Aggregate by Grassalco

Please note that the data regarding the export volume and value are not shown in multiples of 1,000.

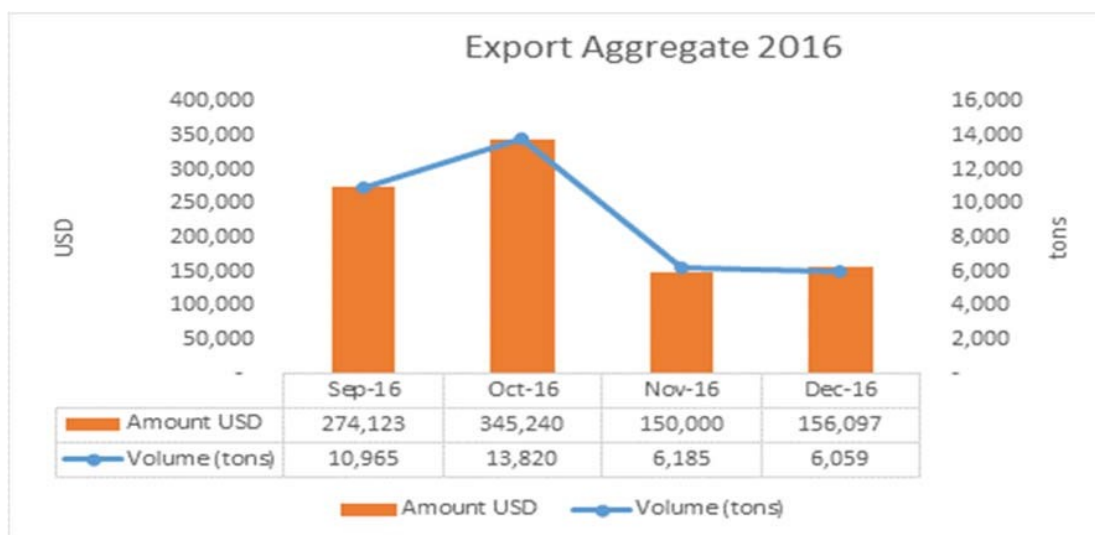


Figure 3.21 Export Aggregate (Source Grassalco)

Small and medium size mining companies

The small and medium size gold mining companies do not export their product but sell this to local buyers. These local buyers sell the gold bought from various local gold miners/suppliers to the licensed exporter(s) of gold.

Royalty fees are collected from the exports of gold undertaken by the licensed gold export companies. Small and medium size miners therefore do not pay royalty fee directly to the Government but pay these fees to the buyers. The buyers and the exporter(s) of this extractive product are not holders of mining rights (gold miners) and therefore do not operate under the Mining Decree or a special Mining Agreement. The license granting the right to export gold is a special category and is issued by the foreign exchange commission. Royalty payments at the point of export are being deposited in the bank account of the State at the CBoS.

The next overview shows the export of gold 2016 and the related royalty paid in 2016.

Gold production and Royalties 2016			
Small and Medium Size companies			
Period	*Ore Production (*1,000 gram)	**Gold exports (*1,000 gram)	MOF Royalties (*1,000 SRD)
Jan-16	1,188	1,131	4,583
Feb-16	1,130	1,077	3,804
Mar-16	1,394	1,328	5,058
Apr-16	1,158	1,103	4,115
May-16	1,086	1,035	9,319
Jun-16	1,225	1,167	13,830
Jul-16	1,063	1,012	9,230
Aug-16	1,323	1,260	9,731
Sept-16	1,208	1,151	9,977
Oct-16	1,173	1,118	7,180
Nov-16	1,184	1,127	9,422
Dec-16	<u>1,342</u>	<u>1,278</u>	<u>6,831</u>
Total	14,475	13,786	93,079
*Estimate: Export volume small and medium size gold companies x 1.05 (assuming local gold retention of 5%)			
**Source: CBoS / G-uitvoer Formulieren(G-export forms)			

Table 3.9 Gold volume exported, and royalty paid by exporters and derived gold production (source CBoS)

The royalty payments received in 2016, totaling SRD 93,079 represented 13,786 kilos of gold. These data are obtained from the payment records at the CBoS. Royalties are based on the volume and price of the exports, and exported volumes are recorded in troy ounces or grams. The gold industry generally assumes that production volumes are a factor 1.05 to exports. Hence, it can be estimated that in 2016 a production of approximately 14,475 kilos of gold originated from small and medium scale mining. This working assumption does not pretend to know the extent of possible smuggling of gold in and out of Suriname, knowledge of which could have contributed to a more refined estimate of small and medium scale gold production within the territory of Suriname.

3.6 Natural Resources Oil and Mining sector

Oil industry

Suriname has one State owned oil company which is Staatsolie. At December 31, 2016, the proven reserves were estimated by Staatsolie at 84 MMSTB (millions of stock tank barrels).

Mining industry

The mineral sector of Suriname has become increasingly important for the economic development of the country, specially the gold mining. There are 3 large companies operating in the mining sector, i.e. state-owned company, Grassalco and two major private companies RGM and NS. However, only the latter two are active in the gold mining sector in Suriname.

The first large commercial gold production in Suriname started in 2004 when RGM, a subsidiary company of IAMGOLD Corporation, went into production. NS first production started in the last quarter of 2016. Grassalco has a few licenses for gold exploration and exploitation, but in 2016 it has not mined gold in material sense. The territory of its operation in 2016 is primary crushed (rock) stones and building/construction materials oriented.

Next to the abovementioned three large mining companies there are many small- and medium-scale gold mining companies operating in Suriname of which a few are related to foreign companies as well.

The gold deposits of Suriname are not projected in their entirety. However, the resources and reserves on the concessions of RGM and NS are projected at a high certainty level, based on international standards.

1. RGM

In April 1994, a Mineral Agreement was signed between the Republic of Suriname, Grassalco N.V. and Golden Star Resources in which parties agreed that Golden Star shall have the right to explore, develop and operate mines and carry out related activities on Gross Rosebel. Hereafter 50% of Golden Star's right, title and interest was acquired by Cambior in June 1994, and in October 2001, Cambior purchased the remaining 50% right, title and interest of the Operating Company, which was formally incorporated as Rosebel Gold Mines N.V. as of May 8, 2002. A feasibility study and environmental impact assessment study were filed with the Republic of Suriname and upon approval and construction, commencement of Rosebel's commercial production started in 2004.

Following acquisition of Cambior by IAMGOLD Corporation in 2006, Rosebel formally became a subsidiary of IAMGOLD Corporation. The Mineral Agreement provides, in particular, for the Republic of Suriname to hold a 5% free carried participation in the share capital of RGM and also outlines various business conditions, including the right to export gold, to hold funds in foreign bank accounts, to access local currency at market rates and to import goods.



Figure 3.22 Aerial view of the plant of RGM in district Brokopondo, Suriname (source RGM)

According to RGM, its gold reserves as of December 31, 2016, amounts approximately 6,657,000 troy ounces, reported on a 100% basis (Total Reserves).

2. NS

Newmont Suriname LLC, (previously known as Suriname Gold Company LLC), a fully- owned subsidiary of Newmont Mining Corporation, operates the mine on behalf of Suriname Gold Project CV, a Suriname limited partnership (the "CV"). NS is the managing partner, owning 75 percent interest in the limited partnership, and Staatsolie Maatschappij Suriname N.V., the limited partner, owning the remaining 25 percent interest.



Figure 3.23 Aerial view of the Merian plant of NS in district Sipaliwini, Suriname (source NS)

According to NS its gold reserves as of December 31, 2016, amount to approximately 5,7 million troy ounces.

3. Grassalco

Grassalco is a 100% state-owned mining company. The initial aim of the company upon its establishment in 1971 was to enter into joint ventures with foreign companies to exploit bauxite reserves in the west of the country. Grassalco has since expanded to cover exploration and exploitation of other minerals and ores, including gold. The company is one of the parties to the Mineral Agreement of 1994 governing Rosebel. Grassalco holds several other mineral concessions (Lely Hills for gold, for example) that will impact its involvement in future exploration and exploitation of minerals.

Grassalco, having the mining rights for exploration and exploitation of the Maripaston area, started in 2014, with processing tailings at the Maripaston-site (formerly an informal small-scale mine site). The aim of the activities at this site is to create awareness how to extract gold without using mercury.

“The concession is underlain by the Marowijne Super group of the greenstone belts and comprised predominantly of an intercalation of meta-volcanic and meta-sedimentary rocks. Rocks of the greenstone belt are noted for their good potential in hosting significant gold mineralization and host several major gold mines (Rosebel, Omai, Aurora) and world class deposits, including those in West African and Ghana. The property is also located in a high-strain structural zone and transect by a series of west-northwest to east-southeast oriented major structures which are mostly and locally sub-parallel to the lithological contacts.

One of these structures hosts the Ingipoule zone/deposit, currently at resource definition stage. Other similar structures (Ligapoule trend) are also being explored and interesting significant intersections are being recorded (Monkou, Monkou East, and Southeast prospects). The immediate host to gold mineralization is structure and the potential for both low grade large tonnage and high-grade vein type mineralization exist on the property.”



Figure 3.24 View of Grassalco activities on the Maripaston site, in district Brokopondo, Suriname

Though Grassalco holds licenses for gold mining it did not execute gold mining in material sense yet as a core operation and therefore there is no information available regarding their gold reserve on the concessions.

4. Small and medium scale mining right holders

The small and medium size mining right holders operate on relatively small concessions compared to the industrial gold miners, i.e. large companies, as well as under different operating conditions, guarantees, security etc. The small and medium scale mining right holders do not have the equipment and know how to determine the gold reserve on their concessions along the requirements of International Standards for reporting the reserves.

Since gold is the main focus point of mining, silver and other minerals are derivatives which are not brought to the field of reserves quantification in a commercialized matter.

3.7 Revenue collection

All revenues collected from the extractive industries, whether on behalf of MONR or MOF or MOSPL&FP are controlled by the MOF.

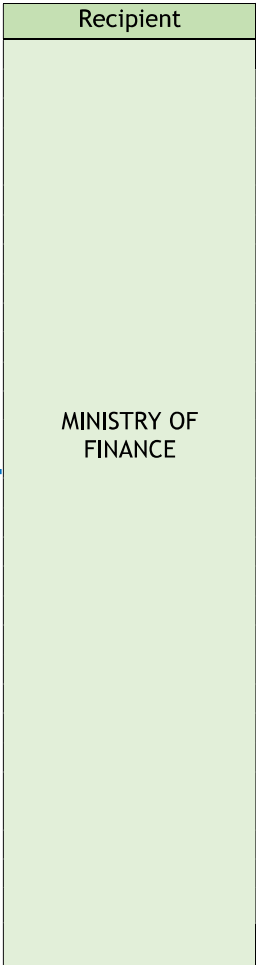
Revenue Stream	Beneficiary	Recipient
Direct taxes:		
- Income/corporate Tax	Tax authority	
- Dividend tax	Tax authority	
- Wage tax /Social Security premium	Tax authority	
Indirect taxes:		
- Turnover tax	Tax authority	
- Fuel tax	Tax authority	
Other income:		
- Dividend SOE/interest State	MOF	
- Application fee	MONR	
- Surface rights: Exploration and Exploitation fee	MONR	
- Statistic and Consent right	MOF	
- Custom duties	MOF	
- Lease of land	MOSPL&FP	
Production sharing contract		
- Royalty (IOCS)	MONR/MOF	
- Profit share IOCS	MONR/MOF	
Mineral Agreement RGM/NS:		
- Royalty in cash RGM/NS	MONR/MOF	
- Royalty in kind (RGM)	MONR/MOF through GRASSALCO	
Specific arrangements:		
- PPA-1 arrangements (RGM)	MONR	
- NV 1 (RGM)	MONR/MOF	

Table 3.10 Revenue streams

Other revenue streams that are common in other countries, such as revenues derived from infrastructure provisions and barter arrangements or transportation revenues due to providing transportation facilities for oil transport through pipelines etc., are not applicable in Suriname.

3.8 Revenue allocation

3.8.1 General

Government revenue originating from the mining sector is governed by the applicable tax laws as well as the established mining agreements (see previous section). These mining revenues are general public funds and accounted in the annual Government budget, in particular the ministerial (or department) budgets of the MONR and the MOF (see table 3.10). Neither of the budgets allocate mining revenue to designated expenditures.

The MONR budget contains operational or program expenditure that can be linked to mining sector policies, programs or operations (for example, the Bauxite Institute, the Commission for Structuring the Mining sector). However, like all government expenditure, the expenditure mix or allocation is determined as part of the budget approval process. Funding of the expenditure is through the general tax and non-tax revenues, as well as through grants and borrowed resources.

A Sovereign Wealth Fund law was approved in 2016, which foresees in the allocation of a part of mining revenue to this savings fund. It will start operating in 2019, provided that the mining revenues have reached the threshold level above, of which allocations to the fund will be mandatory.

In presenting the 2016 budget outcome, the relative contribution of mining revenues to the total can be seen, as well as the allocation of expenditure.

The presentation in the next table is based on the Government Finance Statistics (GFS)-methodology and classification.

*SRD 1 million	Budget outcome 2016	
	SRD	
Revenues		3,405
Tax Revenues		2,537
	Direct tax revenues	1,226
	Indirect tax revenues	1,310
Non-tax revenues		868
Revenues from mining		566
Tax Revenues		207
	Direct tax revenues	205
	Indirect tax revenues	2
Non-tax revenues		359
Revenues from non-mining		2,839
Tax Revenues		2,330
	Direct tax revenues	1,021
	Indirect tax revenues	1,309
Non-tax revenues		509
Expenditures		5,057
Current expenditures		4,512
	Wages and salaries	1,602
	Goods and services	789
	Subsidies and transfer	1,753
	Interest	368
Capital expenditures		546
Surplus (+)/deficit (-) current balance		-1,107
Surplus (+)/deficit (-) primary balance		-1,285
Surplus (+)/deficit (-) overall balance		-1,653
Surplus (+)/deficit (-) non-mining primary balance		-1,850

Table 3.11 Suriname: Central Government operations, 2016 (SRD million, Source MOF)

3.8.2 Stabilization fund

3.8.2.1 Suriname Environmental and Mining Foundation (SEMiF)

Since 2004, based on Article 20.13 of the Mineral Agreement of 1994, RGM pays the equivalent to the value of 0.25% of its monthly production of gold and silver, as royalty in-kind to SEMiF.

SEMiF was founded on February 27, 2008. All the payments to SEMiF -from 2004 onwards- have been made retroactively in 2008, since according to the Mineral Agreement the obligation to SEMiF started with the commercial production in 2004.

The SeMiF aims to:

1. Supporting and promoting an environmentally friendly and responsible development of natural resources in Suriname, including the establishment of a gold institute;
2. The granting of scholarships to Surinamese citizens in the context of studies relating to the provisions under the previous paragraph;
3. Providing support and assistance to companies of Surinamese citizens in their efforts to promote the development of natural resources;
4. Taking all measures to promote the development of natural resources in Suriname;
5. Providing resources from the assets of semif for specific predetermined periods for the implementation of sustainable development projects aimed, among other things, at promoting the prosperity and well-being of the Surinamese society.

The Board of SEMiF consist of 5 members, appointed as follows:

- a. 2 members being appointed by RGM;
- b. 2 members being appointed by Grassalco;
- c. 1 member appointed by the Government of Suriname (MONR).

The board members are appointed for a period of 2 years, provided that the members of the first board are appointed for 3 years by the deed of incorporation.

Goverance:

A decision to invest and allocate money to projects related to the purpose of SEMiF shall require the unanimous approval of all board members present at the meeting, provided that at least 3 board members, of each of the 3 organizations are represented and present during the meeting.

Over 2016 (January - December) RGM donated the following amount of gold and silver to SEMiF:

- Gold (AU): 732 troy/ounces (balance year end 2016: 8,353 troy/ounces);
- Silver (AG): 34 troy/ounces (balance year end 2016: 503 troy/ounces).

In the past few years SEMiF has supported several projects in the area of, among other things, the development of natural resources in Suriname. A high-level overview of the projects supported by SEMiF is listed in next 2 tables.

Requestor	Purpose	Total Approved Amount USD
Ministry of Natural Resources (2010)	Unravelling the key controls of bauxite formation in Suriname	232,000
School of Mining and Mineral Processing (SMMP) Foundation (2011)	The building of a practice school for Mining, being a satellite field station for capacity building, in the mining sector in Snesi Kondre	244,440
Ministry of Natural Resources (2011)	Geological Mapping on the border of Suriname - Brazil	116,970
Anton the Kom University of Suriname Adek (2012)	Sponsoring project PhD program of Mrs. D. Monsels	94,000

Table 3.12 projects executed by SEMiF and project cost

In 2016 payments were made to support the following projects:

Requestor	Purpose	Total Approved Amount USD
The Backlot	Sponsoring of the Mercury Awareness Campaign	19,700 (remaining payment)
Polytechnical College (PTC)	Study and orientation excursion for MBA students in Innovation and Technology	3,500
Institute for Graduate Studies and Research	Activities organized regarding the Caribbean Urban Forum 2016	7,300
MONR	EITI Symposium	2,500
MONR	Support of the EITI-workshop	4,436

Table 3.13 payments in 2016 of projects executed by SEMiF

3.8.2.2 Act of Savings and Stabilization Fund Suriname/SB 2017-59

The Act of Savings and Stabilization Fund Suriname was prepared in 2016 and approved by the National Assembly on May 5, 2017, and was made public on June 13, 2017, in the SB 2017/59 (SB 2017-59). This fund had to be operational from 2018.

The fund intends to:

1. Stabilize the resources made available to the Government for financing expenditure in order to limit the effects of macroeconomic volatility by protecting the level of Government revenues in times of lower revenues from the mining sector;
2. Generate an alternative flow of income to diversify Government revenues and supplement where necessary;
3. Generate income for future generations through savings from the State's mining income.

3.9 Social expenditures by extractive companies

3.9.1 General

Social expenditure as part of their Corporate Social Responsibility (CSR) by extractive companies has been made voluntary and mandatory. Large-scale mining companies involved in commercial production in Suriname have community related, as well as CSR programs, as an integral part of their

corporate policy. This mechanism allows the large-scale mining companies to give back to the communities in which they operate, as well as to the Surinamese society at large, thereby giving impetus to their position as a corporate citizen.

In the case of IOCs, the contractors have an obligation to contribute an amount of USD 100,000 per calendar year to society based on their PSCs. Large extractive industries companies regularly make donations to mostly Non-Governmental organizations, based on their CSR-policy.

3.9.2 Social expenditures by the extractive companies included in EITI-reporting

OIL INDUSTRY

Because of the drop in oil price, no budget was made available for social projects in 2016. Through the Staatsolie Foundation for Community Development, a separate fund financed by Staatsolie and managed by a board consisting of members from within and outside of Staatsolie, some social projects have been carried out.

IOCs

Policy and Guidelines

The PSC consists of an obligation with respect to CSR amounting to USD 100,000 per calendar year per block. CSR programs and projects should be in compliance with their CSR policy and objectives. The contractor allocates the CSR obligation for training or to support programs of corporate social responsibility, i.e. training or programs to support programs of CSR, and the Operations Committee approves the project proposed by the operator. Execution of the proposed projects is monitored by the Operations Committee.

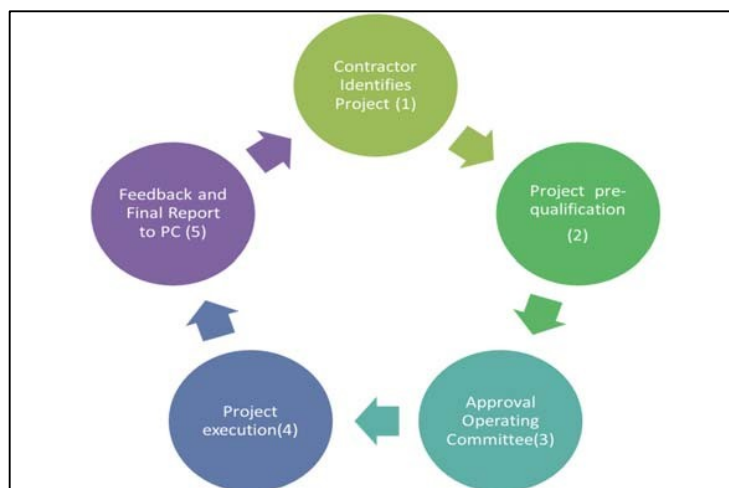


Figure 3.25 PSC Procedure for CSR Obligations. (Source Staatsolie)

The CSR investments reported by IOCs is derived from the approved CSR budget of the programs and projects allocated to year 2016 and might differ from the CSR-payments by the IOC, since their EITI-reporting is on cash basis.

KOSMOS

Made contributions in the area of tertiary education as well as in areas of environment and health. Contributions have been made i.e. by partly funding of the Coastal Erosion Reversal & Mangrove Restoration Program, donation of monitoring equipment for mangrove rehabilitation to Conservation International and University and in medical equipment to St. Vincentius Hospital and Academic Hospital.

PETRONAS

Has mainly contributed to the health sector by donating ambulances to St. Vincentius Hospital, Academic Hospital and 's Lands Hospital as well as equipment for the Pediatric center and the intensive Care unit of Academic Hospital.

TULLOW

Has made a large funding for construction of the landing jetty, rebuilding a roof structure for ice facility and the reconstruction of the dock. This fish landing project was completed in 2015. Tullow also contributed in education projects.

APACHE

As reported by the Operations Committee, Apache contributed to 'Orphanage Claudia', 'Huize Tyltyl' and the 'Mythyl School', a junior high school for physically disabled students. It supports ranges from renovation of buildings and rooftops to providing wheelchairs and furniture. Apache has made donations towards oil science projects as well.

MINING INDUSTRY

ROSEBEL GOLD MINES

RGM's approach for CSR is the following:

1. CSR in district Brokopondo with the focus on the 7 communities of interest, being the communities nearby the RGM mine site, such as:
 - The annual contribution by RGM in the annual Brokopondo Scholarship Program to provide 4 best students in Brokopondo with a scholarship to pursue higher education in Paramaribo.
 - Projects to develop youth talent in the district consisting of a Speech Contest and a School Quiz.
2. CSR projects (outside district Brokopondo) for the benefit of the Surinamese society, with the focus on sustainable development. The main areas are health, education, environment and sport. Some of the projects supported by RGM are:
 - Education: funding of the master's program in Mineral Geosciences at the Anton de Kom University in Suriname, to promote geology and mining in Suriname.
 - Health: contribution made to purchase an equipment to monitor cervical cancer for Stichting Lobi.
 - Complete renovation of Huize TylTyl, being the permanent orphanage residence for disabled/ disadvantaged children.
3. SEMiF: based on the Mineral Agreement, a mandatory donation to SEMiF, being the donation of 0.25 % of gold and silver production, in-kind. The focus here is to promote local development of natural resources within Suriname, including the creation of a gold institute, to grant educational scholarships to Surinamese citizens, assist local enterprises in their efforts to develop natural resources, and take other measures to promote local development of natural resources within Suriname.

A categorized view of these projects for 2016 is as follows:

Donation category	USD *1,000
CSR projects in district Brokopondo (voluntary)	239
CSR projects for the benefit of the society (voluntary)	380
SEMiF (mandatory) payment in-kind (Gold and Silver valued for)	909
Total Donations & Community Development	1,528

Table 3.14 Summary projects executed in 2016 by RGM in 2016



Figure 3.26 Completion of renovation of Huize Tyl/Tyl (source RGM)

NEWMONT SURINAME

NS is working on the establishing a Community Development Fund to channel its corporate social investments, based on a community assessment undertaken in 2016. Development projects will focus on potable water systems, solar electricity and water transport infrastructure. Newmont Suriname continues to build strong relationships with the local communities, most notably the Pamaka who live on the historical grounds of their ancestors along the Marowijne River. The Cooperation Agreement, signed in June 2016, provides a mutually agreed upon framework between NS and the Pamakan Community based on respect, shared value and open communication.

The agreement includes processes to promote preferential employment for Pamakan Community members and procurement opportunities for local Pamakan businesses; the establishment of a grievance procedure to facilitate communication and resolution of Pamakan Community issues and concerns relating to Merian; and collaborative processes relating to local impact monitoring and addressing issues surrounding small scale miners. In addition, NS established a Community Development Fund, the purpose of which is to fund projects dedicated to the sustainable development of the local Pamakan Community.

GRASSALCO

Grassalco has sponsored and donated, among others, to the following social projects:

1. In District Brokopondo to:
 - The Vonzell Foundation: the adoption of 10 youngster in the context of the "Powa Gi Yonguwan" (Power to the Youth) project;
 - The Center for Integrated Development Brokopondo (CIOB Foundation): workshop "Breast Cancer Awareness Brokopondo".
2. General purpose for:
 - UN SDG Youth Ambassadors Program, - School package project Brokopondo;
 - The Office of the First Lady of the Republic of Suriname - Christmas celebration with 1,000 senior citizens;
 - Respiration equipment for the Academic Hospital.

Small- and medium-scale mining right holders / associated with SHMR

There is no exact information available on the amount of social expenditure by the small-scale mining right holders. The small and medium scale mining right holders gathered in a foundation of holders of Mining Rights (SHMR) reported that in addition to regular financial contributions to society, they also contribute to the state in order to enable the Government's administrative acts, such as police investigations, to be carried out at the domestic locations in the interior, infrastructural expenditure for a small airstrip in the interior.

A summary of the Social expenditure of the reporting companies, excluding small and medium scale miners:

*1,000 USD	Areas of interest till 2016	Expenditure 2016 Total USD
Oil		
Staatsolie		-
Kosmos Energy Suriname	Education and health care	314
Teikoku Oil Suriname (TOS)	Training	36
Apache Suriname Corporation LLC	Education and health Care	not reported
Petronas Suriname E&P BV	Mainly Healthcare	233
Tullow Oil Suriname BV	Science, technology, engineering & math	52
Total		<u>635</u>
Mining		
Grassalco		125
RGM	CSR projects in district Brokopondo and CSR for the benefit of the society (USD 619) contribution in kind to SEMIF (valued USD 909)	1,528
NS	Community investments/ CDF & donations	925
Total		<u>2,578</u>
		<u>3,213</u>

Table 3.15 Summary of the Social Expenditure of the reporting companies

3.10 International developments in the global oil and gold sector


3.10.1 Oil sector

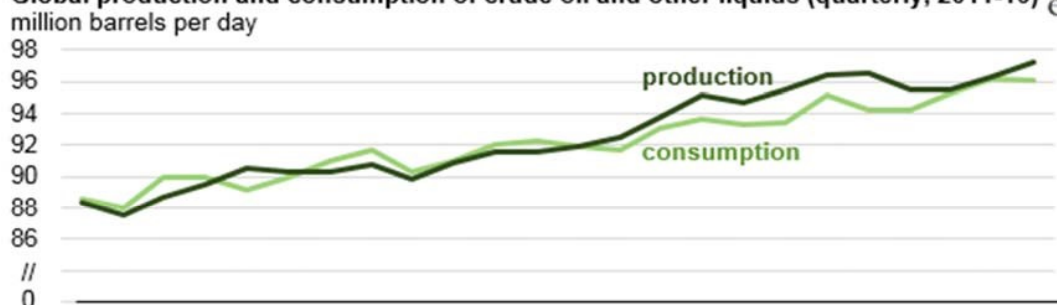
On December 17, 2016, Matthew DiLallo wrote: "Oil prices are notoriously volatile, and their actions in 2016 were no exception. Prices plunged to start the year as supplies piled up in storage due to resilient shale production and rising output from OPEC. OPEC spent most of 2016 arguing within itself, instead of working together to fix a problem that had grown worse due to its decision to battle shale producers for market share." (source: <https://www.fool.com/investing/2016/12/17/what-happened-to-oil-prices-in-2016.aspx>).



Figures 3.27 WTI and Brent Prices in 2016 (source: https://ycharts.com/indicators/crude_oil_spot_price)

Crude oil prices ended in 2016 at USD 53 per barrel. However, the annual average West Texas Intermediate (WTI) crude oil price in 2016 was USD 43, USD 5 less from 2015. Brent ended the year USD 54 up USD 17 at the end of 2015, with an average of USD 44 per barrel that was USD 8 below the 2015 average. Despite robust demand for petroleum products, relatively high production and inventory levels provided downward pressure on crude oil prices throughout most of 2016.

Global production and consumption of crude oil and other liquids (quarterly, 2011-16) 



Implied stock change (quarterly, 2011-16)



Figures 3.28 Global Production and consumption of crude oil and other liquids (quarterly, 2011 - 2016) (Source U.S. Energy Information Administration, Short-Term Energy Outlook, December 2016)

3.10.2 Gold sector

International and local developments

The global gold market has now become more diverse than in the 70s of the 20th century and has experienced an enormous growth, with production tripling, while sales quadrupled over the same period. Gold is now bought by a more diverse group of consumers and investors.

Over the last years, the demand for gold has moved towards the East. The factors fueling this development are diverse, ranging from cultural factors to income growth and wealth creation in other parts of the world, particularly in emerging and growing economies.

The global gold demand is fueled by demand from the jewelry industry, investors, Central Banks, and the technology sector. The jewelry sector still accounts for over 55% of global gold demand per sector, while investments in gold have increased by 235% over the past three decades.

As far as Central Banks are concerned, banks in emerging markets increased their purchase of gold, while the ones in the Western countries ceased gold sales. Innovation and the advent of new technologies, such as nanotechnology, have increased the use of gold. They are driving new using methods in medicine, engineering, and environmental technology.

Finally, Suriname is still set to play a role in these major developments, due to the commercial gold production in Suriname by RGM and NS and small and medium scale gold mining, with a high export volume. With new developments in the gold mining industry, such as the preparation of the Saramacca project by RGM for production and the development of the Sabajo Hill Project by NS, gold production can be expected to increase in the coming years.

International gold price

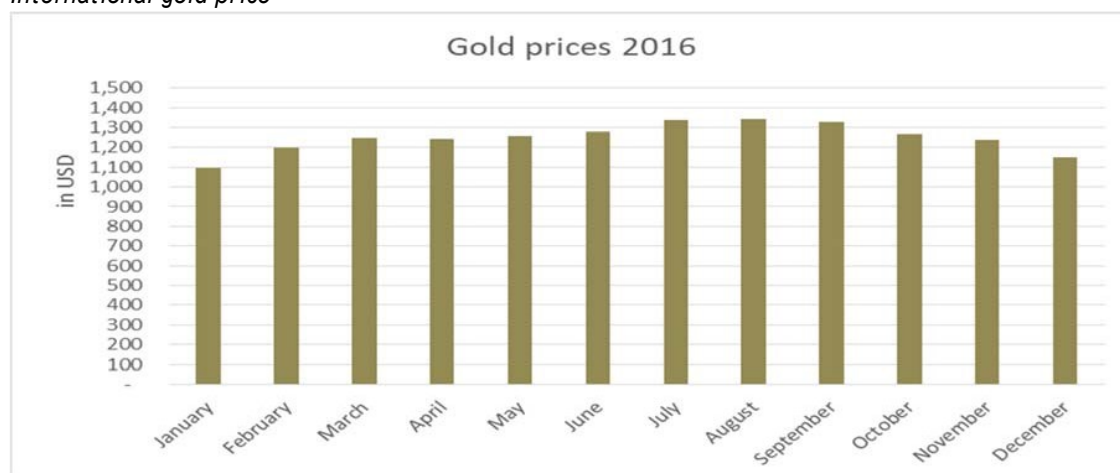


Figure 3.29 Gold prices for 2016. Gold prices are based on the monthly average gold price (World Gold Council).

The price of gold generally increased over the first half of the year, reaching its peak for the year in early July. In the first half of 2016, the gold price was positively influenced by declining expectations regarding increases in the benchmark U.S. interest rate, low and negative interest rates on sovereign debt issued by many of the world's largest economies, global economic and political uncertainty highlighted by the British referendum in favor of leaving the European Union, and investor interest in gold as a safe-haven asset.

In the second half of 2016, the gold price was negatively influenced by a stronger USD, rising U.S. and global interest rates, expectations of fiscal stimulus measures in the U.S. put in place by the newly elected administration, subdued physical demand in key consuming countries, such as China and India due to Government measures to maintain currency valuations, and a decline in investor sentiment.

Benefits other than financial contribution by Gold Mining Companies to the economy.

Positive contribution to the economy of the Republic of Suriname:

- Safety: investment in occupational health and safety of the workforce;
- Environment: adhering to national mining regulations and international standards and certification and proactively managing the environmental risks associated with mining operations, in compliance with the more stringent of local regulations or company standards;
- Employment: direct and indirect;
- Local benefit: maximize employment, business and economic opportunities for local communities from existing operations and projects.
- Strong focus on local procurement of goods and services from communities.

Besides the above flourishing aspects mining companies also recognize challenges as a normal part of the business.

4. DESCRIPTION OF FLOWS AND ENTITIES REPORTED

4.1 Introduction

The materiality decision for reporting purposes, as decided by the MSG SEITI, is included in appendix B of this report.

MSG SEITI has concluded which payment flows to the Government of Suriname should be included in the EITI Report for fiscal year 2016.

The payment flows to the Government are further distinguished into Oil sector and Mining sector.

Based on the Government payment structure the regular payments made to the ministries and Government departments in general are transferred or deposited at the bank accounts of these ministries and Government departments at the CBoS. The MOF, as a monetary authority, can inquire for information of other ministries and Government departments at the CBoS.

During the data collection phase MONR explained it cannot submit financial data such as payments received from the companies even though payments are made in favor of this Ministry. Since MONR does not have information about: payments made in its favor, records of payments made into its account at CBoS or from any other institution of the Government such as the 'Centrale Betaaldienst' (*Central Payment Service/department of the Government*), they are dismissed to report financial data for reconciliation purposes.

The reporting of payments made to MONR by the companies are reported by the MOF and reconciled with the financial data from the reporting companies. At Government level this does not affect the payment stream towards the Government nor the reconciliation itself.

Therefore, for the SEITI reporting 2016 the MOF is the only reporting entity of the revenues received by the Government from the companies.

Within the scope of the assignment we consider liabilities of a reporting company to the Government to be paid by means of:

- a. cash payments or
- b. non-cash payments as:
 1. settlements
 2. payments in-kind

Within the Government, it is possible that -with the permission of the MOF- the reporting companies can initiate settlements of liabilities to the Government with a claim on (outstanding balance with) the Government. These non-cash transactions are also included in the SEITI reporting of the companies. (see appendix 6). Excluding these settlements in the reporting would cause a distorted view of the Government's actual receipts in general as well within the scope of the transparency principles.

4.2 Reconciliation Principles

4.2.1 General

Reporting year: January 1 - December 31, 2016

This reconciliation does not express an opinion about the completeness of the payments received by the Government over the fiscal year 2016.

For reasons of transparency of the revenues received from the extractive industry, payments of a liability of a reporting company towards the Government can be made as:

1. Payments in cash or
2. Payments in kind or
3. Payments by settlement of debts of the reporting company to the Government with claims on the Government.

Payments in cash (based on cash streams):

- Paid by a reporting company and received by the Government and therefore reported by the Government;
- Paid by a third party on behalf of the reporting company and received by the Government and therefore reported by the Government;
- Paid by a reporting company to the Government but ceded by the Government to a third party are considered as settling normal payments of liabilities of the reporting company to the Government.

Payments in-kind:

- Payments in-kind by a reporting company towards the Government are moreover based on mandatory agreements and should be reported by the Government or by a company that receives these in-kinds on behalf of the Government.

Payments by settlement (are non-cash streams):

- Can be a settlement of debts to the government with claims on the government: within the reporting company; or
- Can be a settlement of debts to the government of the reporting company with claims on the government from a third party.

4.2.2 Reconciliation basis and explanation of differences

The reconciliation is based on a cash basis and not on an accrual basis, therefore companies must only enter the payments made in the reporting year, i.e. January 1 - December 31, 2016, in line with the reporting principle of the Compatibility Act/ 1953.

Timing differences

Differences in the reconciliation due to the time of payment made by a company and payment received by the Government are considered as timing differences.

Exchange differences

The receipts by the Government in foreign currencies are converted to SRD at the daily exchange rate at the time of receipt. Therefore, in addition to receipts in SRD, the Government's reporting sheets also include receipts in USD converted to SRD. This last category of receipts results in exchange rate differences in the reconciliation if the exchange rate at the time of receipt of a payment by the State deviates from the exchange rate on the day of payment by the company.

Settlement differences

Reconciliation differences due to non-cash transactions based on clearances of debts to the Government with claims on the Government therefore are considered payment(s). As these settlements are non-cash transactions, MOF cannot report these settlements as cash payments and therefore the occurring reconciliation differences between MOF and the relating company will be explained exclusively.

Other differences

The other reconciliation differences other than the abovementioned differences are considered to be all other differences between MOF and companies unless uncleared.

Uncleared differences

These are differences that are not cleared during the reconciliation process by MOF and the reporting company due to e.g. classifying errors at MOF -if amounts are positive- or at Companies if MOF cannot confirm the amounts received from the companies.

4.3 Revenues Oil and Mining sector

4.3.1 Flows of payment

The following payment flows from the reporting companies are included in the reconciliation:

Payment flows	Source: Acts or other Regulations	Material/incl	OIL-companies			MINING-companies		
			Staats-olie	IOCS	RGM	NS	Gras-salco	SHMR-small-medium
Direct taxes								
Income Tax	Income tax act	M/I	✓	✓	✓	✓	✓	✓
Wage tax /Social Security premium (SSP)	Wage/SSP act	M/I	✓	✓	✓	✓	✓	✓
Dividend tax	Dividend tax act	M/I	✓	✓	✓	✓	✓	✓
Indirect taxes								
Turnover tax	Turnover tax act	NM/I	E	E	E	E	✓	✓
Custom duties	Tariff of Import & Excise	M/I	E	E	E	E	✓	✓
Statistic and consent right	Consent and Statistics Act	M/I	E<USD 300K	E<USD 300K	E<USD 300K	E<USD 300K	✓	✓
Rental value tax (real estate tax)	Rental value tax act	NM/I	✓	✓	✓	✓	✓	✓
Other Income								
Application fee	Mining Decree	NM/I	E	E	✓	✓	✓	✓
Exploration/Exploitation fee	Mining Decree	M/I	E	E	✓	✓	✓	✓
Dividend	Article of association	M/I	✓		✓		✓	
Royalty in cash	Mineral Agreement 1994 and 1 st amendment 2003 Mineral Agreement Merian project 2013/ PSCs/State Decree SB2005 Mineral Decree 1986	M/I		✓	✓	✓		
Royalty in-kind	Mineral Agreement 1994 and 1 st amendment 2003	M/I			✓			
Specific arrangements								
Electricity	PPA1/ amendment 2013	M/I			✓			
Payment NV1	1 st and 2 nd Letter of Agreement 2016-2017 NV1-MONR and MOF	M/I			✓			

Table 4.1 Payment type and reference with law applicable per reporting company

✓= applicable; E= exempted; E< USD 300K= exempted till USD 300K / M:material/NM: non material/ I= included

Note:

- NV1 is not included as reporting entity.
- The payment flows included hereafter are the revenue streams from the oil and gold sector to the Government. The MSG S-EITI has determined that these are the material flows for the EITI reporting.

4.3.2 Payments to the Ministry of Finance Directorate Direct and Indirect Taxes

4.3.2.1 Oil and Mining Sector

The following payments are made to the Directorate Direct and Indirect Taxes:

a. Corporate income tax (income tax)

Income tax is raised on taxable profits and gains of companies from their fiscal year. The overall nominal income tax rate applicable is 36%, unless an entity enjoys a tax holiday, agreed with the tax authorities. The corporate income tax is regulated in the Income Tax Act of 1922. The corporate income tax is raised initially based on a self-assessment. In this respect we also refer to Chapter three of this report.

Relief of losses

The individual taxpayer can compensate losses from one source of income with the profits from other sources of income. Both corporations and individuals may carry forward losses for seven years. Losses incurred in the first three years of a business or profession may be carried forward indefinitely.

b. Wage tax, social security premiums

Wage Tax

Taxable income includes the taxable employment income. According to the Suriname Wage Tax Act employment income paid by a Suriname withholding agent (employer) to an employee is subject to withholding of wage tax. This must be credited against the income tax payable on the taxpayer's income tax return or may serve as a final tax. A permanent establishment is considered a withholding agent according to the Wage Tax Act.

Normal rate of taxable wage:

Portion of annual taxable wage	%
up to SRD 11,356.80	8%
exceeding SRD 11,356.80 up to SRD 19,273.80	18%
exceeding SRD 19,273.80 up to SRD 30,193.80	28%
from SRD 30,193.80 and above	38%

Table 4.2 Normal rate of taxable wage

Note that exceptions on the above rate may apply for lump sum benefits and overtime payments.

Social Security Premium

All resident individuals/employees under age 60 are required to make this contribution. The social security premium amounts to 4% of the net income/wage. Note that the social security premium is not the same as the pension premium/contribution.

Non-residents are not subject to social security contributions. Previous contributions to the social security premium are not returned at the end of the labor contract/departure from Suriname.

c. Dividend withholding tax

In Suriname, the dividend withholding tax is codified in the Dividend Tax Act/1973, which only levies withholding taxes on dividends paid from companies. The dividend tax must be withheld by the company that distributes the dividend. Suriname has a domestic dividend withholding tax rate of 25% which applies also in non-treaty situations - i.e. a domestic (Suriname) company distributing dividend to any other (non-treaty) parent company. Suriname has a tax treaty with the Netherlands which avoids payment of double tax. This tax treaty lowers the withholding rate to 7.5% - there is a limited

General Anti Abuse Rule (GAAR) in the dividend article, which should be managed, otherwise 15%-20% applies (the direct tax benefit is therefore 17.5%-points).

Distributions from a Suriname branch to any head office abroad should not be subject to withholding taxes; a branch does not distribute 'dividends' so dividend withholding tax is not an issue.

d. Turnover tax

Suriname does not have a value-added tax (VAT), but a Turnover tax (sales tax).

Under the name of Turnover Tax Act 1997, tax is levied in compliance with the stipulations of this law on:

1. Goods produced in Suriname and delivered in Suriname by entrepreneurs within the scope of their enterprise;
2. Services, mentioned in appendix no. 1 of this Law, performed in Suriname by entrepreneurs within the scope of their enterprise;
3. The import of goods.

The rates of the Turnover tax are:

1. 10% for the supply of goods and on imports (25% for some imported luxury goods);
2. 8% for the rendering of services which are included in the appendix to the law;
3. 0% in the case of export of goods.

e. Custom duties

Suriname levies import duties on the import of goods. The tariffs of the import duties vary in general from 0 to 40%. Usually, the eligibility for import duties means also eligibility for turnover tax.

With the entry of Suriname in the CARICOM in 1995, the regime of import duties was brought in line with the other CARICOM countries, levying one external tariff.

Please note that most goods that are produced in the CARICOM are exempt from import duties.

Incentives on custom duties

Exemptions and special incentives on custom duties are found in different regulations, such as the Petroleum Act and Mineral Agreements, which provide special incentives to oil companies, contractors and subcontractors of oil companies and for RGM and NS.

f. Statistic and consent rights (levies)

With the import some other duties (statistic 0.5% and consent rights 1.5%) of the CIF-value are due.

The State Decree 2005/ SB 2005-39 and the Mineral Agreements provide the oil industry, RGM and NS, exemptions for statistic and consent levies, limited to the equivalent of USD 300.000 per calendar year.

4.3.2.2 Oil Industry

The Petroleum Act provides special incentives to oil companies, contractors and subcontractors.

One of these incentives regards the exemption from import and export duties for the import (and export) of capital assets. Another incentive regards the exemption from import duties for the household effects of personnel of a contractor. The exemption from import and export duties as meant in the Petroleum Act 1990, does not apply to the goods mentioned in the attachment of this State Decree. According to the State Decree of May 4, 2005/52 Staatsolie is fully exempted from payment of statistic and consent duties due, with regard to the import and export of goods for activities in the concession area that falls in the petroleum agreement and that in a calendar year does not exceed USD 300,000. With respect to the contractor, as mentioned in the State Decree, the

above also applies. If one Contractor is party to several petroleum agreements, the statistic and consent duties due will be determined per petroleum agreement.

4.3.2.3 Mining Industry

Based on the Mineral Agreements the same exemption as for the oil companies for statistic and consent rights is applicable for RGM and NS.

a. Rental value tax

Under the name "Rental Value Tax" Act (Huurwaarde belasting) a tax is levied on the owner of a building or owner of a right in rem of a building (type of real estate tax).

For buildings standing on domain land which have been rented out, the landlord owes the tax. In case there is more than one entitled person to a specific building, the entitled parties shall, at the request of the Inspector, designate one person liable for this tax by mutual agreement.

The tax is due based on an assessment raised by the Inspector of Direct Taxes. Every 3 years the rental value is determined by the Inspector of Direct Taxes, based on the situation of that building at the beginning of that year. In case of a rented building, the rental value is determined based on the amount of the rental annual income. The tax is levied at a rate of 6 % of the rental value.

The total rental value of buildings in own use is set at 1 (one) percent of the free sale value; for determining this rental value, the free sale value is reduced by SRD 50,000. For rented buildings, the annual rental income applies as rental value, insofar as this rental income does not amount to less than 1 (one) percent of the free sale value.

The tax is due within 5 months after the assessment is raised.

Please note that according to the law some buildings and establishments are exempt from the tax.

4.3.3 Payments to Ministry of Finance

The following payments are done directly to MOF

a. Dividend payments by Oil and Mining

Dividends from state owned companies, which in the case of Suriname are Staatsolie and Grassalco, are paid directly to the MOF. This payment can be settled with outstanding balances with the Government and as such it is occasionally considered a non-cash settlement.

Dividend is also paid by RGM based on the 5% interest of the Republic of Suriname in RGM.

Dividend in stock, when applicable, is considered a non-cash payment. It will be disclosed as such.

b. Royalties in cash

Oil industry

Royalties are payments to the Government, by the petroleum companies, for natural resources that belong to the Republic of Suriname and are extracted during petroleum operations.

There is no royalty liability for Staatsolie when the exploitation of oil is onshore, while with reference to SB 2005/52 the royalty due by Staatsolie is 6.25% of the gross production regarding offshore companies in Suriname. The gross production is the total production of petroleum in offshore Suriname with the exception of water, sediment and all other petroleum that is used in petroleum activities. This royalty arrangement is incorporated in the PSC.

Mining industry

Royalty payments to the Government are either based on the Mineral Agreement between the Republic of Suriname and the large companies or on the Mining Decree 1986 for small and medium size companies. Royalties payments to the Government by small and medium size mining companies are based on their production quantities.

Royalty rates are fixed as follows:

Mining material	Amount/ percentage of royalty
Gold/silver large scale mining based on Mineral Agreements:	
RGM royalty fee to be paid in cash	6.5% when gold price is in excess USD 425 per troy ounce
RGM royalty fee to be paid in-kind	2.25% monthly refined production
NS royalty fee to be paid in cash	6% over the net smelter return
Small and medium scale mining companies based on Mining Decree	
Gold/silver small and medium scale mining companies	2.75% of production value of the small and medium scale mining companies (SB1989/40 and its amendment SB 2015/51)
Diamond	No specific royalty rates known yet for large companies. For Small and medium scale mining companies no other royalty fee known yet other than the fee known for Gold.

Table 4.3 Royalty fee rates

Royalty fee RGM

Based on the Mineral Agreement (1994), between the Republic of Suriname, Grassalco and Golden Star, RGM pays monthly:

- Royalty fee in cash: a royalty fee of 6.5% in excess of gold price of USD 425 per troy ounce. Payment is made on a quarterly basis.
- Royalty fee in-kind (special royalty): 2% royalties in-kind of its refined production to Grassalco and the remaining 0.25% to SEMiF. Transfers are completed on a monthly basis.

Based on an arrangement, originating from early 2005, an 80/20% ratio has been applied for allocation of the royalties paid by RGM. Royalty paid in cash is being deposited in the account of Grassalco at CBoS, who credits the account of MOF for 80% and of Grassalco for 20% based on this arrangement. Up to 2007, the share of Grassalco was used to pay off its debts with 2 financial institutions.

There is no written arrangement available of this ratio and the purpose.

With reference to a letter of the director of Grassalco seeking for a validation of the 80/20% ratio after 2007 the Minister of MONR put in writing in May 2018 that the 80/20% ratio regards the validation of the royalty payments and is retrospectively effective per January 1, 2014.

Royalty fee in-kind paid by RGM is being deposited at Royal Canadian Mint on the pooling account of Grassalco for 2% and 0.25% in an account of SEMiF. Grassalco keeps records in its financial accounting of the deposits in-kind at Royal Canadian Mint. In cooperation with the Government Grassalco can order the Canadian mint house to sell gold at the expense of their pooling account.

4.3.4 Payments to Ministry of Natural Resources (to be reported by MOF)

Oil industry

Staatsolie and offshore companies are exempted from paying:

- application;
- concession;
- exploration;
- exploitation and
- annual license fee

There is no product sharing applicable for 2016, since IOCs were in the exploration phase in 2016.

Mining industry

Overview of fees applicable in the mining sector:

Type of Fee	Payment condition	Fee SRD	Sequence
Application	Up front	4.50 per/ha*	at time of application
Exploration	Up front	1.20 per/ha	at time of application and after that per year
Exploitation	Up front	2.40 per/ha	at time of application and after that per year

Table 4.4 Application and surface fees

* 1ha =2,47 acres

4.3.5 Other payments to the Government

Oil industry

There are no other payments based on liabilities to the Governments. Settlements of liabilities to the Government with a claim on outstanding balance with the Government are not considered as other payments to the Government since settlements are non-cash transactions and are reported separately.

Mining industry

Payments based on Power Purchase Agreement.

With reference to the Power Purchase Agreement 1 (PPA 1) between RGM and the Republic of Suriname from 2003, amended in 2013, the Government receives monthly a payment from RGM based on the total annual energy available for purchase by RGM under the terms of the Agreement.

The monthly invoicing is based on the table below in conjunction with the predetermined monthly available energy:

PRICE PER KWH	GOLD PRICE
USD 0.09	< USD 1550
USD 0.11	USD 1,550 - USD 1,650
USD 0.12	USD 1,650 - USD 1,750
USD 0.13	USD 1,750 - USD 1,850
USD 0.14	+USD 1,850

Table 4.5 PPA1 Energy rates for RGM

The monthly amount in 2016 based on this schedule is about USD 850 thousand.

The major part of the energy, based on PPA 2, is being supplied by NV EBS (19 MW) for USD 0.11/kWh in 2016 and is not part of the EITI-report.

4.4 Companies included

Based on the financial data available at the Ministry of Finance, it has been concluded by MSG SEITI, that 6 companies of the oil sector and 3 companies of the mining sector, are considered material for these two sectors. Additionally, a group of small-scale gold miners associated in SHMR is added to the list mainly because of the importance of the small-scale mining in the mining industry.

Oil industry

Consequently, the 5 entities of the Oil Sector included in this report are:

Nr.	Name of company
1	Staatsolie (100% state owned entity)
2	Kosmos Energy Suriname
3	Teikoku Oil Suriname (TOS)*
4	Apache Suriname Corporation LCD**
5	Petronas Suriname E & P B.V.
6	Tullow Suriname B.V.

Table 4.6 Reporting companies Oil Sector 2016

*TOS - Inpex (IOC) its contract is terminated in August 2016. There were no payments made or reported by TOS in 2016 of final or subsequent obligations for 2015. Nor did MOF report any subsequent revenue of 2015 in 2016.

**Apache (IOC) did not report data regarding 2016

Staatsolie

The primary activities are exploration and exploitation of oil reserves, the refining and sale of crude oil and related products.

Secondary, Staatsolie is expected to improve and increase participation of third parties in the activities of Staatsolie to increase state income. In addition, the company is responsible for the sustainable development of expertise in the field of technology and management within the oil sector.

Staatsolie is the contracting party on behalf of the Government of Suriname with the contractors. Agreements with contractors are directly negotiated and signed by Staatsolie and furthermore Staatsolie performs oversight on the contractors.

Mining industry

Consequently, the entities of the Gold Sector included in this report are:

Nr.	Name of company
1	Rosebel Gold Mines N.V.
2	Newmont Suriname LLC
3	NV Grassalco (100% state owned entity)
4	A collective of 15 companies associated with SHMR
5	N.V. 1

Table 4.7 Reporting companies Mining Sector 2016

N.V. 1

N.V. 1 was initially not identified by MSG as a reporting entity within the scope of the EITI-reporting. In the data reconciliation it was noted that transactions were executed between RGM and N.V. 1.

N.V. 1 is considered a company that received payments from a reporting Company based on an agreement between the Government, NV 1 and RGM. For materiality reasons for EITI 2016 NV1 is included in the integral reconciliation for 2016.

Small and medium size companies (SHMR)

SHMR has 40 (forty) registered associates with 66 mining rights of which 29 are holders of the ‘Right to Exploration of gold and other minerals’, and 37 are holders of the ‘Right to Exploitation of gold and other minerals. All members are legal corporations, registered at the CC&I.

15 associated companies have agreed to authorize the Board of SHMR to represent them in the M.O.U. regarding the EITI-Suriname 2016 report. These 15 companies are together holder of 14 (fourteen) rights to exploitation and 12(twelve) rights to exploration.

Of the 15 participating companies, 5 are committed to prepare an Annual Report.

Though this group was not in the scope based on materiality set, but as informed by the board of the collective of the 40 small scale mining right holders, they execute their business in a different structured legal environment compared to the large companies. As laid out by the board they face a different set of circumstances, influencing their daily operation as well as the continuation of their business due to their experiences of deviations in requirements and discriminatory conditions.

Out of the 40 companies associated with SHMR collective, 15 companies have committed to enter the EITI Report 2016.

The group that entered the EITI-reporting cycle 2016 consists of the following companies:

Nr.	Name of company
1	Sarafina NV
2	Brothers Goldmining NV
3	Volcanic Resources NV
4	NV Suriname Diamant Company
5	NV Nature Beauty
6	Augusta Mining
7	U&T Group
8	Canasur Goldmines NV
9	Caribbean Minerals Company NV
10	Roraima Stone Industries Ltd
11	Gonini Mining Company NV
12	Eagle Resources NV
13	Sarakreek Resource Corporation NV
14	China Mega Suriname Mining Investment Company NV
15	Nana Resources NV

Table 4.8 Reporting companies within SHMR 2016

4.5 Government bodies included

4.5.1 Ministry of Finance (MOF)

Tax Authority of Ministry of Finance

The Tax Authority is a separate division of the Ministry of Finance. This entity is headed by a director who reports directly to the Minister of Finance. All direct and indirect tax declarations should be filed with the tax authority.

The Finance Directorate of Ministry of Finance

See chapter 3.1.2 Governmental structure for their tasks.

4.5.2 Ministry of Natural Resources (MONR)

See chapter 3.1.2 Governmental structure for their tasks.

Regarding the extractive industry (oil & gas, gold and aluminum) MONR is responsible for the sustainable development of the mineral sector, such that optimal revenues are earned by the

Government. Institutions with an important role in the extractive sector, under the supervision of MONR, are:

- GMD

This department is responsible for stimulating the mining sector in Suriname. Further information can be found on their website: <https://geologymining-sr.maps.arcgis.com>

- BIS

BIS is incorporated on February 17, 1981 (Decree E-9/ S.B. 1981-14). The purpose of this institute is:

- Knowing and understanding the development within the bauxite sector in Suriname and in international perspective;
- Preparing of policies regarding bauxite for the Government;
- Advising the Government in the execution of the bauxite policy;
- Executing of independent audits of the bauxite activities in Suriname;
- Collecting and processing of data from the bauxite sector.

Reference is made to their website for further information: www.bauxietinstituut.com

5. RECONCILIATION OIL AND MINING SECTOR

5.1 General

In the next table the revenues received by MOF from the reporting companies are shown per sector in total and in proportion to the GDP. We explicitly note that the reported revenue in the EITI 2016 report does not reflect the full revenue from this sector. The GDP for 2016 amounts to SRD 19,720,377 thousand (*website ABS*). The GDP is noted as temporary figures.

	MOF reported			Revenue 2016
	OIL	MINING	Total	in % of the
*1,000 SRD	SRD	SRD	SRD	%
DIRECT TAXES				
Income Tax,	-	4,257	4,257	0.0
Wage Tax & AOV	84,713	130,689	215,402	1.1
Dividend Tax	-	-	-	
	<u>84,713</u>	<u>134,946</u>	<u>219,659</u>	
INDIRECT TAXES				
Custom duties	-	223	223	0.0
Rental Value Tax	-	197	197	0.0
Wealth Tax (real estate tax)	-	1,376	1,376	0.0
	-	<u>1,796</u>	<u>1,796</u>	
OTHER INCOME				
Statistics and consent rights	-	2,040	2,040	0.0
Surface rights	-	217	217	0.0
Mining rights	-	633	633	0.0
	-	<u>2,890</u>	<u>2,890</u>	
Cash Dividend SOE*	50,879	-	50,879	0.3
Royalty fee Newmont	-	8,757	8,757	0.0
Royalty fee RGM	-	75,838	75,838	0.4
	<u>50,879</u>	<u>84,595</u>	<u>135,474</u>	
Total cash payment	135,592	224,227	359,819	1.8
Payment to NV1 (RGM)@	-	1,533	1,533	0.0
Payment based on PPA 1 (RGM)@	-	64,900	64,900	0.3
Total cash payment from companies (EITI 2016)	135,592	290,660	426,252	2.1
Royalty from Exporters (not included in EITI 2016)	-	93,081	93,081	0.5
	<u>135,592</u>	<u>383,741</u>	<u>519,333</u>	<u>2.6</u>
Non-cash transaction reported by Grassalco				
Payment in-kind RGM** converted to SRD: USD/SRD 6.173	-	36,069	36,069	0.2
Total payment stream 2016 in EITI reporting	135,592	419,810	555,402	2.8
Payments Extractive Industry as stated in the materiality statement			565,600	

Table 5.1 Reported revenue streams MOF related to the GDP 2016

*The cash dividend paid is from Staatsolie (SOE) regarding Fiscal year 2015 and includes 25% dividend tax. On State level this does not affect the amounts of payments received.

** This amount regards the USD value of the in-kind payments received in 2016 and reported on behalf of MOF by Grassalco. MOF did not report this as such.

Notes:

- Part of the payments made by the companies in 2016 is received in 2017 by MOF.
- In the reported revenue streams for the extractive industry for 2016 amounting SRD 565,600 thousand not all the above reported payments are included or recognized initially as proceeds from the extractive industry (see @). While on the other side revenues are included originating from the extractive industry but considered as 'non EITI-income' of which royalty fee paid by the exporters of gold SRD 93,081 based on exported gold is reflected in the reported amount by MOF. opposed the information on their website.

A breakdown of the total amounts received on cash basis per sector by MOF in 2016 into amounts received per reporting company per sector is exposed in table 5.2 and in the reconciliation, tables as set forth in the next paragraph. Herewith an explanation is provided regarding differences on company level in the payments received by MOF and the payments made by the companies.

The following payment flows from the reporting companies are included in the reconciliation:

Payment flows	Staats- olie	IOCS	RGM	NS	Gras salco	Total Com- panies	Total MOF	Recon differenc es
*1,000 SRD	SRD	SRD	SRD	SRD	SRD	SRD	SRD	SRD
Direct taxes								
Income Tax			134			134	4,257	4,123
Wage tax	90,627	1,764	53,543	72,615		218,549	215,402	-3,147
Dividend tax								
	90,627	1,764	53,677	72,615		218,683	219,659	976
Indirect taxes								
Turnover tax								
Rental value tax and wealth tax							1,573	1573
							1,573	1,573
Other Income								
Custom duties			52		223	275	223	-52
Statistic and consent rights			2,040			2,040	2,040	0
Surface rights			12		12	24	217	193
Mining rights							633	633
Cash Dividend	50,879					50,879	50,879	-
Royalty fee Newmont				21,545		21,545	8,757	-12,78
Royalty fee RGM			90,460			90,460	75,838	-14,622
	50,879		90,460	21,545		162,884	135,474	-27,410
	141,506	1,764	146,241	94,160	235	383,906	359,819	-24,087
Specific arrangements								
Payment to NV1 (RGM)			74,700			74,700	1,533	-73,167
Payment based on PPA1 (RGM)			64,966			64,966	64,900	-66
Cash payment included in reporting	141,506	1,764	285,907	94,160	235	523,572	426,252	-97,320
Royalty gold export received by MOF not included in EITI scope							93,081	
Cash payments incl Royalty gold export							519,333	
Value Royalty in-kind (non- cash) reported by Grassalco on behalf of MOF							36,069	
							555,402	
Volume Royalty in- kind/special royalty (non-cash) reported by RGM and by Grassalco on behalf of MOF			Oz				Oz	
Gold in Oz			14,027				11,222	
Silver in Oz			1,595				1,275	

Table 5.2 Overview reported payment by companies and by MOF 2016

5.2 Results of the reconciliation Oil and Mining

Oil industry

A summary of the results of the 2016 reconciliation is set out in the table below:

(*1,000 SRD)		Reported by Government		Reported by company			Analysis of reconciling items			
Company	Initial	After Adjustments	Initial	After Adjustments	Reconciling items	Timing differences	Exchange differences	Settlement differences	Other Differences	Uncleared Differences
Staatsolie	133,806	133,825	122,383	141,506	-7,681	-	-	-	-	-7,681
Kosmos Energy Suriname	1,610	1,530	1,530	1,530	0	-	-	-	-	-
Teikoku Oil Suriname (TOS)	-	-	-	-	-	-	-	-	-	-
Apache Suriname Corporation LCD	No report	No report	No report	No report	No report	-	-	-	-	-
Petronas Suriname E&P B.V.	-	-	1,109	-	-	-	-	-	-	-
Tullow Oil Suriname B.V.	719	237	234	234	3	-	3	-	-	-
Total	136,135	135,592	125,256	143,270	-7,678	-	3	-	-	-7,681

Table 5.3 summary reconciliation difference oil companies 2016

Uncleared differences

These differences are uncleared differences between MOF and Staatsolie amounting to SRD 7,681 thousand regarding wage tax differences paid in 2016 by Staatsolie amounting to SRD 90,627 thousand and the amounts reported by MOF amounting to SRD 82,946. Therefore, MOF has reported in total less wage tax received in 2016.

Mining Industry

A summary of the results of the 2016 reconciliation for the mining company is set out in the next table:

* 1,000 SRD)		Reported by Government		Reported by company			Analysis on reconciling items			
Company	Initial reporting	After Adjustments	Initial reporting	After Adjustments	Reconciling items	Timing differences	Exchange differences	Settlement differences	Other Differences	Uncleared differences
RGM	179,211	205,106	143,725	285,907	-80,801	-70,652	890	7,200	-18,093	-146
NS	84,630	84,847	94,160	94,160	-9,313	-13,112	324			3,475
Grassalco	22,541	707	235	235	472					472
Total	286,382	290,660	238,121	380,302	-89,642	-83,764	1,214	7,200	-18,093	3,801

Table 5.4 summary reconciliation difference mining companies 2016

Timing differences RGM

This regard payment made by RGM on December 15, 2016, to NV1 based on amendment 2/2013 and letter of agreement/ 2016, amounting approximately USD 10 million, i.e. SRD 70,562 thousand. MOF has confirmed the receipt of this payment in favor of NV1 in January 2017.

1. Payment to NV1 by RGM

The following explanation is given by RGM regarding payments made to NV1:

RGM has reported all payments made to NV1, a Government owned Limited Liability Company, of which 98% of the shares belongs to the Government of Suriname and 2% to the NOB. The cooperation between RGM and NV1 takes place within the framework of the Saramacca Project. An Unincorporated Joint Venture (UJV) would be established, as laid down in the Second Amendment (2013) to the Mineral Agreement, in which NV1 will be a partner designated by the Republic of Suriname. In 2016 this arrangement took a turn as described beneath.

2. Acquisition of the Saramacca concession by RGM

The terms and conditions for the acquisition of the Saramacca Concession as agreed between RGM, the Republic of Suriname and NV1 are laid down in the Letter of Agreement (LOA) dated August 30, 2016, as amended on December 12, 2016 (1st Amendment LOA) and as further amended December 8, 2017 (2nd Amendment LOA). Based on those conditions it was agreed that NV1 would transfer 100% of the ownership of Saramacca right of exploration to RGM under the following terms:

- RGM has committed to contribute the Saramacca Concession to the Unincorporated Joint Venture subject to Section 8 and Section 9.5 of the LOA and in accordance with the Second Amendment of the Mineral Agreement dated June 6, 2013.

As far as the payments are concerned the following purchase price was agreed:

1. Payment of the sum of USD 200,000 by RGM to the MOF/Government, upon execution of the LOA and the payment shall be considered as payment for i.e. the data package as mentioned in Section 5.1 of the Original LOA.
2. Payment of the sum of USD 10 million by RGM to the MOF /Government, upon registration of the Notarial Deed transferring the Saramacca Right of Exploration from NV1 to RGM and delivery of all other consents and documentation necessary to make such transfer binding and effective under the laws of the Republic of Suriname;
3. Transfer of 3,125 million IMG common shares to N.V. 1 in 3 tranches:
 - First tranche of 1,041,667 IMG shares 12 months after the date of transfer of the Saramacca right of exploration from NV 1 to RGM;
 - Second tranche of 1,041,667 IMG shares 24 months after the date of transfer of the Saramacca right of exploration from NV 1 to RGM; and
 - Third and final tranche of 1,041,667 IMG shares 36 months after the date of transfer of the Saramacca right of exploration from N.V. 1 to RGM;
 - Final payment regards the Adjustment Amount of maximum of USD 10 million subsequent to a NI 43101 compliant resource estimate for the Saramacca concession.

For the fiscal year 2016, the relevant payments to the Government are:

- USD 200,000 which was paid on August 31, 2016 upon execution of the Letter of Agreement dated August 30, 2016;
- The single payment of USD 10 million made on December 15, 2016 following transfer and registration of the Saramacca right of exploration from N.V.1 to RGM. This payment was received in 2017 by N.V.1 according to MOF.

On May 10, 2019, it is made public that the Saramacca deal regarding N.V.1 is terminated. (see <http://www.starnieuws.com/index.php/welcome/index/nieuws/>)

Timing differences NS

These regard a payment of the royalty fee of November 2016, to Staatsolie on behalf of the Government. Staatsolie transferred the payment received in 2016, amounting USD 1,806 thousand, to the Government in January 2017. This amount was received by the Government in January 2017.

Settlement differences

These differences regard a settlement of a claim against the Government regarding excess payment of income tax in previous years. Based on an agreement with the tax authority, RGM has deducted monthly a fixed amount of SRD 600 thousand of the monthly payment of wage tax.

Other differences

These differences regard differences between MOF and Grassalco, that are cleared and confirmed by MOF as a difference but is not settled with Grassalco yet. The Government has un-intentionally received in 2016 SRD 18,093 thousand on royalty fee that needed to be transferred to Grassalco, but this did not happen. On State level this does affect the amounts of payments received by the Government negatively, since the initial claims on Grassalco have been turned into debt to Grassalco due to this mistaken processing of the payments received in 2016.

Upon proposal of Grassalco to the Government, made in October 2018, the claim on the Government can partially be used as settlement for the outstanding balance of wage tax/social security premium and turnover tax. Grassalco did not pay wage tax/social security premium and turnover tax in 2016 regarding 2016 and prior years.

Uncleared differences

MOF reported the receipt of payments which are not reported by the companies. This can partly be the result that payments from the various tax- categories from a company can be mistakenly coded incorrectly; ultimately this has no effect on the total level of the total amount received.

The following table provides a breakdown of the uncleared differences for the mining company in 2016:

Category payment	SRD * 1,000
Uncleared differences:	
More Income tax reported by MOF than reported by company	4,123
Less wage tax reported by MOF than reported by company	-2,669
More other revenues reported, e.g. surface right, rental value tax etc. by MOF than reported by companies	<u>2,347</u>
Total uncleared differences	3,801

Table 5.5 Uncleared differences mining companies

Within the materiality set for the 2016 reconciliation the amount of the total uncleared differences of SRD 3,801 thousand is not considered material and therefore no action is taken to clear these differences.

Payment in-kind

(amounts x1,000)	Grassalco received on behalf of Government 2016		Rosebel Gold Mines N.V. Reported 2016		Reconciling item 2016		Other differences 2016	
	Oz	USD	Oz	USD	Oz	USD	Oz	USD
Payment in-kind Gold	4,684	5,839	5,856	7,271	-1,171	-1,432	-1,171	-1,432
Payment in kind Silver	216	4	270	5	-54	-1	-54	-1
		<u>5,843</u>		<u>7,276</u>				
		SRD		SRD		SRD		SRD
USD/SRD=6.173: Gold*		36,044		44,884		-8,840		-8,840
USD/SRD=6.173: Silver*		<u>25</u>		<u>31</u>		<u>-6</u>		<u>-6</u>
		36,069		44,915		8,846		8,846

Table 5.6 Payment in-kind paid by RGM and received by Grassalco
*CBoS monthly average exchange rate for 2016

An excess royalty of 6.5% is paid by RGM to Grassalco on a quarterly basis in case the gold price increases above the threshold of US\$ 425 per Troy Ounce.

The payment of the special royalty takes place in accordance with Article 20.11 of the Mineral Agreement (1994) and Article 4.2 of the First Amendment (2003). Regarding the payment in-kind 2% must be paid to Grassalco and 0.25% to SEMiF. The difference regarding payment in-kind between Grassalco and MOF has been partially cleared in 2018.

Shortly after the start of the commercial production of RGM in 2004, an arrangement was made between the State and Grassalco concerning the distribution of the monthly royalty proceeds from RGM, whereby the State would obtain 80% and Grassalco 20% of these royalty revenues. This arrangement is not available. However, in May 2018, the Minister of MONR provided a written response to the director of Grassalco that the 80/20% ratio regards the validation of the royalty payments, whereby 20% is paid out to Grassalco and 80% to the State of Suriname and that this arrangement will be effective from January 1, 2014. However, CBoS has applied this 80/20% ratio in 2016 based on the initial arrangement 2005 and as such no timing difference is reported due to the letter of the Minister of MONR from May 2018.

In 2016 sales of the gold and silver deposit at RCM Grassalco took place. Grassalco and MOF reported the following sale of gold and silver in 2016:

2016	Sale by RCM in 2016	80% share Government reported by Grassalco		MOF reported	Reconciling items	Analysis on reconciliation items		
		Oz	USD			Exchange difference	Other differences	
(*1,000)								
	Oz	Oz	USD	SRD	SRD	SRD	SRD	SRD
Gold	14,027.3	11,221.8	13,435	67,899	67,668	-231	-231	
Silver	1,594.6	1,275	21	154	-	-154	-	-154
			13,456	68,668	67,668	-231	-231	-154

Table 5.7 Sales of gold and silver in 2016 by Grassalco and reported by MOF

Small and medium scale mining right holders from SHMR

Though not material in the sense of payment flows to the Government, the collective reporting of the payment made by 15 associates of the SHMR is included in the EITI 2016 reporting.

Small and medium size mining companies (Mining right holders) SHMR	MOF	Collective of 15 companies
	SRD	SRD
*1,000 SRD		
Direct taxes:		
Income tax	-	10
Dividend tax	-	-
Wage Tax & AOV	-	592
Indirect taxes:		
Sales tax	-	-
Other payments:		
Royalty fee*	93,081	-
Concession fee etc (surface rights)	-	531
Other non-tax payments	-	41
CSR (e.g. sponsoring malaria project etc.)	-	330
Infrastructure	-	259
Other support related payment towards government	-	-
	93,081	1,763

Table 5.8 Collective Reporting 15 companies associated with SHMR and MOF

*see point C for explanation

The companies associated with the SHMR consider themselves vulnerable in exposing data of their companies and therefore agreed to participate as a collective of companies. The following is noted from our interview regarding the explanation of the financial data above:

- The members of this group did not commit to the M.O.U. on company level but as a collective of 15 out of the 40 companies associated with this platform, SHMR;
- The collective would not report their data based on a reporting template used by the other reporting companies and has proposed their own model- as above- which was approved by MSG;
- No financial statement of the companies would be provided if there were any.

The reconciliation of data collected was not possible since:

A: This collective did not provide:

- Evidence for the reported financial data nor a segmentation per participating company of the collective amounts reported;
- Other non-financial data such as beneficial ownership, agreements, ministerial orders as requested to the other companies according to the PBC list, nor data about CSR expenditure;

B: MOF could not report payments from the collective:

- Mainly since each company have a unique single tax identification number.

C*: MOF has reported an amount of SRD 93,081 thousand as royalty fee received from gold exporters, which could not be matched with this group of reporting entities since:

- The amount of royalty fee reported by MOF might include more small and medium size mining companies than those who have participated in this reporting cycle;
- Buyers of gold could also buy gold from the informal small-scale gold miners or other sources than these reporting members of this collective /the legal small and medium scale gold miners, hence this is causing a disruption in the flow of gold and the transparency of the royalty fee payment made by small and medium scale gold mining right holders, who are entitled to pay 2.75% royalty fee over their production;
- Small and medium scale miners do not pay their royalty fee obligation directly to the Government but pay 6.25% to the buyers of gold. As we were informed by SHMR, the sellers are not acknowledged by the buyers in an adequate, transparent and traceable manner for their payment of 6.25% cost including the 2.75% royalty fee. For this reason, they did not report the royalty fee payments because they cannot formally prove that they have fulfilled this obligation;
- Furthermore, we were informed that there might be more buyers than exporters of gold and therefore it is not clear which part of the volume of gold bought from this collective of mining right holders is included in the royalty fee reported by MOF;
- If buyers of gold do not sell all the gold bought from the small and medium gold miners than that part of the royalty fee withheld from these miners is not brought into scope. Based on decree SB 1989/40 and its amendment SB 2016/2, regarding decree Royalty small mining gold and building materials, the royalty withheld regarding the non-exported gold should be monthly declared at the tax authority and paid. This information is not included in the reporting since the buyers are not in the EITI-scope. This also indicates a distortion in the flow of royalty fee withheld from the gold miners and the royalty fee paid by the exporters and reported by MOF.

5.3 Bid rounds Oil and Mining

5.3.1 Allocation of licensing and contracts Oil and Mining

Oil industry

Two Government entities (MOF and MONR) and 5 companies (of which SOE Staatsolie) participated in the reconciliation and reported the financial and non-financial flows between companies and Government as determined by MSG.

In 2016, Staatsolie, as regulator in the petroleum industry and acting as an agent of the Government, continued to promote offshore Suriname via the “Open Door Invitation”. Closed on September 7, 2016, this process encouraged several international oil companies to bid on Suriname’s open offshore blocks. These PSC-negotiations resulted in 2017, in assigning the offshore block 59 between a consortium consisting of the oil companies ExxonMobil, Hess Corporation and Equinor. A contract for Block 60 has been assigned to Equinor.

In the oil industry in Suriname licenses are awarded in the form of PSCs. In 2016, there were only bidding rounds.

Mining industry

According to an overview of GMD, dated April 18, 2019, regarding the mining rights / licenses for the category gold, diamond and other ores issued in 2016 are presented in the table below:

Gmd No.	Mining right holder	Mining Right	Mineral requested	New/ Extension	Issued	District	Surface (ha)
184/16	Grassalco N.V.	Explore	Gold and other ores	E	18-Mar-16	Para	26,000
309/16	MINE REHAB N.V.	Explore	Gold and other ores	N	30-Nov-16	Sipaliwini	20,776
516/16	N.V. EEN	Explore	Gold and other ores	N	31-Aug-16	Brokopondo en Sipaliwini	4,986
299/16	N.V. Grassalco	Explore	Gold, diamond and other ores	N	24-May-16	Sipaliwini	27,600
352/16	N.V. Grassalco	Explore	Gold, diamond and other ores	N	24-May-16	Brokopondo	15,250
353/16	N.V. Grassalco	Explore	Gold, diamond and other ores	N	24-May-16	Brokopondo	15,250
387/16	Newmont Suriname	Explore	Gold and other ores	N	7-Jun-16	Para en Sipaliwini	4,678
706/16	Rosebel Gold Mines N.V.	Explore	Gold and other ores	N	31-Aug-16	Brokopondo en Sipaliwini	4,986
246B/15	N.V. Alexander Gold Mining	Exploit	Gold	N	9-Sep-16	Sipaliwini	10,000
714/16	Ala Kondre Mining N.V.	Exploit	Gold	N	26-Sep-16	Sipaliwini	5,000
843/16	Ortalis Resources N.V.	Exploit	Gold	N	9-Sep-16	Marowijne	4,915

Table 5.9 Overview of GMD regarding the mining right licenses for the category gold, diamond and other ores issued in 2016

Note that we do not express any opinion about the completeness and accuracy of the data above, since no investigation was possible regarding the reliability of the database and the IT-environment, nor about the methodology of the data extracted from the database.

Moreover, the information was not derived from a license register which reflects the movements of application for mining rights.

5.3.2 Register of licenses Oil and Mining

Oil industry

We are informed by GMD, that they do not have data available at GMD regarding concessions for the oil sector.

GLIS, informed that they do not recall having an overview of the property/area of interest of Staatsolie yet. Given one of their goals they started in 2018 with the Spatial Data Information project. In this context they had initial meetings with Staatsolie and other Government enterprises about information of area where oil pipelines, water tubes, electricity and phone cables etc. are located beneath the surface and how this data can be brought into picture and shared. This project has not officially started yet.

MONR does not maintain an oil register for all the concessions granted to Staatsolie for the onshore oil exploration and exploitation. An overview of all the concessions onshore and offshore granted to Staatsolie is being maintained by the company. (see *figure 3.13*)

Mining industry

Next to its main tasks the GMD is:

- providing service deals with geological mapping and manufacturing;
 - performing inventory of the occurring of ores/minerals in Suriname;
 - advising to the minister of MONR regarding mining rights and their monitoring.
- They perform services to third parties as information regarding mining applications, processing and preparation of applications.

Application

The application for a mining right starts at GMD, where it will be identified with a continuous serial number with the year of application added to the serial number (for 2016: GMD .../16).

The applications have been checked for the presence of the requirements stated in the Mining Decree, supplemented by GMD with other detailed processing necessities as copies etc., as listed in the publicly available brochure of GMD (see *appendix 10*).

After completing the necessary inquiries, GMD sends its advice regarding the application accompanied by a copy of the figurative card and a copy of the application, to MONR for review and approval.

The Minister can either adopt the GMD's advice or overrule it by ignoring a positive or negative advice and deciding otherwise.

Approval

If the application is approved by the Minister of MONR, GMD processes this further. Before finalizing the procedure at GMD, the Applicant needs to go to GLIS to pay the stamp duty and transfer costs and needs to return to GMD with a so-called C-form as proof of fulfilled duties. However, the applicant needs to go back to GLIS/Mortgage custodian for assignment of the obtained mining right in the public registers. In fact, without registering this right at GLIS/Mortgage custodian, the mining right holders formally may not proceed (The amount of the transfer cost depends on the size of surface of the concession and is not a revenue of the Government but for GLIS. The cost of stamp SRD 1 per application is state revenue).

Disapproval

If an application is not approved, the GMD does not notify the applicant of the outcome and its dossier is not returned but stored separately at GMD.

There is no register present at GMD, nor at MONR, that systematically displays the incoming and outgoing flow of applications, the status, the outcome of the application, nor acknowledgment by the

parties of the receipt of applications respectively the provision of the ministerial order to the beneficiary/ applicant.

5.3.3 Contract disclosure Oil and Mining

Oil industry

No PSCs were signed in 2016 with IOCS, therefore no disclosure is mentioned. Staatsolie emphasizes that, based on the Petroleum Act, they are entitled to conclude commercial contracts with IOCs which therefore are not publicly available. However, Staatsolie has the PSC-model 2017 and the 'open door invitation' on its website.

There are no Government rules that regulate the transparency of these contracts and other contracts in general nor in the context of EITI-reporting.

Mining industry

The content of a mining license is not publicly disclosed by MONR.

Generally, the minister of MONR, based on the advice of GMD, approves the requested Mining rights with references to the:

1. "Mining Decree" E-58 (S.B. 1986 no. 28), containing general regulations concerning the exploration and extraction of minerals;
2. State Decree of May 11, 1989 (S.B 1989 No. 39);
3. "Mining Decree" E-58 (S.B. 1986 No. 28), Article 63, paragraph 1, amended by S.B. 1997 No. 44 and with S.B. 2014 No. 59, and as last amended by S.B. 2014 No. 176; 4;
4. Brokopondo Agreement and with reference to the law of January 25, 1958 (G.B. No. 4) and to the law of August 3, 1977, No.8821 (Bulletin of Acts and Decrees No.45),
5. "Economic Offenses Act of January 9, 1986" (S B. 1986 No.2, as last amended by S.B. 2008 No. 55). And furthermore, by specifying the right, the concession area framed by area coordinates, the duration of the right, the yearly surface payments and other conditions listed to be taken in consideration (See appendices for content of the Ministerial order for an approved license for the extension of the right of exploitation for mining);
6. Mineral Agreement of 1994 and its First and Second Amendment (2003 and 2013) where and when applicable;
7. Mineral Agreement (Merian Project) 2013.

The licenses are generally redacted in a standard format and are made specific were necessary, for among others, the type of mining right, the location, the coordinates and the commissioner of the district where the mining right will be executed. *(See Appendix 12 for respectively a mining license for exploration of gold and for exploitation of gold.)*

5.4 Additional financial and other data reported Oil and Mining

In addition to the reconciliation of material financial flows between reporting extractive companies and Government, the following is included in this report:

- The sale of the state's share of production or other revenues collected in-kind (5.4.1)
- Financing of companies by the Government (5.4.2)
- Production Oil and Mining (5.4.3)
- SEITI Beneficial Ownership Registry (5.4.4)
- The coverage of social expenditure and infrastructure provisions (5.4.5)
- Whether the participating companies and Government entities had their financial statements audited and how to access audited financial statements of reporting entities (5.4.6)
- Employment data (5.4.7)

5.4.1 In-kind flows and sale of state's share of production Oil and Mining

There are no in-kind flows and sale of the state's share of oil and mining in 2016 reported.

Through NV1, state owned entity, the Republic of Suriname gains a 30% participating interest in the Saramacca project based on the Letter of Agreement (LOA) dated August 30, 2016, as amended on December 12, 2016 (1st Amendment LOA), and as further amended December 8, 2017 (2nd Amendment LOA) regarding the Saramacca-deal (See 5.2. reconciliation Mining industry, table 5.1, 5.2 and 5.4 as well as the disclosure of the timing differences RGM).

5.4.2 Financing of companies by the state

Staatsolie reported the following in its annual report 2016 about a current account payable and Loan to Government of Suriname (page 51/52 annual report):

Current account Government of Suriname

'The current account Government of Suriname consists of the Government's contribution and amounts to USD 63 million. The contribution of the Government of Suriname is based on their intent to acquire not more than 5% of Staatsolie's participation interest in Suriname Gold Project C.V. Furthermore, an amount of USD 1.8 million was received as royalties which was transferred to the Government in 2017.' (The royalty fee is explained at page 92 timing difference NS).

The following information was provided additionally by Staatsolie regarding this current account: "During this deal, the Government withdrew its intent to acquire the above-mentioned stake of 5%. Staatsolie has reimbursed the amounts received from Government in 2018 at the expense of a loan facility."

Loan Government of Suriname

'In November 2016 Staatsolie refinanced the secured long-term bank loan with an unsecured loan from the Government of Suriname. The loan amounts to USD 261 million and bears 9.25% interest and a bullet repayment in November 2026.'

Please note that MOF has specified the receipt of SRD 27.4 million interest from Staatsolie and marked this as a non-mining sector revenue.

Subsidies

The Surinamese government has agreed that RGM payments conditioned under the PPA1 are ceded to EBS. Therefore, MoF recognizes it in mining revenue and has reported accordingly for SEITI purposes. In its publicized data, MoF also places it under subsidies to EBS. The net effect on the budget balance is neutral, but MoF includes both the credit and debit streams.

5.4.3 Production Oil and Mining Industry

Oil industry

The production that should be reported by MONR might have inconsistencies, therefore no production data have been reported by MONR for reconciliation purposes.

The production data below was reported by the reporting companies for 2016:

Company	Stage	MMBarrels
Staatsolie	Exploitation Stage	5,913,595
Kosmos Energy Suriname	Exploration stage	-
Teikoku Oil Suriname (TOS)	No activity in 2016	-
Apache Suriname Corporation LLC	No information reported/Exploration stage	-
Petronas Suriname E&P B.V.	Exploration stage	-
Tullow Oil Suriname B.V.	Exploration stage	-

Table 5.10 Oil production data by the reporting companies for 2016

Mining industry

RGM and NS, each operating in 2016 on their own Mineral Agreement, are the only two large gold mining companies in 2016. Their production might be considered material compared to the small-and medium scale legal and informal mining operations.

RGM has a full year production, whereas NS has only produced during the last quarter, since it started with its commercial production in October 2016.

Grassalco's production was not primarily focused on gold mining but to process the waste rock stone from the RGM operation as aggregate.

The reporting companies have reported the following production for 2016:

Production in 2016 of	Gold	Aggregate
Company	ounces	m3
Rosebel Gold Mines N.V.	311,808	-
Newmont Suriname LLC	104,199	-
N.V. Grassalco	<u>1,163</u>	<u>167,408</u>
Total	417,170	167,408

Table 5.11 Mining production data of RGM, NS and Grassalco 2016

Production of gold of RGM and NS in 2016 were exported, while Grassalco sold its gold production locally.

Production of SHMR- 2016	Gold	Aggregate
	*1,000 gr	
SHMR: small and medium scale mining right holders -gross	140,2	-
SHMR: small and medium scale mining right holders -after refinement	121,4	-

Table 5.12 Production data of SHMR in 2016 and sold to buyers of gold

5.4.4 Beneficial ownership Oil and Mining

Oil industry

Beneficial ownership reported by the reporting companies oil sector:

Company	Prime shareholder	Second Shareholder
Staatsolie	100% State owned	none
Kosmos Energy Suriname	Kosmos Energy Operating ("KEO") is the 100% owner of Kosmos Energy Suriname. KEO is an entity formed in the Cayman Islands	None reported
Teikoku Oil Suriname (TOS)	n/a	n/a
Apache Suriname Corporation LLC	No data	n/a
Petronas Suriname E&P B.V.	PETRONAS Carigali International E&P B.V. 100% owner	None reported
Tullow Oil Suriname B.V.	Tullow Overseas Holdings B.V. / 100% owner	None reported

Table 5.13 Beneficial ownership oil companies

Mining industry

Beneficial ownership reported by the reporting companies mining sector:

Company	Prime shareholder	Second Shareholder
RGM*	95% IAMGOLD Corporation	5% Republic of Suriname
NS	75% Newmont	25% Staatsolie Suriname
Grassalco	100% State owned	
NV1	98% State owned	2% owned by NOB (State owned bank)

Table 5.14 Beneficial ownership Mining Companies

*See appendix 7 for a detailed ownership

The private companies Rosebel Gold Mines N.V.(RGM) and Newmont Suriname LLC (NS) are respectively a subsidiary of IAMGOLD Corporation, headquartered in Toronto, Canada and Newmont Mining Corporation with headquarters in Denver, United States of America.

RGM

The operations of RGM are based on the Mineral Agreement of 1994, which was amended in 2003 and 2013, while the operations of NS are based on the Mineral Agreement between the Republic of Suriname and SURGOLD, 2013. These Mineral Agreements have been approved by the National Assembly through an Authorization Act.

The Republic of Suriname is a partner in the commercial gold mining operations, with a 5% free carried shareholders position in the operations at Gross Rosebel, while owning 30% participation interest through a Government owned company, N.V.1, in the Saramacca project currently being developed by RGM.

RGM has submitted an additional overview of beneficial ownership of its parent company, IAMGOLD Corporation, which is presented in appendix 7.

NS

NS (previously known as Suriname Gold Company, LLC): is a fully owned subsidiary of Newmont Mining Corporation and operates and manages the mine on behalf of Suriname Gold Project CV, a

Suriname limited partnership (the “CV”). NS is the managing partner, owning a 75 percent interest in the limited partnership, and Staatsolie owns the remaining 25 percent interest.

GRASSALCO

Grassalco is a 100% state owned company and was established on August 30, 1971.

The purpose of the Public Limited Company is:

- a) work in the mining, industrial, commercial and transport fields;
- b) establishing, acquiring and financing, participating in and running the management of other companies;
- c) within the framework of its normal business operations, the company will strive for a long-term welfare policy and for maximum useful employment, such as:
 - a. to protect the direct interests of all whose income depends on the existence and prosperity of the company;
 - b. to promote prosperity in Suriname and the development of West Suriname in particular.

NV1

N.V.1 is for 98% directly state owned and 2% through NOB.

The purpose of this Limited Liability Company N.V.1 is:

- a. Revenues to be obtained through financial participation by entering into and maintaining a partnership with Rosebel Gold Mines N.V. (RGM), through an Unincorporated Joint venture (UJV);
- b. Performing all that is related to the aforementioned, including advising, cooperating with, participating in and running management over other companies with an equivalent similar or related purpose, all in the broadest sense of the word.

Small and medium size mining companies

Information on beneficial ownership regarding the small and medium scale miners for gold or other minerals, quarry building materials and other minerals is not made available nor available at CC&I. The disclosure of ownership is not demanded by laws and regulations for companies that are registered at the CC&I and also not in the case of application for mining licenses.

5.4.5 Social expenditure

Specific payments should also be made to specific communities by the oil companies, RGM and NS based on their agreements. These are the following:

- Annual funds for projects for civil society
- Training fees

Oil industry

An overview of the CSR-expenditures from the Oil sector as reported in 2016:

(* 1,000 USD/SRD)	Expenditure					
	Social		Infrastructure		Others	
Companies	USD	SRD	USD	SRD	USD	SRD
Staatsolie	-	-	-	-	-	-
Kosmos Energy Suriname	314	-	-	-	-	-
Teikoku Oil Suriname (TOS)	36	-	-	-	-	-
Apache Suriname Corporation LLC	-	-	-	-	-	-
Petronas Suriname E&P B.V.	234	-	-	-	-	-
Tullow Oil Suriname B.V.	24	-	27	-	-	-
Total	608	-	27	-	-	-

Table 5.15 CSR expenditures Oil Sector in 2016

Staatsolie reported not to have social expenditures for 2016.

IOCs

Overview of the CSR-obligation and the expenditure by IOCs in 2016, based on approved CSR-budget of the programs and projects allocated to year 2016:

(* 1,000 USD/SRD)		Reported by	
		PSC-Commitment for	CSR expenditures reported by IOCs for
		2016	2016
Block Operator	Block	USD	USD
Kosmos Energy Suriname	42	100	
Kosmos Energy Suriname	45	100	
Total		200	314
Apache Suriname Corporation LLC	53	100	
Apache Suriname Corporation LLC	58	100	
Total		200	No data reported
Tullow Suriname B.V.	47	100	
Tullow Suriname B.V.	54	100	
Total		200	52
Petronas Suriname E & P B.V.	48	100	
Petronas Suriname E & P B.V.	52	100	
Total		200	233
Teikoku Oil Suriname (TOS)	31	35	36
Total 2016		835	635

Table 5.16 Overview of CSR-obligation and expenditure by IOCs in 2016

The amount of the commitment reflects on the PSC-obligation per block per year, while the expenditures per year reflect on the cash-based amount spent in a year. The reported amount on a cash basis may relate to expenditures on projects from the previous and current year and may therefore differ from the mandatory amount for the financial year 2016. Therefore, there is no longer a direct link between the annual obligation and the annual expenditure. The Operations Committee in charge with the IOC's within Staatsolie, closely monitors the project execution in relation with the budget per project and the committed amount per block. The Operations Committee has published the CSR-projects executed by the IOCs in the period 2004-2018.

The mandatory obligation for TOS for 2016 of USD 100,000 was adjusted because of the termination of its PSC in 2016.

Mining industry

Reported social expenditure, exclusive of SHMR contribution, in 2016 were:

Mining Companies	Expenditure							
	Total		Social		Infrastructure		Others	
	USD	SRD	USD	SRD	USD	SRD	USD	SRD
RGM	1,528	-	909	-	-	-	619	-
NS	515	2,529	273	2,508	67	20	175	1
Grassalco	87	234	87	234	-	-	-	-
Total	2,130	2,763	1,269	2,742	67	20	794	1

Table 5.17 Reported social expenditure of RGM, NS and Grassalco in 2016

The expenditures by these companies vary from development program/activities to communities of the operations, infrastructure and corporate donations, donations towards healthcare and training.

The amount of USD 1,528 thousand reported by RGM consists of:

- expenditures based on the corporate social responsibility amounting to USD 619 thousand and;
- payments in-kind based on amendment 1, 2003, amounting to USD 909 thousand. The payment-in-kind by RGM is 2.25% of the monthly production of which 0.25% must be paid to SEMiF. The receipt of these payments in-kind for 2016, gold 731,953 Oz /USD 908 thousand and silver 33,178 Oz/USD 1 thousand, are reported in the SEMiF Annual Statement 2016.

SHMR reported additionally the contribution as a group towards the health projects (malaria) in 2016 for approximately SRD 330 thousand and to infrastructure projects for approximately SRD 259 thousand. No details were provided to express an opinion or disclosure about these financial data and therefore these expenditures are not included in the overview above but mentioned as a narrative.

5.4.6 Employment data Oil and Mining Companies

Oil industry

The oil companies have reported the following employee data:

Company	Employee Data (Payroll) /FTE December 31, 2016	Contractors December 31, 2016
Staatsolie	1,105	-
Kosmos Energy Suriname	4	-
Teikoku Oil Suriname (TOS)	relinquished	-
Apache Suriname Corporation LLC	No reporting	-
Petronas Suriname E&P B.V.	-	4
Tullow Oil Suriname B.V.	1	-
	1,110	4

Table 5.18 Employee data Oil Companies 2016

Petronas has no employees and uses staff services through an employment agency.

Mining industry

The mining companies have reported the following employee data:

Company	Employee Data (Payroll) /FTE December 31, 2016	Contractors December 31, 2016
RGM	1,193	479
NS	1,144	-
Grassalco	124	-
	2,461	479
SHMR-collective	No data reported	No data reported

Table 5.19 Employee data Mining Companies 2016

Small and medium scale gold mining right holders occasionally hire subcontractors for the operational activities and have less employees. Though the collective reported wage tax paid they did not report their employee data. Please note that even if they had reported employee data this would be a fraction and probably beyond the reality, since the subcontractors might have their own full time and temporally employees, but they are out of this EITI-scope.

Hence, it can be concluded that it is not clear how much employees are working in the small and medium scale mining sector formally nor informally. Even so is it not evident how much the subcontractors, operating in the extractive industry, contribute to the wage tax and social security premium revenue, since they are technically/formally not holding a mining right.

5.4.7 Audited financial statements Oil and Mining companies

Oil industry

As part of examining the assurance environment applicable for oil companies, companies were required to provide a copy of their audited financial statements and, in accordance with the terms of reference for the assignment, we have documented whether the participating companies and Government entities had their financial statements audited for the year covered by this EITI-Report.

In the oil sector, an audited financial statement was obtained from Staatsolie, which is publicly available at: <https://www.staatsolie.com/nl/financials/>

The financial statements provided by Oil-companies are as follows:

	#companies
Submitted audited accounts for the local company	4
Do not produce audited accounts for local subsidiary, audited group accounts provided	
Do not produce audited accounts for local subsidiary	
Not prepared to release audited accounts	
Failed to provide audited accounts	-
Total	4

Table 5.20 Overview of financial statements 2016 provided by Oil companies

TOS did not have to upload its financial statement 2016, since the contract was terminated in Augustus 2016 and Apache did not report data.

Mining industry

As part of examining the assurance environment applicable to mining companies, companies were required to provide a copy of their audited financial statements and in accordance with the terms of reference for our assignment, we have documented whether the participating companies and Government entities had their financial statements audited for the year covered by the EITI Report.

	#companies
Supplied audited accounts for the local company (RGM and Grassalco)	2
Do not produce audited accounts for local subsidiary, audited group accounts provided (NS)	1
Do not produce audited accounts for local subsidiary	
Not prepared to release audited accounts	
Failed to provide final audited accounts	-
Total	3

Table 5.21 Overview of financial statements 2016 provided by Mining companies

In the mining sector, Grassalco/SOE provided a draft financial statement 2016, dated February 22, 2019, which was finalized during the editing of this report in April 2019. The auditor provided a qualified opinion, dated February 22, 2019. As we were informed the annual statements of the years 2013-2015 are final but not yet approved by the shareholder, the Republic of Suriname.

An overview of reporting companies provided their annual statements and their accounting principles:

COMPANIES	Audited financial Statement				Accounting principle	Year end
	Statutory level		Group level			
	Draft	Certi-fied	Certi-fied	Opi-nion		
Staatsolie			✓	UQ*	US GAAP for O&G	Dec 31,2016
Kosmos Energy Suriname		✓*				Dec 31,2016
Petronas Suriname E&P B.V.		✓		UQ	Civil Code T9 Book 2/Dutch	Dec 31,2016
Tullow Oil Suriname B.V.		✓*				Dec 31,2016
RGM		✓			Canadian GAAP	Dec 31,2016
NS			✓			Dec 31,2016
Grassalco		✓		Q*	Generally accep-ted principles for financial reporting	Dec 31,2016
SHMR	No annual statements				No information	

Table 5.22 Overview of provided financial statements, opinion and accounting principles applied by the reporting companies

✓=yes/ *UQ: unqualified/Q: qualified/ *the local financial data for 2016 regards reporting to Staatsolie with reference to the PSC the expenditure made per block. There is no local annual financial statement as such. The auditor has performed an agreed upon procedure engagement.

NV1, a state-owned company and not listed above, is not identified as a reporting entity 2016. The financial statements 2016 of NV1 are currently in draft and subject to audit.

5.5 Findings from the reconciliation process

Beneath we, as IA, have summarized our main findings based on:

- Our observations during the assignment;
- Interviews with several persons of the reporting companies;
- Interviews with providers of data within monr and mi-glis;
- Quick review of a few selected dossiers of licenses issued in 2016 and stored at gmd;
- The flow of data requested and the extent this information was provided;
- Issues and aspects of comments on and understanding of the reporting templates;
- The availability of personnel/staff, the awareness and involvement of parties, the response time, signing reporting sheets and other hiccups during all the phases of the assignments including signing the MoU.

We like to emphasize that our findings as IA and within the scope of our assignment are not based on an investigation or on an audit or review of accounts and data provided.

Findings from the data collection and reconciliation process

1. Scoping / Inception / Data collection / reconciliation phase

- Understanding the structure and purpose of the reporting template.

Based on our local situation we had set up a standard reporting template for all the reporting entities. We have performed five preparatory and informational sessions with respect to reporting and uploading data in our portal with MSG (1x) and the reporting companies. Based on the input of these sessions, the reporting template was finalized, and a final training was held for all reporting entities (including MOF and MONR). Given the deadline for submitting the EITI report for November 24, 2018 the timeline set in the TOR and contract with the IA of data collection, reconciliation and drafting reports has been firmly shortened. The adjusted deadline for uploading reporting documents was set for September 7, 2018.

The following comments were made by either the reporting companies (mostly the foreign companies) themselves or their overseas legal department:

- Compared to EITI reporting templates in other countries, the reporting template with all the sheets are too lengthy and complex and contain duplication in requested data;
- The reporting time was not suitable for the large companies due to their internal quarterly, monthly and year end reporting cycle.

Our findings are:

- When personnel with financial/accounting background were involved, purpose and methodology were understood and only in specific matters as non-cash settlements and payment in kind, additional instructions were needed;
- In a few cases, delay in reporting was caused due to low priority given to this EITI-project by the companies with reference to their daily workload. Sending periodic status reports from September 2018 onwards, of received data or missing reconciliation data and status on M.O.U. did not serve the purpose of speeding up the process;
- The 4 IOCs were the first to complete and upload their reporting sheets, one reported within the deadline of September 7;
- Those companies who did not start with the filling immediately after the training needed several additional rounds of explanation and reporting guidance;
- Two large companies had major delay in reporting their data (February 2019/March 2019). In one case there was up to, and including V4 of the draft report, a dispute what should and should not be reported despite several explanations given from our side and an additional document added to the instruction regarding payment (*see appendix 6*);

Findings from the data collection and reconciliation process

- In almost all the cases the bottlenecks regarded: providing data with corresponding cross reference numbers, filing the data as was requested and signing off all the reporting sheets;
- The process of signing the M.O.U. and few other formal necessities as formalizing the Memo for materiality are marked as having a lengthy lead time;
- The essential data submission regarding licenses started mid-March 2019, and interviews with GMD and GLIS took place between end March - mid-April this year, whereas the requests for this information were made as early as in mid-July 2018;
- Obtaining sector information, laws, acts, SB's, licenses, ministerial orders, licenses gold exporters and buyers, agreements and other financial data has affected the progress of the assignment and caused strains in the reporting stage resulting in several incomplete versions.

From the perspective of hindsight, the request for extension for 2016 reporting should have been made at an earlier stage, but there was a firm believe that the deadline could be met or with a bit delay if all the focus and priority was set for this report by the participating entities.

We consider the flow of the EITI 2016 reporting as part of the first-time obstacles and hiccups due to: unfamiliarity with the EITI process and the preparation of it, the reporting and the requirements and the need to submit data on a timely basis to the IA. This ultimately caused the setback for not meeting the deadline of November 24, 2018 and not even shortly after this date.

2. MONR as monitoring body of the Mining Sector given its objectives a and b (see 3.1.2) and as the EITI responsible ministry lacks at organizational level as well as on the level of monitoring the activities in the Mining Sector, such as:

- An own independent and reliable register / database consisting of:
 - all the applications for oil and mining industry,
 - applications issued and / or modified per mining rights divided per sector (the oil and mining) regarding the size of the concession area/block per License/PSC and per company;
 - the outstanding fees and received fees per type of mining right and per mining right holder, in order to monitor the payments in close cooperation with MOF and/or the Central Payment Department of the Government (Centrale Betaaldienst);
 - royalty fees paid by small and medium scale goldminers based on their reporting and data received from the Tax Authority;
- a register with sector information such as law/regulations, as well as other general information about numbers of gold buyers and exporters, employment, export data, general and specific technical data of miners and about the mining sector.

This data overview and the acts/regulations are not centrally available yet at MONR nor at the SEITI-Secretariat or any other Department.

Therefore, it may be concluded that MONR, though having knowledge and awareness of the practice in the Mining Sector with all its bottlenecks, is not in control of the administrative and financial side of the Mining Sector.

This might have been historically -or at least for a long time- the case.

3. Application, Lead time and finalizing the Ministerial order

Mining rights are granted by the Minister of MONR provided that all conditions and requirements are met. Mining rights will only be granted if the applicant can validate, among other things, the following:

- Financial position;
- Technical ability and capabilities;
- Organizational competence;

Findings from the data collection and reconciliation process

- Experience with minerals.

Based on a substantive test of issued mining rights 2016, our findings are:

- There are no written criteria and methodology set on which the financial data as well as the technical data must be tested, and there is no audit trail whether these tests have been performed or have been performed sufficiently;
- There was no form or no noticeable document in the files indicating that all the necessities for the application were submitted to process the application nor signed by GMD for receiving these data;
- No traceable sign of (the flow of) the processing of the application as it passes all the verification points, which as such would result in a traceable and well-documented advice to the minister of MONR;
- In 2016 all the applications were processed in a booklet together with the other incoming correspondence from the GMD itself. Therefore, there was no separate register in which the applications were registered, nor the status and outcome of the application were traceable. Unfortunately, we could not interview staff involved with the application registration since they are no longer employed;
- We were informed that in 2018, adjustments were made by installing a separate department in charge of the application, but as for now we cannot comment in an adequate manner on the effectivity of this effort made, since we do not have sufficient information about it (e.g. who is monitoring this application section);
- Though stated in the Ministerial Order, with reference to the State Decree of May 11, 1989 (S.B. 1989/39: Decree registration mining rights), that within a period of one month, after the date thereof, the license should be registered in the public register, this does not always seem to be the case. This means that formally seen the right to mine cannot be executed and this affects the completeness of the GLIS database;
- In the Mining Decree 1986, in the decree E8-B as well in the mining licenses quite some data are listed to be reported in a sequel and sequence manner to GMD, but these data are not delivered, meaning the companies are not in compliance with these regulations.

With reference to the requested data regarding the financial position and technical ability and capabilities the testing by GMD has been done insufficiently (2016) due to lack of expertise and is reduced to a limited verification. The lead time of an application is very long and bureaucratic and the procedure is also not user friendly and unclear with regard to the route from GMD to GLIS, from GLIS to GMD and finally from GMD to GLIS, for the license to be offered to the Mortgage custodian/GLIS for transfer in the public registers. GMD is unfortunately not equipped with sufficient manpower and tools and also lacks finance to perform its task in an effective and constructive manner also given the expanse and accessibility of the mining areas.

Please note that this is also applicable for mining of building materials

4. Small and medium scale holders mining rights /SHMR

Though not material in the sense of revenue streams, but nevertheless important for the structure and transparency of the gold/mining sector, we were informed that they are facing a wide variety of obstacles ranging from:

- Operational and legal issues;
- Assurance issues regarding their continuation of the rights at the moment of their request for extension/exploitation, as whether their application will be approved despite their compliance with the technical requirements, competence and financial requirements;

Findings from the data collection and reconciliation process

- Loss of their knowhow or intellectual property when their application is not approved and their files with their technical plan etc. Is not returned to them;
- Experience inconsistency and discriminatory aspect in this process jeopardizing their trust in the system and procedures;
- Experience security issues on the fields since they lack finance for intensive and/or sophisticated security systems;
- Selling gold to the buyer of gold without getting an authentic receipt/invoice for the issued /sale of gold in order to prove, among others, their compliance with the law regarding royalty fee paid, since it is their obligation as mining right holder to pay the royalty fee to the buyer of their gold production.

Based on the information from associates of SHMR we understand that it is the obligation of the small and medium scale mining right holders to provide their production data and a range of other financial and non-financial data to the Government/GMD, they hesitate or are reluctant to provide these data to GMD. Any issue reflecting non-trust and inconsistency and lack of transparency may jeopardize an effective monitoring by GMD/MONR regardless of the applicable advanced methodology and/or system.

5. Revenue streams

We have the following findings about the revenue streams

- Not all the revenue streams in the EITI reporting by companies were recognized by MOF as payments from the extractive industry and therefore not reflected in its publicly reported revenues 2016 from extractive industry. These revenues regarded moreover:
 - Revenues derived from specific agreements with RGM such as payments based on PPA1 amounted to approx. USD 850 thousand in 2016;
 - Revenues from payments made by RGM to NV1 with reference to the Saramacca deal;
 - Payments in-kind due to the moment of validation of these as a revenue.
- Further not all the revenues from the extractive industry were recognized as revenues to be including in the EITI-reporting mostly because the selection criteria of the reporting companies were based on whether they were governed by Mining laws and decree. The Accent was placed on revenues from companies in the extractive industry rather than on revenues derived from the extractive industry. Some aspects to be considered in this matter:
 - Mining right holders/IOCs who rendered services from contractors, employment agencies do not pay wage tax while those mining companies who have their own personnel do report wage taxes for the same activities in the field;
 - royalty fee nor statistic and consent right over the gold exported paid by the exporters of gold and byers of gold was entered in the reporting cycle;
 - The Government lacks the timely receipt of revenue in the event of an insufficient or lacking system of claim registration and monitoring (such as the annual fees to be received for exploration and exploitation mining right holders), payment arrears in case of income / wages / sales taxes.

We understand that:

- Due to an insufficient set up of criteria for identifying revenues from the extractive industry a proper view of the factual revenues from this sector is not disclosed;
- The government lacks income in a timely matter due to a proper financial monitoring system regarding income to be received;
- In cases of arrears in payments by companies it can be stated that Government provides informal loans to the companies without bearing interest on it.

Findings from the data collection and reconciliation process

6. Royalty Payments by RGM to Grassalco

Based on the 1st amendment 2003 of the Mineral Agreement 1994, RGM makes quarterly royalty payments in cash and monthly in-kind to Grassalco.

After RGM started its commercial production in 2004, an arrangement by the Government was made concerning the distribution of the monthly royalty payments by RGM to Grassalco, whereby the State would obtain 80% and Grassalco the remaining 20% of these revenues. A document settling the purpose, duration etc. of this initial arrangement could not be provided. CBoS applied this 80/20% since early 2005 up to present.

However, on May 17, 2018, the Minister of MONR provided a written response to the director of Grassalco that the 80/20% ratio regards the validation of the royalty payments, whereby 20% is paid out to Grassalco and 80% to the State of Suriname and that this arrangement would be effective retroactive from, 2014 on.

Grassalco has in its annual statement 2016 an off-balance claim on the government starting as early in 2008 due to the lawfulness of the application of the 80/20% ratio after 2007.

Based on the letter of May 17, 2018, from the minister of MONR, we have accepted the reporting of the payments in cash by MOF and ultimately the payment in-kind based on 80/20% rule regardless of the above-mentioned dispute.

We understand that:

- If the deferred claim on the Government has legal impact on affects on Government debt, and also could affect the payment stream towards the Government.
- However, the letter of Minister of May 2018 validates the royalty payments retroactively effective from 2014 it did not clear the dispute from Grassalco. One may conclude that based on this letter Grassalco should be reimbursed from 2007/2008 to 2014. In this letter there is no distinction made between royalty payment in cash and the special royalty payment in-kind which may give rise to another issue.

7. Royalty fee small- and medium-size mining right holders

We are informed by the associates of SHMR, of the following:

- As their operations happen in the interior, part of the gold production is used for payments in-kind to the suppliers of commodities in the interior;
- In case the subcontractors are involved in mining activities on behalf of a mining right holder, they deliver approximately 85% of the gold mined and consider the difference as payment in-kind;
- At the time of selling their production to the gold buyers the small and medium scale mining right holders receive a net-amount (the gross value minus 6.25% of the gross value for their sale). The retaining amount of 6.25% of the gross value relates to a 2.75% royalty obligation (sb1989/40 amended by sb2015/51 being decree royalty for small mining for gold and building materials). They do not get an official or authentic document in which transparently the billing is specified. The mining right holders, having the prime obligation for the royalty fees, do not pay the royalty fee by themselves due on their production and also do not bear knowledge about the time and extent of the actual payment by the gold exporters of this legal obligation;
- That there are apparently more buyers of gold than exporters. Whether the apparently unknown buyers act upon approval of the exporters is not clear.

From the aforementioned information we interpreted that:

- Due to lack of information regarding the buyers and/or exporters of gold and their regulations, it is unknown in which way this phenomenon -if actual- influences the movement of gold and the royalty fee payments. Buyers and exporters of gold are not regulated by the Mining Decree

Findings from the data collection and reconciliation process

but other laws, and are hence, excluded from this EITI-reporting and investigation of their procedures and legal framework. This can be considered as a missing link in the visibility and insightfulness of the movement of gold production in relation with the exported and not-exported volume of gold;

- It is not clear whether the payment in-kind to the supplier of commodities (good and services) finds its way to the gold buyers/exporters. It is not clear for now if these commodity suppliers also pay royalty fees at the time of selling the gold they obtained from the miners;
- It is not clear whether, how and when the payments in-kind to the sub-contractors find their way to the buyers/exporters of gold. From a narrow point of view, the subcontractors are not mining right holders and therefore, also outside the scope of the Mining Act like the buyers/exporters of gold;
- The exporters of gold pay the royalty fee to the Government at the time of export of the gold. For now, it is not clear how the exporters of gold settle the withheld royalty fee from the small and medium scale gold miners with the buyers of gold;
- The small and medium scale miners in general do not receive any valid and/or authentic invoices about their transactions with the gold buyers and therefore lack evidence to show that they have met their royalty obligation;
- The small and medium gold miners cannot prove that they have met their obligations other than by assumption which is not advisable and suitable in the urge for transparency;
- From several angles of approach distortions in the flow of the royalty payment in a year is possibly affecting the completeness of this revenue stream. Any attempt to match the production in a year as reported by the mining right holders with the royalty fees paid could be facing distortion/flaws due to:
 - above indicated weaknesses in the movement of gold but also due to other phenomena;
 - timing differences in reporting and exporting;
 - buying gold from other sources than locally produced;
 - value difference due to prices differences at time of buying and exporting the gold.

But also due to the fact that:

- CBoS has the option to buy 5% of the export quantity from an exporter of gold. CBoS can export this quantity without paying royalty fee (This phenomenon is not in the scope of the EITI reporting 2016)
- The not-exported gold should be monthly reported by the buyers of gold to the Tax authority and they should pay the withheld royalty fee based on the declaration form provided by the law and attached in SB 1989/40. (Decree Royalty for small mining for gold and building materials). This phenomenon is not in the scope of EITI 2016 and it is unknown if this monthly declaration happens and if so what the extent is since buyers are not included in the EITI report.

8. Small-scale mining

In the Mining Decree 1986 as well as in all other decrees and acts referring to mining industry only small-scale mining is mentioned. In the Mining Decree small-scale mining is defined as: “The reconnaissance, exploration and exploitation of a mineral deposit whose nature, mode of occurrence and quantity, warrants the economic mining by simple means and techniques.” Meanwhile it is common practice in Suriname to distinguish medium size miners. This group is not defined in the law.

The GMD distinguishes small-scale mining based on the size of the concession field, smaller than 400 ha. The small- and medium-size miners of gold can opt for the same size of concessions as the large companies who operate under a Mineral Agreement (law based) and pay THE same surface fee, other cost and taxes but less royalty fee.

Findings from the data collection and reconciliation process

The actual set up of the legal and fiscal structure and lack of monitoring by field inspectors of the mining areas might be discriminatory on both sides and gives rise to conflicts and to an unequal load of costs, obligations fulfilling and compliance requirements with legal and fiscal rules and regulations.

6. RECOMMENDATIONS

6.1 Recommendations from fiscal year 2016

MSG SEITI has taken note of and agreed on the recommendations as disclosed in this section (reference is made to the minutes of the meeting of April 23 and May 17, 2019). The recommendations below stem from the EITI-process for reporting for fiscal year 2016. MSG will formalize a process to implement and monitor the recommendations.

Ref.	Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
1	<p>Institutional/organizational improvements for EITI purposes</p> <p>1.1 The EITI secretariat function should be further developed through standard working procedures. We are informed that MSG has prepared a job description for the MSG Secretariat in its workplan but has not enforced this yet. We strongly recommend implementing this instruction for a proper, adequate and professional approach and performance of the secretariat.</p> <p>1.2 The MSG in cooperation with MONR, should have its own library of the oil and mining industry in Suriname, regarding all the laws and regulations applicable in the extractive sector, as well as statistics on several topics.</p> <p>1.3 The implementation of EITI in Suriname should be further improved through a clear process with milestones and deadlines. These processes and milestones should be effectively monitored by the secretariat of EITI in Suriname.</p> <p>1.4 Based on the other findings the MSG/companies in cooperation with the IA should make an evaluation were adjustments are deemed necessary in the process of data collection and reporting.</p> <p>1.5 Reporting entities, Companies, MONR, MOF and MSG, should preferably have staff assigned for the EITI reporting, who collect data on a monthly basis and accumulate these data at year end.</p> <p>1.6 According to the regulations GMD is required to perform inspections on-site of companies that have been granted a license. We understand that these inspections are not performed and as such there is no effective monitoring on the adherence by mining companies to the mining licenses. Resources should be made available to perform these inspections and monitor timely follow up by the respective companies.</p>	2020
2	<p>Legal and regulatory framework for extractive industry</p> <p>2.1 There are several laws and regulations for the extractive industry of which the majority is old and/or not integrated. The MSG should assess applicable specific laws for the oil and mining sector and make recommendations to the Government for integrating and updating the overall legal and regulatory framework for the extractive industry.</p>	2020 - 2021

Ref.	Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
	<p>2.2 More attention should be given to the general aspects of the small and medium scale mining in the current laws. The MSG should assess the need for specific laws and, or regulations with the purpose of improving the regulations for small and medium mining companies.</p> <p>2.3 There is no legal framework dealing with the safeguarding of the environment. The large mining companies adhere to international standards, i.e. ISO 14001 2004. It is recommended that the current draft law on safeguarding of the environment should be reviewed and enacted as soon as possible.</p> <p>2.4 The draft Mining Code 2004 needs to be formalized.</p> <p>2.5 In December 2017 the draft Law ‘Protection of living and living areas’ was approved by DNA but not enforced yet. With references to the indigenous community and the several tribes who live in the interior and the increasing mining activities in the interior we recommend reviewing and endorse this law on short term.</p>	
3	<p>Supervision on the PSC agreements and offshore oil and gas</p> <p>3.1 Current supervision and contract dealing for Production Sharing Companies is done by the state oil company Staatsolie. It is imperative that the function of the oil company, supervisor and contract dealing party for PSC contracts, should not be combined. It is recommended that a separate Government body should deal with the contract handling and supervision. It is recommended to implement this recommendation as soon as possible.</p> <p>3.2 Waivers to contractors in the oil and gas sector are formulated in the law of March 6, 1991 and are subject to approval by the Minister of Natural Resources. This approval process should be reassessed and enforced.</p>	2021
4	<p>Financial reporting of SOE's</p> <p>4.1 The financial reporting framework in Suriname is formalized in a Law on the financial statements 2017. Although it is required to comply with IFRS in 2020 for the SOE's, it should be noted that Staatsolie has adopted IFRS in its 2017 financial statements. Early adoption by other SOE's should be encouraged.</p> <p>4.2 Grassalco has arrears in the completion -approval by the shareholder- of its financial statements 2013 up to 2016. The preparation of the financial statement 2016, is completed in draft on February 22, 2019, and on April 21, 2019, the final version was submitted to us. The auditor has expressed a qualified opinion for 2016 in its report dated February 22, 2019.</p> <p>We understood that one of the reasons for this arrear till 2015 is caused by the accounting treatment of the royalty payments with RGM. This</p>	2019

Ref.	Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
	<p>issue should be cleared as soon as possible between the Government and Grassalco. In this respect Grassalco has reported in its financial statement 2016 an off-balance claim against the Government starting from 2008 onwards.</p> <p>We strongly recommend solving the issues with Grassalco withholding the 80/20% rule, the arrears as well as to enforce timely reporting of the financial statement of 2017 and 2018 of this SOE. (see recommendation 10)</p>	
5	<p>Reconciliation process EITI 2016</p> <p>5.1 The practice for the 2016 EITI reporting is to upload the data (filled-out reporting templates and supporting evidence) on a portal. For future purposes it will be efficient to develop a database to automatically reconcile and report reconciling differences and or discrepancies.</p> <p>5.2 Due to EITI implementation an overall reconciliation has been executed between reporting companies and the MOF - Tax Authority. This process should be formalized and implemented to semi-annually executing this reconciliation.</p> <p>5.3 Several attention points have been noted in the reconciliation process of revenue flows. We recommend assessing the point noted in section 5.5 and MSG should take the required actions to resolve these matters for future EITI reporting.</p>	2020 - 2021
6	<p>Memorandum of Understanding signed by EITI reporting companies</p> <p>6.1 MSG is responsible for the implementation of EITI in Suriname. The EITI reconciliation, which forms part of the EITI report, is conducted under the terms of a MOU covering fiscal 2016 and future years. We noted that significant effort is done in signing this M.O.U. However, entities in the extractive industry are not forced to be engaged in the EITI report. We recommend either development of specific regulations or inclusion of regulations in licensing agreements/contracts for comprehensiveness EITI reporting.</p>	2020-2021
7	<p>Issuance and monitoring of licenses for Oil & Gas and Mining</p> <p>7.1 There is no central database where all extractive industry related licenses are publicly available. Consequently, flows from the licenses to the Government could be incomplete.</p> <p>It is recommended to develop and implement a database for the licenses which is centrally managed by MONR for now.</p>	2019-2020
8	<p>Other financial and non-financial flows</p> <p>8.1 Production data should officially, according to the Mining Decree and the Mineral Agreement, be reported to the Ministry of Natural Resources. In general, the companies are not in compliance with this requirement and</p>	

Ref.	Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
	<p>it is recommended to increase monitoring of compliance with this regulation. This monitoring can only happen effectively when all the licenses are centrally managed. According to the Mining Decree, the Mineral and Concession Agreement and the licenses for mining data should be provided to GMD. (Providing operational data to the supervisory board or shareholder is not in accordance with the purpose of these acts)</p> <p>8.2 We noted in the 2016 reconciliation process that payments in-kind, such as made by RGM towards Grassalco, were not reflected in the Government budget. We understand that these revenues are only reflected at the moment of sale of the gold by Grassalco, held at Royal Canadian Mint. Whether the moment of reflecting is due to a lack of clarity or uncertainty about the legal ownership and distribution of these revenues in-kind or that these revenues are recognized by the state when the gold is sold is not clear, since the initial arrangement regarding the 80/20% ratio from early 2005 could not be submitted. We recommend that clarity must be provided by the Government. When it appears or can be substantiated that the state is entitled to receive these proceeds, the Government should make this revenue stream transparent in their annual budget and by doing this, will be able to monitor these proceeds. We strongly recommend clearing this issue. We recommend budgeting for these revenue streams annually (see recommendation 4.2).</p>	
9	<p>Gold exports, royalties for ores and quarrying materials (building)</p> <p>9.1 Exports of gold are done by licensed gold exporters. These exporters purchase from the buyers of gold or directly from small and medium scale gold producers and settle the purchase price net of royalties. The small and medium scale gold producers pay in general 6.25% of the purchase price, in which the percentage of 2.75% is supposed to be royalty fee. This process is not transparent, and it is not certain whether the royalties are paid in full to the Government when the gold is exported or not exported. This process should be reassessed and enforced.</p> <p>9.2 A common practice is that small and medium scale miners make payments in-kind to the suppliers of services (such as mining contractors) and goods in the interior. Whether this portion of gold -payment in kind-finds its way to gold buyers/exporters is not clear, but it causes an unclear and unknown distortion in the movement of gold to the buyers/exporters and eventually in the royalty revenue stream. The royalty fee arrangements regard the mining right holders and not the subcontractor or those who are paid in-kind for their services. We recommend assessing how to deal with this practice for EITI reporting purposes.</p> <p>9.3 Gold exporters nor buyers of gold are included in EITI reporting for 2016. For the next reporting it should be reassessed and formalized by the MSG how, and to what extent possible, to engage Gold exporters and buyers</p>	2020 - 2023

Ref. Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
<p>in the EITI reporting and other service providers within the small and medium scale gold mining.</p> <p>9.4 Small and medium scale gold miners do not get an appropriate authentic document or invoice for their payment of 6.25%, segmented per component paid in relation to the quantity of gold. This requirement should be enforced upon the buyers of gold since lack of proper invoices jeopardizes the accounting system.</p> <p>9.5 As informed by the small and medium scale gold miners associated with the SHMR and part of SEITI reporting 2016, they reluctantly do not report their production or other data to GMD due to experiencing loss of their technical data after submitting their period information, ending up in serving competitors at the expense of their invested know how. Irrespective of the extent to which this phenomenon occurs, it undermines regulation and monitoring the sector and, as a result, the intended transparency and assessment of flows of gold in general and within the scope of EITI. We recommend enforcing this process of data collection by GMD and creating a path of assurance and protection for data provided.</p> <p>9.6 Based on the findings 9.2- 9.4 and on SB 1989/40 and SB 2016/2 (regarding royalty fee small scale mining and building materials) and the special licenses provided to the exporters by the Foreign Exchange Commission we suggest imposing rules on the buyers and exporters of gold to submit monthly a detailed report with:</p> <ul style="list-style-type: none"> • The quantity of gold bought per small and medium scale gold miner monthly in volume and value paid; • The volume and value of exported gold and the royalty fee paid and the paid statistic rights and consent fees as well; • The royalty fee withheld by the gold buyer and paid to the Tax Authority regarding the non-exported quantity of gold; • The refinery loss if refined gold is exported; • Amount of gold sold to CBoS by the exporters of gold. <p>9.7 We strongly recommend to enforce reporting from the Foreign Exchange Commission, Ministry of Trade, Industry and Tourism and CBoS and the Tax Authority of the volume of gold exported and not exported, overview of exporters and buyers of gold and royalty paid by the buyers of gold to government regarding the not exported quantity of gold as EITI supporting documents.</p> <p>9.8 As outlined in the revenue flows the companies with licenses for quarrying materials and other ores are not included in the 2016 EITI report. This is due to the materially threshold. It is however recommended that MSG should determine how and if engagement of the companies with licenses for quarrying materials, other ores and small mining (limited to 200 ha), should be engaged in future EITI reporting.</p>	

Ref.	Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
	<p>9.9 We strongly recommend enacting rules and regulations for diamond mining or at least detailed the existing rules and regulations in preparation of the diamond mining activities. Include in this case also the criteria for small, medium and large companies and consistency in rules and regulations. (Decree SB 1989/40 and its amendments regards solely small-scale mining of gold and building materials)</p>	
<p>10</p>	<p>Grassalco and the 80/20% rule</p> <p>With reference to our finding 6, recommendation 4.2 and the letter of the Minister of MONR of May 17, 2018 to Grassalco we strongly recommend bringing clarity in the validation and justification of the 80/20% applied for the royalty in cash and the special royalty in-kind applicable since early 2005 based on an arrangement early 2005. The letter of the MONR to Grassalco of May 2018, may cause validity and financial consequences since the 80/20%ratio was brought into force as early as January 1, 2014 and furthermore only mentions royalties while according to the Mineral Agreement there are royalty obligations in cash and special royalty payments in-kind. This 80/20% ratio is being applied before 2014.</p>	<p>2019</p>
<p>11</p>	<p>Assurance environment of Government reporting</p> <p>11.1 For 2016 there was no assurance provided on the revenue streams reported by MOF. We recommend that for the assurance of the financial information for EITI purposes annual audits should be performed at least annually on the revenues reported for the mining sector in the Government budget.</p> <p>11.2 Updating figures. As per 2018/2019 Government still reports figures of 2016 as preliminary data. We recommend updating or finalizing these financial data (Even ABS presents statistical figures based on preliminary data).</p>	<p>2021</p>
<p>12</p>	<p>Government systems</p> <p>12.1 Some records of MOF are kept using manual applications. Consequently, this makes the process of obtaining and processing of information sensitive to errors or incompleteness. MOF has informed us recently that they are in the process of reform and there is already an automated system implemented to improve the administration. In general, but especially in the case of the extractive industry we emphasize the need for an automated system to record and control information relating to the financial flows and other related flows from the extractive companies.</p>	<p>2021</p>
<p>13</p>	<p>Improvements for registration of licenses and data collection at MONR.</p> <p>13.1 We have experienced a great delay in submitting general data as legislation and regulations on the extractive industry as well as in providing overview of licenses and special Ministerial Orders.</p>	<p>2019/2021</p>

Ref. Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
<p>MONR should make an inventory of all existing licenses in cooperation with GMD and should maintain its own register and frequently compare its registers with GMD.</p> <p>We recommend MONR to:</p> <ol style="list-style-type: none"> 1. Make an inventory of all existing licenses in cooperation with GMD and maintain an own register that needs to be aligned with GMD; 2. Keep / create a register with all applications for licenses/concessions and issued licenses of the mining industries; 3. Keep / create a register with all applications for licenses/concessions oil industries on and offshore and nearshore including coordinates; 4. Keep / create a register of ministerial orders for the mining sector regarding the extractive industry; 5. Keep / create a register of surface fees to be earned yearly per category of mining right and monitor the timely payments by the holders of mining rights in close cooperation with MOF. This should result in a more active and timely monitoring of the outstanding receivables and taking action on time in the event of payment arrears; 6. Frequent coordination of the various data files within the departments and the secretariat/ MONR -EITI- group; 7. Set up guidelines, approved by the minister, for GMD regarding a proper and reliable data registration of all requests for licenses with a visible audit trail from application to the final decision regarding license application awaiting the establishment of the Mining Institute in the near future; 8. Maintain a database of legislation and regulations regarding the extractive industry in close cooperation with MSG; 9. Align quarterly data from GMD and GLIS in order to monitor progress and differences or shortcomings in the legalization of the mining rights. We consider this an absolute requirement for the operational well-functioning and timely identifications of bottlenecks; 10. Tighten and strengthen instruction to enforce the periodic reporting of production data and other financial and non-financial data by the oil and mining companies; 11. Clear the path for hesitation to provide these financial and non-financial data in order to improve transparency; 12. Create a more friendly, transparent and less lengthy application process and procedure and return the intellectual property of the applicant in case of rejection of its application; 13. Harmonize or specify the scope of the mining rights issued since there is no consistency in it; 14. Enforce the establishment of a sustainable and fully equipped Mineral Institute that is operationally independent from GMD and in a certain or limited way from MONR. 	
<p>14 Revenue allocation</p> <p>Separate from SEMiF it is recommended that a certain part of the revenues from the oil and mining sectors are allocated to the sustainable development of the mining industry to support amongst others:</p>	<p>2020-2021</p>

Ref. Recommendations in 2019 relating to FY 2016 EITI report	Expected implementation
1. Regulatory functions 2. EITI (MSG) 3. GMD / GLIS 4. Establishment of a Mineral Institute and sustainable existence of it 5. Funding small and medium size miners in certain cases	

6.2 Improvement initiatives executed in 2017 and 2018

Recommendations carried out thus far:

1. In collaboration with MONR, Inter Governmental Forum (IGF) issued a report in May 2017, about the extractive industry. Several recommendations were made, and strong and weak points were identified in the various operational and legal frameworks. We also recommend this report as a guideline for improvements, particularly regarding administrative and management matters. <https://www.iisd.org/library/igf-mining-policy-framework-assessment-suriname>
2. MONR has contracted a consultant with expertise in mining title in the period Jan 9 - Jan 20, 2018. The report also examines the various procedures and laws and regulations and recommendations for, among others, improvement / tightening of current procedures and legislation and regulations in comparison with current practice in the mining sector and neighboring countries, and institutional organizations. In this report it is also indicated which recommendation should be implemented immediately. (For reference see: report E. Ortega, 'Republic of Surinam Ministry of Mineral Resources/ Expertise on mining titles and Geo-Data Management Diagnostic report' / January 2018.)

7. METHODOLOGY, APPROACH AND SCOPE

7.1 Scope

The scope for this report is fiscal year 2016. The fiscal year is from January 1, 2016 to December 31, 2016. All transactions, subject to materiality, agreed and subject to the engagement of extractive companies, were considered for this EITI report. The accounting for the aforementioned transactions is executed on “Cash-based accounting”. Cash-based accounting is the accounting used by the Government of Suriname and therefore the best measure to compare payments and receipts between the Government and entities included in this 2016 EITI report.

7.2 Methodology and approach

After Suriname had officially become an implementing country for EITI, the MSG has been formed which consists of representatives from the Ministry of Finance, Tax authority, Ministry of Natural Resources, companies in the oil & gas sector, companies in the mining sector and civil society. The MSG executed an assessment to determine all the applicable flows which could be subject for the first EITI reporting for fiscal year 2016. For this assessment the members drew from their knowledge of the extractive industry in Suriname and more specific, from their expertise with the oil and gas sector and the mining sector.

Considerable effort has been made by the MSG to realize a thorough overview of all laws and regulations applicable to the whole extractive industry. For the first report, MSG has determined from the significant flows to the Government and the companies to be engaged for the first EITI report. The significance in this respect is defined as the companies with a high substantial financial flow to the Government. In addition, it has been concluded, from a materiality perspective, the extent required to achieve a comprehensive overview of the extractive industry in Suriname, for the EITI report. Later this resulted in requesting additional entities in the process for EITI reporting, in addition to the large companies.

All entities engaged in this (first) EITI report for fiscal year 2016 have signed a revised Memorandum of Understanding (MoU) between January 25, 2019 and May 10, 2019 for their commitment to the EITI initiative, the acceptance of requirements for EITI reporting and specifically, to agree on confidentiality matters required for inclusion of data in the EITI report. The companies included in this report have all signed the MoU. Due to reported payments to NV1, a State-owned entity, it has signed a letter solely for the purpose of disclosing these payments flows by MOF and the IA.

The Independent Administrator has been engaged since May 2018 and has advised, in accordance with the Terms of Reference for the IA, on the materiality considerations for the first EITI report. The MSG has agreed on March 27, 2019 the final materiality threshold for reporting. The paper setting the materiality decision of the MSG for EITI is included in Appendix B.

Reporting templates for the EITI report for fiscal year 2016 were initially drafted by the IA in support to the MSG. The reporting templates were then reviewed by the MSG and approved for publication purposes to all reporting entities. The draft reporting templates were approved by the MSG on July 27, 2018 as noted in the minutes of the MSG meeting from July 27, 2018.

7.3 Work of the Independent Administrator

For the reconciliation the following has been performed:

- Set-up a reporting portal for all companies to facilitate the upload of data and to enable monitoring of the timely and complete data submission for EITI purposes;
- In accordance with the EITI requirements, the reporting templates should be signed by a person eligible to represent the company. For all companies it has been verified whether senior management has signed the templates and the eligibility of these persons. For MOF and MONR it

has been verified that the Minister of MOF and the Minister of MONR have signed the reporting templates from these respective ministries;

- Request a copy of the audited financial statements of each company;
- Collated the templates by reporting entity and established a consolidated file, to identify discrepancies between receipts reported by Government and payments reported by companies;
- Liaised with reporting Government agencies and reporting companies to understand the reasons for discrepancies, including visits to obtain information from the extractive companies and Government bodies;
- Analyzed and reconciled data by extractive companies and Government bodies in the reporting templates for the 2016 fiscal year (oil and gas and mining):
 - Meetings were held whenever necessary with Government bodies and reporting companies to investigate reported differences;
 - All reporting extractive companies and Government bodies were requested to support their reported figures with supporting evidence (documents and vouchers, bank information);
 - Reconciling items from the companies were scrutinized and examined for authenticity, ownership, accuracy, validity, occurrence in terms of reporting period and other necessary matters;
 - All reconciliations and non-reconciled differences were notified to the reporting entities as evidence and proof of the work done;
 - Reporting templates were signed off by senior management eligible to sign off on the templates;
 - Reporting schedules were amended as appropriate and summaries prepared.
- Prepared this report on Government receipts and company payments:
 - Reporting on reconciled and any unresolved discrepancies;
 - Making recommendations on actions to be taken on the unresolved discrepancies, and for improvement of the implementation of EITI in Suriname;
 - Reporting on the total oil & gas for which payments were made and revenue collected for the fiscal period. Furthermore, production data for the O&G-companies is reported;
 - Reporting on the total mining for which payments were made and revenue collected for the fiscal period. Furthermore, production data for companies in the mining is reported;
 - Included a list of all licensed or registered companies involved in the oil & gas sector;
 - Included a list of all licensed or registered companies involved in the mining sector;
 - Obtained and included the Government policy for beneficial ownership.

Appendices

- 1: Terms of Reference
- 2: Revenue streams and materiality
- 3: Consulted websites and researches
- 4: Meetings
- 5: Reporting templates
- 6: BDO's view re payment
- 7: Additional information of the top 20 shareholders of IAMGOLD
8. Additional information Overview of mining rights Grassalco
9. Additional information Staatsolie example of proposed contract offshore area
- 10: Brochure CC&I registration requirements (translated)
- 11: Brochure GMD application requirements mining rights (translated)
- 12: Model Mining License for Exploration and Exploitation (translated)