



Via Email & By Hand

Hon. Foday Rado Yokie
Minister of Mines and Minerals Resources
Youyi Building
Brookfields
Freetown
Sierra Leone

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URGENT

14 August 2019

Dear Honourable Minister,

Re: ONGOING UNLAWFUL TEMPORARY SUSPENSION OF SL MINING LIMITED'S MINERAL RIGHTS

1. We refer to your letter to us dated 13 August 2019 titled "*Terms and Conditions for SL Mining to Commence Shipment of Marampa Blue*" which details certain conditions, which if satisfied you state you "*could*" lift the restriction on shipment which has been unlawfully placed on SL Mining Limited ("**SL Mining**" / "**we**") (the "**Letter**").
2. Firstly and as stated above and in prior correspondence, including from our international lawyers representing us, the suspension on shipping is unlawful and there are no grounds for such under SL Mining's large scale licence agreement ratified by the Parliament of the Republic of Sierra Leone (the "**MLA**") or pursuant to any other laws in Sierra Leone, including the Mines and Minerals Act, 2009 (the "**Act**"). Furthermore, under the MLA, SL Mining has an enshrined right to export iron ore from its Marampa project.
3. With respect to the conditions set out in the Letter. There are no grounds for seeking such and they are at odds with the MLA and the Act and we address each of the points in your letter below.

Point 1

4. The bond referred to is not relevant nor required. The fact simply is that the Marampa mine was categorically re-opened and is in production. In addition, and as proof of such, we have made three shipments of Marampa iron ore, before being prevented from further export under the illegal export ban. Even if a bond was put in place it could never be called on as SL Mining did make substantial progress towards the re-opening of the Marampa Mine within a period of 12 months from the date of ratification of the MLA. As you all know, by December 2018 we were finalising the rehabilitation of the plant, preparing the plant for hot commissioning. It should also be again noted, that the Government of the Republic of Sierra Leone's ("**GoSL**") own action by way of



Executive Order No. 1, directly and significantly delayed the development of the Marampa mine due to the suspension of the MLA's fiscal provisions for seven months.

5. As we have discussed this point with you several times, this attempt at re-writing history is a blatant disregard for the facts and totally unacceptable.
6. The request for a bond while SL Mining is not allowed to ship unless it agrees to a list of made up demands not based in law or logic is clearly an attempt to extort US\$ 1 million. The Letter clearly states that the fact that SL Mining has reopened the mine in a timely manner and successfully shipped three cargoes is considered a failure and therefore the bond would be cashed. This approach shows a total disregard of what we have achieved within the required timeframe and as previously agreed with the NMA during 2018 (and despite the illegal imposition of Executive Order No. 1 in the meantime). We firmly disagree with any outrageous and illegal tactics.
7. We clearly explained all the facts to you once again in our letter dated 19 July 2019.

Point 2

8. An advance pricing agreement is not relevant nor required under the MLA and therefore imposing a shipping ban is a form of extortion as we are not able to earn revenues while the Ministry and the NMA make demands that are against the law and our MLA. The initial three sales of the Marampa Blue were ultimately to third party buyers and not being sold ultimately to any affiliated company of SL Mining. Having said that, as we have said before, we are amenable to have one in place for affiliated sales, and the principles have been provided to the NMA for consideration without response, and therefore we have provided an electronic copy.
9. To be abundantly clear, in our MLA under section 5.2(c), and we quote *"Prior to the disposal of any minerals to **affiliated** parties, SL MINING and GOSL shall enter into an Advance Pricing Agreement establishing guidelines for determining the deemed Arm's length sale value..."*.
10. We have quoted the above, as the DG of the NMA has misinterpreted the law and did not understand that SL Mining has the right to export and ship to any third party it so chooses without prior notification, consent, or approval of the NMA. In other words, an advanced pricing agreement is not required UNLESS, and only unless SL Mining sells ultimately to an affiliated party.
11. In section 4.6 of the MLA, we have the enshrined right to export. We quote *"SL MINING shall have the right to export all iron ore and associated minerals or mineral concentrates raised or obtained in the course of mining operations to any country other than countries to which the laws of The Republic of Sierra Leone prohibit such exports"*.
12. The only circumstances in which the law allows the Minister to prevent the disposal of any minerals (export ban in SL Mining's case) is when the mineral right holder fails to pay its royalties by the due date. In the case of SL Mining, the suspension and export ban were made 42 days before any royalty payment was due.



13. As already noted, SL Mining will and has always had the intent to pay its royalties by the due date and remain in full compliance with its obligations.

Point 3

14. SL Mining continues to be in full compliance of the MLA. The payment of the three royalty amounts (able to be paid only due to the shipments made before SL Mining was illegally prevented from further shipping activity) will only be made pursuant to the timing requirements of the MLA, and with proof of such payments being supplied. June shipments are been paid by mid-August 2019 while July 2019 shipment by mid-September 2019, as established in the MLA. SL Mining takes its royalty payment obligations (and all payment obligations) under the MLA very seriously so to ensure that Sierra Leone benefits from the Marampa project.
15. To be abundantly clear, in our MLA under section 5.2(e), royalty payments are to be paid, and we quote, "*Within a maximum period of 45 (forty five) days after the end of each month's shipment...*".
16. The NMA has the obligation to follow the laws, including the MLA, protect the GoSL interest while protecting, or at least not abusing, investors, but all the actions that have taken place, from and including the initial suspension letter dated 3 July 2019, until today, has proven to be aimed to obtain again from SL Mining while placing SL Mining under duress.

Point 4

17. The MLA governs the royalty terms and payment aspects regarding such. There are no lawful grounds by which you can ask for advance payment of the royalty for shipments, let alone advance payment to the sum of five shipments.

Point 5

18. Our requirements with respect to furnishing financial reports have been complied with. The financial statements have been provided for 2017 and those for 2018 have not been completed yet as we are waiting for the sign off of SL Mining's auditors.

Point 6

19. There are no lawful grounds for a phased payment plan for the use of the Marampa mine assets. And this is not required, nor necessary, and does not follow Section 54 of the Act or any other enacted law. The DG of the NMA does not understand how the Act actually works and, in total disregard for its provisions, the DG wants you to believe that once the GoSL cancels a mining license the assets in the relevant concession area somehow are nationalised and become GoSL property. This misinterpretation by the DG have been widely said in meetings, in the media and so on, which stems from a fundamental lack of understanding how the Act works.
20. Section 54 of the Act does not allow the GoSL to nationalise assets for the GoSL to rent or sell them further to anyone. What Section 54 of the Act provides is that the



assets have been transferred to SL Mining (and the ruling from the High Court of Sierra Leone on this very point establishes such categorically as a matter of Sierra Leonean law). The only obligation on SL Mining is to reimburse the amount of reasonable compensation *actually* paid by GoSL to the prior licence holder. At present, no compensation amount has been paid by GoSL and thus, SL Mining does not need to pay GoSL in a phased plan or otherwise.

21. As the Ministry and the NMA are fully aware, as explained several times in writing and in meetings, certain of the assets in use by SLM were financed and secured by the previous lenders. When the GoSL invoked Section 54 of the Act, those assets were removed (automatically and by operation of Sierra Leonean law) from the previous licence holder, and were transferred to SL Mining as noted above. The former lenders disputed the amount of reasonable compensation and therefore SL Mining agreed with the former lenders a royalty arrangement for such reasonable compensation. The only element missing from the agreement between the former lenders and SL Mining is for the GoSL to become a party to such agreement. This has been requested by the former lenders.
22. Therefore, there are no grounds for the Minister's request, following the ill advice of the DG of the NMA, to be paid a fee for the use of assets that do not belong to the GoSL. The GoSL position that the ban on shipping and earning revenues will remain place unless SL Mining meet its demands, is again an attempted shakedown of SL Mining as there are no grounds, legal or other, to make such requests. Furthermore, this appears to be part of a concerted tactic by the GoSL to either obtain financial benefit, free-carry shares or renegotiate the terms of the MLA.

Point 7

23. On the export ban being satisfactorily and irrevocably lifted, we would be willing to discuss with GoSL aspects of the ratified MLA and its enshrined terms, but it is untenable to contemplate doing so now while under duress.
24. What has been requested in the Letter has no legal base and is against the provisions of the MLA. As already mentioned, making demands that are clearly outside the MLA while maintaining an illegal shipping ban appears to us to be an attempt at extortion.
25. We would once again ask that the unlawful suspension be lifted immediately so to avoid the Marampa project now having to suspend or put in place reductions in production (in accordance with Sierra Leonean law) which will be a direct result of the unlawful preclusion on SL Mining's lawful right to export. It is untenable situation to suspend operations, then put an indefinite ban on shipping, while the DG of the NMA makes ludicrous demands that are not in compliance with the laws of Sierra Leone.
26. We again stress that the shipping ban and any limitation to our operation must be immediately lifted, or the following actions must be taken by SL Mining, as you continue to misapply the law and attempt to coerce SL Mining:
 - (a) The mine will need to be put on care and maintenance (in accordance with Sierra Leonean law) until adequate resolution is achieved.



- (b) SL Mining has already served notices of disputes in respect of its rights to bring matters to international arbitration and other relief as endowed under clause 6.9(c) the MLA and or other agreements. We will be seeking material damages and immediate lifting of the export ban.
27. SL Mining continues to comply with all requests from the GoSL and remains in full compliance with all of its obligations and responsibilities pursuant to the MLA or otherwise. SL Mining will continue to work with the Ministry of Mines and Mineral Resources and the NMA to provide and facilitate access to whatever materials are required to dispel the apparent belief (which is respectfully incorrect) that SL Mining is in any way non-compliant with its obligations and responsibilities.
28. All rights and remedies (howsoever arising) are strictly reserved.

Yours sincerely,

Alejandro Skidelsky, Director
For and on behalf of **SL Mining Limited**

Cc: Chief Minister
Hon. Attorney General and Minister of Justice
Hon. Minister of Finance
Hon. Deputy Minister of Mines and Mineral Resources
Secretary to the President
Chairman, Oversight Committee on Mines and Mineral Resources
Permanent Secretary, Ministry of Mines and Mineral Resources
Chairman, Minerals Advisory Board
Commissioner General, NRA
Director General of NMA
Director of Mines at NMA