

Sierra Leone Mining Sector



Sierra Leone is known for its substantial deposits of Rutile, bauxite, gold, diamonds and iron ore of economic values.



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A Profile of Sierra Leone's Mining Sector

This publication has been produced by the Sierra Leone Investment and Export Promotion Agency (SLIEPA), an Agency of the Government of Sierra Leone established by the Investment and Export Promotion Act 2007 to carry out a number of functions, including:

- Promoting investment opportunities in Sierra Leone and providing information to potential investors on matters relating to investments;
- Facilitating registration of business enterprises and assisting investors in obtaining permits, licenses, certificates or clearances needed for the commencement of business;
- Assisting potential investors to identify and make decisions on joint venture partners in Sierra Leone; and
- Developing relationships between public and private sector for the growth of investment.

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Mining Sector

Overview

The Mining sector in Sierra Leone has received the greatest international attention in comparison with other sectors due to the relatively long history of industrial scale extraction of mineral resources. Sierra Leone is known for its substantial deposits of Rutile, bauxite, gold, diamonds and iron ore. Other minerals include platinum, chromites, lignite and base metals (copper, nickel, molybdenum, lead and zinc) and as the sector grows these are becoming important exports for Sierra Leone. Geological studies have revealed that reserves exceed what is currently being explored or exploited which speaks of the boundless opportunities.

The mining sector has seen the most dramatic growth in Sierra Leone's history in a very short period of time: between 2011 and 2012 real GDP growth rate grew 15.2% due to exports from iron ore mining according to World Bank. Iron ore reserves were worth over 38 times the GDP at 2011 and export revenues to Government are expected to grow to US \$550 million by 2015 from US \$ 4 million in 2011. Further, total export revenue from iron ore in 2012 was approximately US \$ 1.6 billion, over a 400% increase from 2011. This is expected to maintain steady increase in the future years. As at 2013, there are currently only two Companies exporting iron ore and there is a potential to introduce more companies. Annual growth rates of other key mineral resources; rutile, diamond, bauxite and gold since 2012 have been 4%, 4%, 8% and 10% respectively. The mining sector continues to be the most significant export sector accounting for almost 90% of exports.

Sector Breakdown

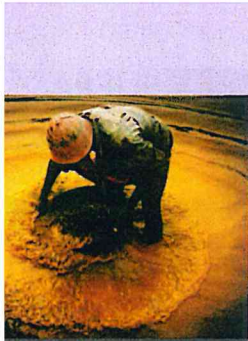
The sector is made up of three sub sectors:

- i) Large scale production of diamonds and other precious minerals
- ii) Large scale production of bulk minerals (non precious minerals)
- iii) Artisanal production that is largely informal and focused on diamonds and to a lesser extent gold


Most activities in this sector is medium to small scale with a few large scale companies. As of 2012, 91 exploration licenses were awarded, 5 small scale and 1 large scale mining licenses were also issued which was up from previous years as government strives to regularize the process of registering Companies in an effort to better monitor the sector.

Key Players


Mineral	Actor	Description
Iron Ore	African Mineral	African Minerals (Market cap: US\$640.75Million): Currently holds prospecting, exploration and mining licenses on 57 percent of territory. Two iron-ore deposits – Tonkolili and Marampa. Signed lease agreement with the government on railway and Pepel port.



A Local Diamond Mine Worker



Alluvial Gold Dust



Marampa Iron Ore Mine

Iron Ore	London Mining	London Mining (Market cap: US\$194.58Million): Holds mining license on Marampa deposit.
Bauxite	Vimetco	Acquired bauxite mine from Titanium Resources for US\$134.44Million in July 2008 and also have other concessions in Kambia.
Gold	Cluff Gold	Cluff Gold (Market cap: US\$134.44Million): Gold exploration project in Baomahun. Recently granted mining license. Has mineral resource of 1.4Million ounces.
Diamonds	Octea Mining	Octea Mining (Revenues: US\$24Million): Wholly-owned by BSG Resources. Operates the Koidu kimberlite project in the Kono District. Holds exploration licence for the Tongo diamond field.
Mineral Sands	Titanium Resources Limited	Titanium Resources Limited (market cap: US\$289.13Million): Locally known as Sierra Rutile Limited. Controls one of the largest natural rutile deposits known in the world, accounting for about 23 percent of world's annual supply.

Data as of November 6th 2013



Iron Ore



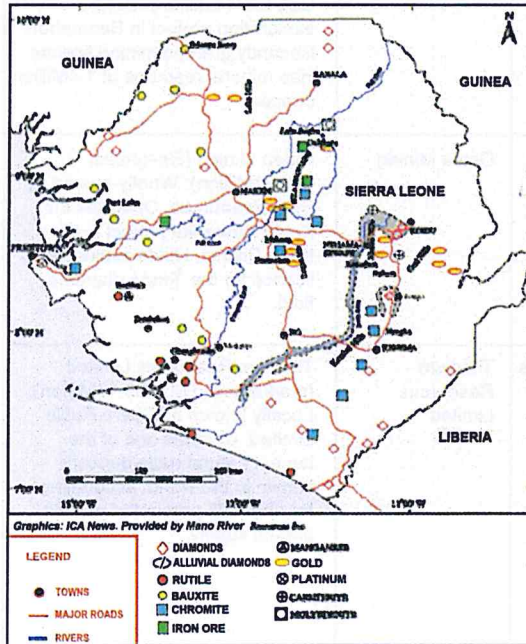
High grade iron ore stockpile
African-Minerals

Why is the Mining Sector Attractive in Sierra Leone?

i) Extensive Mineral Deposits

Geological studies have proved that there are vast deposits of minerals that still have not been exploited yet. With the whittling down of companies in the sector as government tries to attract serious investments, more areas are opening up for exploration and mining. According to the National Mining Agency between 2008 and 2011, available mining area increased 34% due to relinquishment alone. Most Companies are engaged with exploration as opposed to production which is the next frontier for Sierra Leone to realize the full potential in the mining sector.

Figure 1: Map of Mineral Deposits in Sierra Leone



ii) Transparent and Modern Regulatory Framework

Mines and Minerals Act 2009

The key framework governing the acquisition, management and regulation of mining activities is the Mines and Minerals Act of 2009. It was designed to promote transparency and predictability in the mining sector in an effort to protect the interests of Government, Citizens and investors in this sector. The Act provides guidance on:

- 1) The acquisition and issuance of licenses for exploration and mining;
- 2) Financial regulations and applicable tax codes; and
- 3) Environmental and Community Development obligations.

Don Mining at Work
e Marampa Deposit



Issuance of Licenses for Exploration and Mining

All mining license applications are submitted to the Mining Cadastre Office as the first point of contact. Each application must be registered as a company in Sierra Leone and provide detailed plan of activities. Companies must demonstrate financial and technical capacity. The approval of these applications is done by the Minerals Advisory Board which is chaired by the Ministry of Mines and Mineral Resources.

License	Type	Description
Exploration	Reconnaissance	A registered company in Sierra Leone can apply for a reconnaissance license to explore a block of area for further intensive exploration for one year with the possibility to renew.
	Full Exploration	An exploration license gives the holder exclusivity over the area. Such a license is valid for 4 years and can be renewed for an additional 2 years and cannot occupy a space more than 250,000 Km ² . Further, the holder of an exploration license has the exclusive right to apply for a small scale or large scale mining license "over any part or the entire exploration license area."
Mining	Small Scale	A small scale license should be accompanied by an Environmental Impact Assessment (EIA) and detailed mine operational plan. The area should not be less than 1 hectare or larger than 100 hectares. It is valid for 3 years and can be renewed for an additional 3 years with no limits.
	Large Scale	This type of license is granted for a 25 year period and can be renewed upon expiration for an additional 15 years if the Company meets the prescribed requirements set by the Board. Like the small scale license, an EIA must be conducted and a detailed mine operational plan submitted for approval.



Iron Ore Mines



Large Scale Boxite Mi

Financial Regulation and Applicable Tax Codes

Fiscal Regime

Type of Mineral	Rates	Description
Precious stones whose market value is above US \$ 500,000	15.0%	These rates are based on the market value of the product at the time of sale
Precious Stones	6.5%	
Precious Metal	5.0%	
Other Minerals	3.0%	

Source: Mines and Minerals Act 2009

Tax Code

Item Description	Applicable Treatment
Corporate Tax	35% tax rate on corporate profit
Cost Amortization (exploration and development)	4 year profiled depreciation at 40%, 20%, 20%, 20% respectively, starting in the year the cost was incurred
Thin Capitalization	Where the debt equity ratio exceeds 3:1, interest on loans granted by affiliated parties shall not apply
Limits on Head Quarter Expenses	1.5% of sales
Special Tax Incentives	Losses can be carried forward from one year to the next up to 10 years from the commencement of commercial production

I. Environmental and Community Development Obligations

A license is awarded based on baseline environmental impact assessment studies that ensure that risk mitigating factors are considered when mining operations commence. Furthermore, investors are encouraged to develop communities that maybe impacted by the mining activities. The mining companies will be required to negotiate the terms of the community development plan with the host community.

II) Extractive Industries Transparency Initiative

Sierra Leone became a candidate of the Extractive Industries Transparency Initiative (EITI) in 2008 and the 2008 – 2010 report was launched in 2012. The EITI is focused on promoting transparency and accountability in the sector through an extremely rigorous monitoring and reconciliation system in partnership with the country and companies. The process is beneficial to both the Government and the Investors because it regularizes payments that companies make to Government through a self reporting mechanism.

III) Cheap and Experienced Labor Force

According to the World Bank, almost 8% of the population are involved in some kind of mining activity which speaks of the expertise that is available for the mining of these minerals. Furthermore, labor is relatively cheap and competitive in Sierra Leone.

IV) Growing Global Demand

The global demand for Minerals is not showing any sign of slowing down with ever expanding markets in China and other large consumers of minerals such as iron ore and rutile. World-wide budgets for exploration have increased and the price of Sierra Leone's main export minerals remain relatively high on the global market and is projected to maintain such highs.

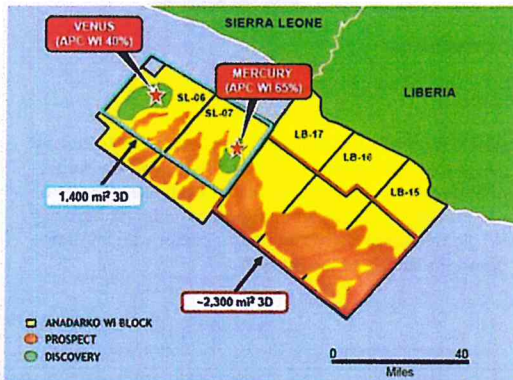
Figure 2: Global World Prices for Minerals

	2010	2011	2012	2013	2014	2015
Crude Oil (US \$/bbl)	79.0	104.0	98.2	97.1	96.0	94.7
Iron Ore (US \$/mt fe)	145.9	167.8	150.0	135.0	120.0	110.0
Gold (US \$/ Oz)	1224.7	1568.3	1750.0	1600.0	1400.0	1200.0

Source: World Bank

Oil and Gas Sub-Sector

In 2002, Sierra Leone launched its first round bid for exploration which covered the offshore acreage (7 blocks were offered). Four blocks were awarded in 2003 and the remaining 3 between 2008 and 2010. The increased interest in the sector came when Anadarko confirmed that it had found high quality, sweet crude in 2010. One of the wells the consortium (Reposal 25%, Anadarko 55% and Tullow Oil 20%) explored, the Venus B-1 provided 45 net feet of hydrocarbon pay, proving a working petroleum system. The group also encountered 135 net feet of hydrocarbon pay in the mercury well, which is currently being appraised. They drilled the Jupiter 1- well in block SL-O7B- 11 following Venus B-1 to a depth of 6,456 in 2,199 meters of water. The well encountered net pay of 30 meters.



London Mining Iron C



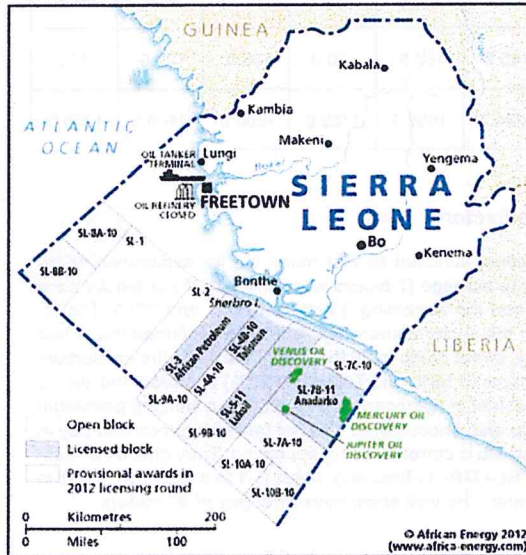
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In August 2012, another bid round was completed and an additional nine companies were awarded oil blocks for a total of 59 applications. It is clear that the potential is there, however, no commercial drilling has commenced. Sierra Leone is expected to come onstream by 2015.

Block No	No. of Applicants	Groups Awarded
SL 4A-10	16	African Petroleum, KOSMOS Energy
SL 7A-10	12	Elinilo Ltd; Signet Petroleum; Mexico
SL 7C-10	4	Maters Energy
SL 8A-10	13	Chevron Sahara, Noble Energy, ODYE
SL 8B-10	10	Chevron Sahara, Noble Energy, ODYE
SL 9A-10	2	GNBH Exploration
SL 9B-10	1	GNBH Exploration
SL 10B-10	1	Varada Petroleum and Hydrocarbons
SL 10A-10	0	

Source: Sierra Leone Petroleum Directorate

Sierra Leone 2012 awards



Investment Opportunities

Upstream Development

Sierra Leone is located in a prime area to supply markets in USA, Europe and Africa without geographic pinch points. Recent hydrocarbon discovery by Anadarko in offshore Venus prospect indicate likelihood of major oil fields in Sierra Leone. Furthermore, regional and global refining capacity is not keeping up with global demand hence this is a sector with immense growth opportunity given the scope of the market.

There are also opportunities for upstream development for oil products for the domestic market. Note that Sierra Leone's imports of these products (petrol and diesel) have grown over 20% in the last 5 years. The regional West African demand should support a refinery with capacity 200,000 barrels per day with additional opportunities in the US and European markets. It is clear as a result of the recent discoveries in the Gulf of Guinea that West and Central Africa are poised to become the source of the world's crude oil.

Oil and Gas Infrastructure

When oil and gas come onstream the demand for supporting infrastructure will significantly expand. Sierra Leone has miles of undeveloped lands close to sheltered deep-waters and natural harbors which are ideal for the establishment of ports. The Government is interested in establishing strategic partnerships to develop port infrastructure and the possibility of additional oil refineries as output grows. As a result, the Government has already established the Public-Private Partnership Unit in the office of the President.

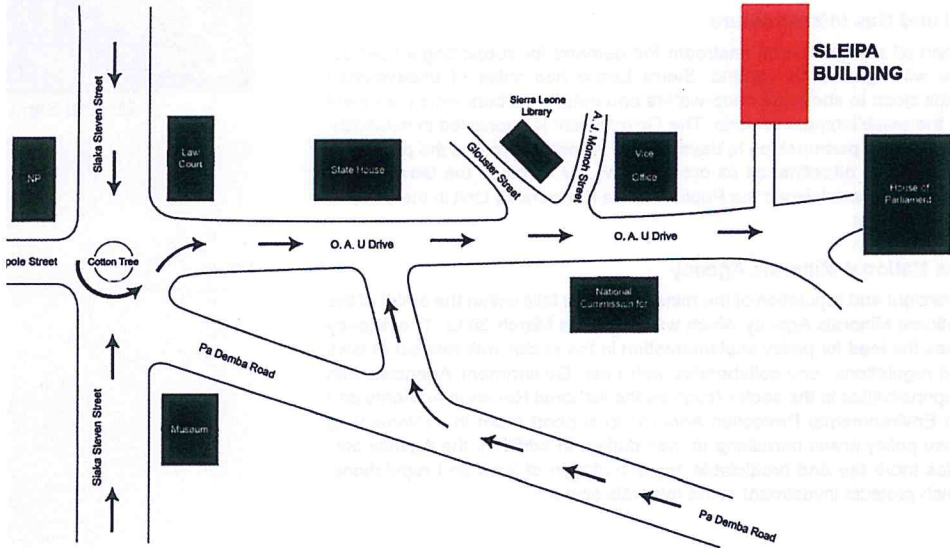
The National Minerals Agency

Oversight and regulation of the minerals sector falls within the ambit of the National Minerals Agency which was set up in March 2012. The Agency takes the lead for policy implementation in the sector with respect to laws and regulations and collaborates with other Government Agencies with responsibilities in the sector (such as the National Revenue Authority and the Environmental Protection Agency) to support them in implementing those policy areas pertaining to their duties. In addition, the Agency provides more fair and predictable implementation of laws and regulations, which protects investment in the minerals sector.



Mineral Sand

Where to find us in Freetown



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