

Canada
Province of Ontario
East Region

In the matter of an Application for
a Search Warrant pursuant to section
487, an Assistance Order pursuant to
section 487.02, a Production Order
pursuant to section 487.012, and a
Sealing Order pursuant to section
487.3 of the *Criminal Code*.

**INFORMATION ON OATH OF
ANICK MARIE MAZEROLLE**



PROJECT "ALOES"

2013-1304026

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INFORMATION ON OATH

I, **Anick Marie Mazerolle**, a peace officer and a member of the Royal Canadian Mounted Police (RCMP) in the Province of Ontario, **MAKE AN OATH AND SAY AS FOLLOWS:**

INTRODUCTION OF AFFIANT

- 1) I am a peace officer employed by the RCMP since 2008 and currently assigned to the National Division, Sensitive and International Investigations Section in Ottawa, Ontario. I have knowledge of the information in this Information to Obtain (ITO) and I believe all of the information in this ITO to be true.
- 2) From 2011 to 2013, I gained experience on international corruption and the *Corruption of Foreign Public Officials Act (CFPOA)* working on Project "ASCENDANT", an investigation into an allegation of corrupt payments made by executives of the Canadian corporation SNC-Lavalin, which was an offence under the CFPOA. During this investigation, I analyzed the intercepted communications, prepared interview plans, conducted interviews, drafted parts of the court brief, reviewed electronic documents and I was the exhibit custodian.
- 3) In January 2014, I was assigned to this investigation, called Project "ALOES". I am responsible for obtaining judicial authorizations for this project. The investigation began after a Canadian citizen, formerly employed by MagIndustries, alleged the company made a payment that was contrary to the CFPOA. I have written two ITOs and two search warrants have been issued by the Justice of the Peace in the Province of Ontario.
- 4) In November 2014, I completed the course titled "Drafting Information to Obtain" taken at the Canadian Police College, in Ottawa, Ontario. The purpose of the course was to develop my knowledge and skills in order to draft information to obtain (ITO) and judicial authorizations.
- 5) Throughout this ITO, where I state my belief, this belief is based on my experience as set out above and on other information as stated in this ITO.
- 6) To facilitate the reading of this ITO, I will write my comments in bold inside brackets [comments].

JP

SEARCH WARRANT

SEARCH WARRANT AT MAGINDUSTRIES LOCATED AT 33 YONGE STREET, SUITE 820, TORONTO, ONTARIO

This search warrant is being sought in relation to the following offences:

- 7) I have reasonable grounds to believe that offences contrary to an Act of Parliament have been committed:
- (a) Between January 1st, 2013 and December 31st, 2013, by Longbo Chen, Jin Zhongping, Jun Tian and Fullang Wang, to wit:
 - i) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;
 - ii) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;
 - iii) Conspiracy to commit an indictable offence contrary to section 465 of the *Criminal Code*.
 - (b) Between January 1st, 2012 and December 31st, 2013, unknown employees of Eucalyptus Fibre Congo and/or MagIndustries, to wit:
 - i) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;
 - ii) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;
- 8) I also have reasonable grounds to believe that offences pursuant to section 22.2 of the *Criminal Code* have been committed between January 1st, 2012 and December 31st, 2013, by MagIndustries:
- (a) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;
 - (b) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*.

The "Things to search for"

- 9) Should this search warrant be granted, I propose that peace officers be authorized to enter the premises at 33 Yonge Street, Suite 820, Toronto, Ontario, to search for and to seize the following documents and/or data ("Things to search for"):
- (a) Documents include all paper formats, electronic data that can be contained within devices (such as but not limited to mobile devices, external storage devices, computers and hard drives) and include agreements, financial

statements, notes, letters, spreadsheets, flow charts, correspondence, e-mails and faxes;

I) Any documents related to the title or job function of MagIndustries', and/or its subsidiaries', employees for the years 2008 up to and including 2014;

II) Any documents for the years 2012 up to and including 2014 related to MagIndustries' expropriation projects in the Republic of Congo;

III) Any documents for the years 2012 up to and including 2014 related to the [REDACTED];

IV) Any documents for the years 2013 up to and including 2014 related to the planning and/or any subsequent visit to China organized by MagIndustries by [REDACTED] and other persons invited;

V) Any documents related to the payment and/or agreement to pay the [REDACTED] on May 2nd, 2013;

VI) Any documents related to [REDACTED], ex MagIndustries' employee;

VII) Any documents for the year 2013 related to MagIndustries' internal control policy, reports, guidelines and/or procedures;

VIII) Any documents related to a 30,000,000 CFA payment made by Eucalyptus Fibre Congo on November 30th, 2012, regarding a tax inspection;

IX) Any documents related to a 7,000,000 CFA payment made by Eucalyptus Fibre Congo on July 18th, 2012, regarding a tax inspection;

X) Any documents related to a 5,000,000 CFA payment made by Eucalyptus Fibre Congo on December 26th, 2012, regarding social secure inspection;

XI) Any documents related to a 3,000,000 CFA payment made by Eucalyptus Fibre Congo on July 24th, 2012, regarding a commerce administration inspection;

XII) Any documents related to a 6,000,000 CFA payment made by Eucalyptus Fibre Congo in 2013 regarding taxable staff benefits.

PRODUCTION ORDER

PRODUCTION ORDER FOR TRENT HENRY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ERNST & YOUNG

This production order is being sought in relation to the following offences:

10) I also have reasonable grounds to believe that between January 1st, 2012 and December 31st, 2013, unknown employees of Eucalyptus Fibre Congo and/or MagIndustries have committed the following offences:

(a) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;

JK

(b) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;

11) I also have reasonable grounds, pursuant to section 22.2 of the *Criminal Code*, to believe that between January 1st, 2012, and December 31st, 2013, MagIndustries have committed the following offences:

(a) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials act*;

(b) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*.

The documents and/or the data to be produced

12) I propose that Trent Henry, Chairman and Chief Executive Officer of Ernst & Young Canada or his designate shall produce documents and/or data, or copies of them certified by affidavit to be true copies, located at 222 Bay Street, P.O. Box 251, Toronto, Ontario or any other location, off site facility, receptacle or place where Ernst & Young maintains and stores the things referred to as documents and/or data to be produced to Constable Anick Marie Mazerolle, or her designate, a peace officer of the RCMP, Sensitive and International Investigations Section at 155 McArthur Avenue, Room 523, Ottawa, Ontario as soon as reasonably possible but in any event no later than 30 days from the date this order is served. Should this production order be granted, there are reasonable grounds to believe that the following documents and/or data will afford evidence in respect to the commission of named offences.

13) Documents include all paper formats, electronic data that can be contained within devices (such as but not limited to mobile devices, external storage devices, computers and hard drives) and include agreements, financial statements, notes, letters, spreadsheets, flow charts, correspondence, e-mails and faxes;

(a) The documents and/or data, or copies of them certified by affidavit to be true copies to be produced are:

i) The 2012 MagIndustries audit file, including the paper and electronic file, auditor's notes and e-mails;

ii) Any documents related to a 30,000,000 CFA payment made by Eucalyptus Fibre Congo on November 30th, 2012, regarding a tax inspection;

iii) Any documents related to a 7,000,000 CFA payment made by Eucalyptus Fibre Congo on July 18th, 2012, regarding a tax inspection;

iv) Any documents related to a 5,000,000 CFA payment made by Eucalyptus Fibre Congo on December 26th, 2012, regarding social secure inspection;

v) Any documents related to a 3,000,000 CFA payment made by Eucalyptus Fibre Congo on July 24th, 2012, regarding a commerce administration inspection;

vi) Any documents related to a 6,000,000 CFA payment made by Eucalyptus Fibre Congo in 2013 regarding taxable staff benefit.

OVERVIEW

- 14) The following section is my understanding of the state of the investigation. Its sole purpose is to help the reader understand the grounds contained in this ITO. Since, there are two separate offences currently being investigated, I have divided the overview in two sections titled "Part 1" and "Part 2". Part 1 describes events surrounding a payment allegedly made to the [REDACTED] of the Republic of Congo. Part 2 describes five "black money" payments allegedly made by Eucalyptus Fibre Congo in relation to taxes that the company owed the Congolese government. The grounds that support my belief will follow the overview.
- 15) This ITO contains several mentions of amounts in CFA Franc, the local currency used in the ROC. To provide the reader with a better understanding of the value, I accessed the Bank of Canada website at www.bankofcanada.ca/rates/exchange in order to get the conversion from "XAF (CFA Franc)" to "CAD (Canadian Dollar)". I learned that on May 2nd, 2013, the Bank of Canada showed that one Canadian Dollar was worth 498.0080 XAF. For Part 1, in this ITO, I will put in bracket the value [\$CAD] in reference to May 2nd, 2013. I also learned that on December 31st, 2012, one Canadian Dollar was worth 500.0000 XAF. For Part 2, in this ITO, I will put in bracket the value [\$CAD] in reference to December 31st, 2012.

[I believe that the terms "XAF", "Fcfa", "CFA Franc" and "CFA" are the same currency and that when it is indicated "M CFA" it means millions CFA. I came across these terms from reviewing e-mails and documents, which signifies the same currency.]

[I accessed the "Investopedia" website at www.investopedia.com/terms/c/cfa-franc.asp and I learned that the acronym "CFA" in French stands for "Communauté Financière d'Afrique" (African Financial Community)].

Part 1

- 16) Project "ALOES" began in October 2013 after [REDACTED], a Canadian citizen working as [REDACTED] for MagIndustries in the Republic of Congo (ROC), sent an e-mail to the Trade Commissioner at the Canadian Embassy in Kinshasa, Democratic Republic of Congo (DROC), reporting a payment made by the company that violated Canadian law. The Department of Foreign Affairs and Trade Development then reported the allegation to the RCMP. There are two countries in Africa which are named Congo. One is known as the "Republic of Congo" (ROC), and the second country, which is adjacent to it, is known as the "Democratic Republic of Congo" (DROC).
- 17) MagIndustries, a publicly traded Canadian company on the Toronto Stock Exchange (TSX), was established in 1997 to evaluate key mineral licenses in the ROC. Its corporate head office is located in Toronto, Ontario.
- 18) [REDACTED] worked for MagMinerals Potasses Congo SA, a subsidiary of MagIndustries in the ROC from January of 2012 to September of 2013. He met with RCMP investigators and provided a video statement regarding two illegal cash payments made on May 2nd, 2013, of 5,000,000 XAF [\$10,040 CAD] to [REDACTED]

██████████ and a payment of 1,000,000 XAF [\$2,008 CAD] to his delegation. ██████████ thought the payments were illegal and provided copies of financial documents related to the payments to investigators. He believed the payments were made in relation to an expropriation project sought by MagIndustries. I believe that an expropriation is an authorization to take private land for public use by the government without the consent of the owners. MagMinerals Potasses Congo SA was facing a big issue concerning the operations of the expropriation project and to complete the process of the expropriation of 290 hectares of land in the new port area.

- 19) On July 30th, 2013, ██████████ sent an anonymous e-mail complaint to MagIndustries, reporting the illegal payment made to the ██████████ on May 2nd, 2013.
- 20) In August 2013, Geoff Woo, Financial Controller for MagIndustries in Toronto, and Michael Gunns, a Consultant for MagIndustries, traveled to the ROC and both met with ██████████. ██████████ reported to Michael Gunns that he refused to authorize the aforementioned payment. As a result of ██████████'s refusal, Shoubling Li, Jin (King) Zhongping, Jun Tian and Fullang Wang authorized the payment made in cash. MagIndustries in the Toronto office was aware of the payment.
- 21) In September 2013, Geoff Woo offered ██████████ a position in Toronto at a lower salary, and ██████████ felt it was a demotion. Later, ██████████ received a revised offer explaining that his position had been eliminated due to a re-organization. ██████████ refused the revised offer and in November 2013, he signed a release to end his employment with MagIndustries.
- 22) In September 2013, MagMinerals Potasses Congo SA was worried about the relationship between Michael Gunns and ██████████. If they act together ██████████ was likely to provide Gunns with information considered problematic during his work in Pointe Noire, ROC that could damage the company.
- 23) In March 2014, a search warrant was executed at the business premises of Radiant Communications, a third party e-mail provider for MagIndustries and all e-mails and/or electronic communication between December 1st, 2012 and December 1st, 2013, belonging to MagIndustries or its employees were seized from the business of Radiant Communications.
- 24) Information seized at Radiant Communications demonstrated that in 2013, MagIndustries faced issues regarding the expropriation project it was seeking. MagIndustries officials (Jun Tian, Fullang Wang and Longbo Chen) then invited the ██████████ to visit their project. Days before the visit, the ██████████ requested a payment of 5,000,000 CFA [\$10,040 CAD] to coordinate obtaining the support from the Premier and the Mayor of Pointe Noire and Kouilou required for the expropriation. This is the request for payment that ██████████ refused to authorize which was ultimately approved by Fullang Wang, Deputy General Manager for MagMinerals Potasses Congo SA, Jun Tian, Head of Project Development for MagMinerals Potasses Congo SA and Jin Zhongping, Development Specialist for MagMinerals Potasses Congo SA.
- 25) As will be detailed in this ITO below, Longbo Chen, Fullang Wang and Jun Tian also invited ██████████, to visit China with his wife and his entourage during the same period of time that MagIndustries was

experiencing difficulties with their expropriation project. It will be explained that although the invitation was signed by Longbo Chen, and delivered by Jun Tian, Chen requested that it be made using a different company's letterhead.

- 26) I have reasonable grounds to believe that employees of MagIndustries, Jun Tian, Fulliang Wang and Jin Zhongping agreed and then paid a bribe to [REDACTED], a Foreign Public Government Official in order to gain approval for the expropriation of land the company wanted, thus gaining an illegal business advantage.

Part 2

- 27) The investigation has revealed that Eucalyptus Fibre Congo, a subsidiary of MagIndustries in the ROC was involved in the payments of bribes. These are referred to as "black money" and "under the table" payments by Eucalyptus Fibre Congo, MagIndustries and the auditing firm, Ernst & Young (EY). These payments were made in order to lower taxes owed by the company to the Congolese government. The payments allowed for Eucalyptus Fibre Congo to avoid paying fines imposed by the tax authorities thus resulting in a substantial financial benefit of the said company. A spreadsheet, seized as part of the investigation, as well as e-mails, showed that Eucalyptus Fibre Congo employees, MagIndustries management in the ROC and Toronto were made aware of the payments during the audit conducted by the firm EY. These payments caused concern for MagIndustries' management, who then decided to investigate further. As tax authority ultimately rests with government, I believe that although the persons who received the money are not known at this point, it can only be Congolese Public Officials who had the appropriate authority to settle these fines.
- 28) Evidence showed that Eucalyptus Fibre Congo had developed a sophisticated structure where two sets of books (accounting) were used, and a third party company was established to pay the bribes. It was also suggested that only Chinese employees should be employed in Eucalyptus Fibre Congo's Human Resources and Finance department. These steps were taken in order to shield Eucalyptus Fibre Congo from criminal liability and demonstrate the extent to which the company engaged in illegal practices in order to gain an unfair business advantage and defraud the ROC by not paying the full taxes owed. This practice also put MagIndustries' shareholders at risk as these practices are illegal and could, if discovered, affect MagIndustries' share price on the Toronto Stock Exchange.
- 29) In total, five payments were made to unknown persons for a total of 45,000,000 CFA [\$90,360 CAD]. Eucalyptus Fibre Congo benefitted from those payments by not having to pay \$716,935 CAD.
- 30) I am seeking a search warrant to search the business premises of MagIndustries in Toronto because I believe that the documents and/or data ("Things to search for") will afford evidence of the offences under investigation.
- 31) I am also seeking a production order to be served upon Ernst & Young because I believe that the "Things to be produced" will afford evidence of the offences under investigation.

LR

- 32) During the analysis of the data seized at Radiant Communications, investigators came across some potentially solicitor-client privileged data from several lawyers. The course of action taken was that the potentially privileged documents were no longer accessed and were excluded from future searches. All documents, in which these people were a party, were rendered inaccessible to investigators.

[Unless otherwise stated, when I refer to e-mails and/or attachments as "I read an e-mail" or "I read an attachment", I acquired the knowledge from reading e-mails and/or the attachments seized at Radiant Communications and subsequently flagged as pertinent by investigators who were conducting the review of the seized electronic data.]

[As will be pointed out in the grounds to believe, certain documents were translated from Chinese to English by Barbee Sit and Dean Yung, both certified RCMP translators. Due to the differences between English and Chinese, it sometimes seems that certain words are missing but I did not alter these sentences for fear of being misleading.]

GROUNDS FOR BELIEF

Corruption in the Republic of Congo

- 33) I accessed the website from the United States Embassy in the ROC at brazzaville.usembassy.gov and I read the country report titled "2012 Investment Climate Statement" which pertains to the ROC. From the report, I learned that:
- (a) The ROC is located in Central Africa. The population is estimated at 3.9 million and most of the inhabitants live in the three main cities of Brazzaville (Capital), Pointe Noire and Dolisie. It is adjacent to the DROC.
 - (b) The ROC's investment climate is constrained by bribery. Corruption is regularly linked to the conduct of business in the country. For instance, contract terms are not clear and bribes are frequently requested even though the Congolese law forbids them. The ROC is improving by putting in place mechanisms to address the challenges of corruption. However, the country still experiences major corruption and transparency issues. The timber industry is also experiencing similar corruption challenges as the mining sector.

Republic of Congo corruption law

- 34) I read Congolese law no5-2009 dated September 22nd, 2009, on corruption and published on October 1st, 2009, in the Official Journal of the Republic of Congo. The document is written in French and titled "JOURNAL OFFICIEL - DE LA REPUBLIQUE DU CONGO - paraissant le jeudi de chaque semaine à Brazzaville". The law in the ROC regarding corruption states the following:
- (a) Section 2 defines corruption. Acts of corruption are commissions undue given or received by persons with public or private functions as well as the actions of those above when they meant or breach of duties arising out of

their status as official commissions, private employee, independent agent, or obtaining illegal benefits of any nature for themselves or others;

(b) Section 3 defines the punishment. It is punishable by imprisonment of two to ten years and a fine equivalent to twice the value of promises endorsed or things received or requested, with a minimum of 1,000,000 CFA:

(i) All persons invested with an elected mandate, administrative or judicial, public official, military, agent or employee under the control of public authority administration, or citizen charged with a mission public service, solicit or accept offers or promises, solicit or receive gifts, to do or refrain from doing any act of his duties or employment.

Company named in this ITO

MagIndustries

35) I accessed the Industry Canada website at www.ic.gc.ca and I learned that MagIndustries Corp. and MagMinerals Potash Corp. are incorporated in Canada.

36) I accessed the MagIndustries website at www.magindustries.com and I learned that:

(a) MagIndustries was established in 1997 to evaluate key mineral licenses acquired in the ROC. During the following years they solidified their presence in the region and created a base of assets, operations and people that would help them to capitalize on the potential of their licenses to build value for their shareholders.

(b) MagIndustries has three business units:

(i) MagForestry which owns and operates Eucalyptus Fibre Congo (EFC), a business based in Pointe Noire, ROC.

(ii) MagMinerals which is developing the Mengo Potash project in the Republic of Congo, and the subsidiary MagPotasses du Congo (MPC), a business based in Pointe Noire, ROC;

[I believe that "MagPotasses du Congo" (MPC) is the same as "MagMinerals Potasses Congo SA", as both names are listed on the MagIndustries website].

(iii) Potasse du Congo, a potash exploration division, based in the ROC.

(c) MagIndustries Corporate head office is located at 33 Yonge Street, Suite 820, Toronto, Ontario, Canada. They have three regional offices:

(i) Eucalyptus Fibre Congo located at Benoit Loembet Avenue, BP 430, Pointe Noire, ROC;

(ii) MagMinerals Potasses Congo SA situated in the Atlantic Palace building at Charles de Gaulle Avenue, BP 1128, Pointe Noire, ROC;

(iii) MagIndustries Services Inc located at 46 Dayrells Road, Christ Church BB 14030, Barbados, West Indies.

JB

- (d) MagIndustries describes itself as being committed to high standards including accountability and responsibility. Corporate responsibilities mentioned are human rights, bribery and corruption as well as providing financial disclosure.
- (e) MagIndustries is publically traded and listed on the Toronto Stock Exchange under the trading symbol "MAA". As of October 1st, 2014, the share value was listed at \$0.19 CAD.
- (f) Evergreen Resources Holding Ltd, a Chinese company and subsidiary of the Evergreen Industries Group, owns approximately 88.4% of MagIndustries' common shares.
- (g) The Board of Directors consists of the following:

(i) Xiaolei (Simon) Liang: Chairman;

(ii) Gerry Wang: Lead Director;

(iii) Yuan Ding: Director;

[I accessed the MagIndustries website at www.magindustries.com and I learned that Yuan Ding is a member of the Board of Directors and the Chair of the Audit Committee for MagIndustries. Yuan Ding received a PhD in Accounting from the Institute of Enterprises Administration at the University Montesquieu Bordeaux IV in France.]

[I believe that Yuan Ding is also referred to as Dr. Ding, because of his PhD.]

(iv) Longbo Chen: Director;

(v) Qiang Jiang: Director;

(vi) Weiguo (William) He: Director;

[I believe that Weiguo (William) He is a lawyer for Davis LLP Law Firm based in Vancouver, British Columbia. On April 9th, 2014, after learning that Weiguo William He had a MagIndustries email address of whe@magindustries.com, all items with the word "whe" were tagged privileged from the documents seized at Radiant Communications and were no longer accessed by investigators.]

(vii) Anming Zhang: Director;

- (h) MagForestry owns Eucalyptus Fibre Congo, which is based in Pointe Noire in the ROC. The Eucalyptus Fibre Congo plantation supplies 500,000 tonnes per year of wood chip plants built by Eucalyptus Fibre Congo on its concession lands located within the port of Pointe Noire;
- (i) MagMineral Potasses Congo SA (MPC), which is a MagIndustries' subsidiary, signed a Potash investment Agreement with the government of the ROC for the development of the Mengo Project. The potash deposit is presently under development and the goal for the factory is to produce 1.2 million tonnes of potash per year.

16

Witness named in this ITO

[REDACTED]

- 37) I listened to the audio and video recordings of the witness statement of [REDACTED] taken on December 2nd, 2013, and December 3rd, 2013, by Sergeant Denis Beaudoin and Staff Sergeant Martin Bedard, both members of the RCMP in Ottawa. The interview took place at the Canadian Embassy in Kinshasa, DROC. To facilitate the reading of this ITO, I will refer to the interview as "in his statement [REDACTED]...". When I refer to "in his statement, [REDACTED]...", I acquired the knowledge included in the paragraph from listening to the audio and video of his statement.
- 38) In his statement, [REDACTED] explained that:
- (a) He is a Canadian citizen, a Certified Management Accountant and a Chartered Public Accountant. He completed a Bachelor in Accounting Sciences and a Bachelor in Business Administration, Specialization in Finance;
 - (b) He previously worked for Deloitte and Touche Inc as an auditor;
 - (c) In December 2011, he was hired as [REDACTED] for MagIndustries by Will Burton, Former Chief Financial Officer (CFO) and Longbo Chen, Chief Executive Officer (CEO). [REDACTED] arrived in the ROC in January 2012. At MagIndustries, six people reported to [REDACTED] and he was the second person in charge of the Department of Finance in the ROC for MagIndustries.

Foreign public officials named in this ITO

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JR

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JR.

[REDACTED]

Toronto MagIndustries employees named in this ITO

Will Burton – Former Chief Financial Officer (CFO) of MagIndustries

- 49) I accessed the LinkedIn website at <http://ca.linkedin.com> and I learned that Will Burton is the Former Vice-President and CFO of MagIndustries. He worked at MagIndustries from April 2006 to March 2013.

Geoff Woo – Chief Financial Officer

- 50) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Geoff Woo was a Financial Controller for MagIndustries.

[I believe that Geoff Woo was a Financial Controller for MagIndustries in Toronto prior to his promotion in February 2014.]

- 51) I read a report titled "MagIndustries Annual Information Form" for the year ending December 31st, 2013, and I learned that on February 24th, 2014, Geoff Woo was appointed Chief Financial Officer of the company.

Rich Morrow - Director of Investor Relations and Corporate Development

- 52) I read an e-mail sent on June 6th, 2013, by Rich Morrow and I learned that he is the Director of Investor Relations and Corporate Development for MagIndustries in Toronto.

Nardia Smith - Human Resource for MagIndustries

- 53) I read an e-mail sent on November 8th, 2013, by Nardia Smith and I learned that she is a Human Resources Specialist for MagIndustries in Toronto.

Yue Ma – Corporate Development Associate for MagIndustries

- 54) I accessed the LinkedIn website at <http://ca.linkedin.com> and I learned that Yue Ma has been in the position of Corporate Development Associate with MagIndustries in Toronto since May 2013.

JP

Loondeo Bekah – Assistant Controller for MagIndustries

- 55) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Loondeo Bekah is an Assistant Controller at MagIndustries in Toronto.

Michael Gunns – Consultant for MagIndustries in Toronto

- 56) In his statement, [REDACTED] stated that Michael Gunns was an Internal Control Expert, a Consultant for MagIndustries and a Certified Chartered Accountant in Toronto.
- 57) I read a document attached to an e-mail sent on October 16th, 2013, which described the work history of Michael Gunns, FCPA, FCA and I learned that he is a Former Chair of the Risk Management and Governance Board of the Canadian Institute of Chartered Accountants. He was a fellow of the Ontario Institute of Chartered Accountants and a graduate of Harvard Business School's Advanced Management Program. He was contracted by MagIndustries as a Corporate Governance Specialist.

[I viewed the Chartered Professional Accountants Ontario (CPA) website at www.cpaontario.ca and I learned that the designation "FCPA, FCA" is the highest designation awarded by CPA for outstanding career achievements as well as outstanding service to the community and the profession.]

Republic of Congo MagIndustries employees named in this ITO

Shoubing LI – Finance Director for MagMinerals Potasses Congo SA In the Republic of Congo

- 58) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Shoubing LI is a Finance Director for MagMinerals Potasses Congo SA and was hired on April 9th, 2013. Shoubing LI's Manager is Longbo Chen.

Fullang Wang – Deputy General Manager for MagMinerals Potasses Congo SA

- 59) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Fullang Wang is a Deputy General Manager for MagMinerals Potasses Congo SA. Fullang Wang's Manager is Longbo Chen.

Jun Tian – Head of Project Development for MagMinerals Potasses Congo SA

- 60) From reviewing the statement of [REDACTED], I learned that Jun Tian is the Head of Project Development for MagMinerals Potasses Congo SA. JP

Jin Zhongping – Development Specialist for MagMinerals Potasses Congo SA

- 61) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Jin Zhongping is a Development Specialist for MagMinerals Potasses Congo SA.
- 62) From reviewing the statement of [REDACTED], I learned that Jun Tian is Jin (King) Zhongping's supervisor.

Huaming Zhou – Finance Manager for MagMinerals Potasses Congo SA

- 63) I read an attachment to an e-mail sent on January 22nd, 2013, titled "MPC representation draft.docx" and I learned that Huaming Zhou is a Finance Manager for MagMinerals Potasses Congo SA.

Kevin Stephens - Risk Manager for MagMinerals Potasses Congo SA

- 64) I read an e-mail sent on March 27th, 2013, from Kevin Stephens and I learned that he is a Risk Manager for MagMinerals Potasses Congo SA.

Aichun Dong – Advisor to the General Manager for MagMinerals Potasses Congo SA

- 65) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Aichun Dong is an Advisor to the General Manager for MagMinerals Potasses Congo SA and was hired on March 12th, 2013. Aichun Dong's Manager is Longbo Chen.
- 66) I read an e-mail sent on August 16th, 2013, from Aichun Dong and I learned that she addressed herself as Alice Dong.

Feng Huang – Chief Executive Officer (CEO) of Eucalyptus Fibre Congo

- 67) I read an attachment titled Letter of Representation and I learned that Feng Huang is the CEO of Eucalyptus Fibre Congo in the ROC.

Cheng Han Yeh – Deputy General Manager of Eucalyptus Fibre Congo

- 68) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Cheng Han Yeh is a Deputy General Manager of Eucalyptus Fibre Congo in the ROC and was hired on July 26th, 2012. Cheng Han Yeh's Manager is Feng Huang. JR

- 69) I read an e-mail dated December 11th, 2012, from Cheng Han Yeh to Michael Gunns and I learned that the individual addressed himself as "Hank Yeh".
- 70) I read an e-mail dated December 12th, 2012, from Michael Gunns to Cheng Han Yeh and I learned that Michael Gunns addressed him as "Hank".

[I believe that Cheng Han Yeh is also referred to as Hank.]

Yong Cao – Finance Director of Eucalyptus Fibre Congo

- 71) I read an attachment to an e-mail sent on December 24th, 2013, which is an employee list, and I learned that Yong Cao is a Finance Director of Eucalyptus Fibre Congo in the ROC and was hired on February 18th, 2012. Yong Cao's Manager is Feng Huang.
- 72) I read an e-mail dated May 9th, 2013, from Michael Gunns to Rich Morrow and I learned that he referred to Yong Cao as "Cao Yong (Carl)".

[I believe that Yong Cao is also referred to as Cao Yong (Carl).]

Ernst & Young employee named in this ITO

Ashraf Zineldin – Canadian Partner at EY in Toronto

- 73) I accessed the LinkedIn website at <http://ca.linkedin.com> and I learned that Ashraf Zineldin is a Partner in Assurance Services at EY in Toronto since January 2007.
- 74) I read an e-mail dated March 26th, 2013, from Ashraf Zineldin to Michael Gunns and I learned that his work address is listed as EY Tower, 222 Bay Street, P.O. Box 251, Toronto, Ontario.

PART 1: [REDACTED]

Expropriation process in the ROC – Assessment of the Koullou Potash Project

- 75) I read a section of an environmental and social impact assessment on the MagIndustries website pertaining to expropriation for the Koullou Potash Project for the ROC (Volume I) released in February 2010. The assessment was prepared for MagIndustries by Genivar, with support from Environment Plus and reviewed by SNC Lavalin. A section of the document describes the expropriation process for "reasons of public interest" in the ROC. This expropriation process has four phases:

(a) The preliminary enquiry: JB

l) The preliminary enquiry is an administrative procedure whose goal is to inform and consult the members of the public about a project which is likely to lead to an expropriation. The expropriation process is launched as soon as the expropriator sends a file to the Minister of Landownership Reform and the Preservation of the Public Domain. Regarding the file, the Minister nominates a commission of enquiry and stipulates the objectives, the opening date as well as the duration. If necessary, a meeting can also be held with members of the public for them to voice their concerns. An enquiry report is sent to the Minister for Landownership Reform and the Preservation of the Public Domain, the Minister responsible for land administration, as well as the Minister responsible for the project after reviewing the comments of the persons concerned by the expropriation. At that moment, these ministers evaluate whether or not to carry out the expropriation project on the location targeted;

[REDACTED]

(b) The public utility declaration:

l) The public utility declaration includes the act by which the Government declares that pursuing an operation implicates a general interest, which is adequate to justify the expropriation process. In order for the expropriation to be carried out, public utility has to be affirmed by a ministerial order or by a verdict which limits its period of validity, the nature of the work, the area implicated and the timescale;

(c) The plot enquiry:

l) The plot enquiry allows the administration, after hearing all parties, to determine which plots are to be expropriated, to search for the owners of property and others concerned;

(d) The deed of transferability and demand for full expropriation:

i) The ministerial order of transferability is the act by which the appropriate authority draws up the list of plots to be expropriated. Those having their property expropriated are notified and the act is also released in the Official Journal. The transfer of ownership can be supported either by the expropriation judge's decision or through mutual agreement.

Initial complaint

76) I read an e-mail sent by [REDACTED] to Sergeant Denis Beaudoin and I learned that:

(a) On September 24th, 2013, [REDACTED] sent an e-mail to "KNSHA (G)" saying he wanted to meet a Trade Commissioner since his company was violating Canadian and Congolese law. [REDACTED] wrote that he was being "squeezed out" of his company for bringing it up to the Company's Management.

JR

[I accessed the following website of the Canadian Embassy of the Republic of Congo at www.canadainternational.gc.ca/congo/contact-contactez.aspx. I believe that the acronym "KNSHA" is an e-mail address belonging to the Canadian Embassy in Kinshasa, DROC].

Use of cost code reserved for the port area land expropriation

- 77) I read an e-mail and two attachments sent on March 27th, 2013, from Kevin Stephens, Risk Manager MagMinerals Potasses Congo SA, to Yue Ma, Corporate Development Associate regarding a service note from the Ministry of Land Affairs. I learned that MagIndustries received a service note dated March 27th, 2013, signed by Pierre Mablala, Minister, explaining that an expropriation commission had been put in place under his guidance. The President of the Commission was Francis Vethey Bemba, Advisor to the Minister of Land Affairs.
- 78) I read an e-mail dated March 30th, 2013, from Huaming Zhou, Finance Manager for MagMinerals Potasses Congo SA where he advised that all expenses in relation to entertainment of the commission, including flight tickets, hotel accommodations, and per diems will be under the cost code of PDD-PLA-050007.
- [REDACTED]

MagMinerals Potasses Congo SA faces issues regarding the land expropriation and seeks the assistance of the Minister

- 79) Paragraphs 80 and 81, describe e-mails sent on April 10th, 2013 and April 11th, 2013. They have been translated from Chinese to English by a certified RCMP translator.
- 80) I read an e-mail, sent on April 10th, 2013, from Jun Tian, Head of Project Development for MagMinerals Potasses Congo SA, to Fullang Wang, Deputy General Manager for MagMinerals Potasses Congo SA, copied to Chen Longbo, CEO of MagIndustries and Yue Ma, Corporate Development Associate for MagIndustries in Toronto. I learned that Jun Tian wrote that:
- (a) MagMinerals Potasses Congo SA was facing a big issue concerning the land expropriation, particularly in the new port area concerning 290 hectares of land. On April 1st, the Homeland Minister committed that he would start to cooperate with MagMinerals Potasses Congo SA and begin work with related land expropriation;
 - (b) Last week, Francis, (Minister's consultant) and key members of Land Expropriation Department from the province of Kouilou were summoned by the Homeland Minister and the Mining Minister to deal with another company's land expropriation issue;
 - (c) On April 8th, Francis returned to Pointe Noire to supposedly initiate the MagMinerals Potasses Congo SA's work, but on April 9th, he was told by the Homeland Minister to go to Brazzaville. The land expropriation task has still not begun;
- JR

(d) He (Juan Tian) would go to Brazzaville tomorrow to focus and negotiate with Francis. A letter was drafted (in French edition + in French and Chinese edition) with Manager Chen's name in order to give more pressure to Homeland Department and to urge the Homeland Minister to interfere.

[I believe that the dates included in this paragraph are in 2013.]

- 81) Following the previous e-mail, five other e-mails were exchanged between Jun Tian and Longbo Chen which were copied to Fullang Wang and Yue Ma. I read these five emails and learned that Chen inquired about the progress of the invitation [REDACTED]. Jun Tian replied asking Chen if the invitation letter had to be under Mag's CEO's name to which Chen replied that there was an issue with Mag's invitation and he suggested using Evergreen's name instead. On April 11th, 2013, Jun Tian wrote that if the letter could be signed, he would meet [REDACTED] to discuss the land expropriation matters and the visit to China. Longbo Chen later stated that he could sign the letter tomorrow and that [REDACTED] could bring two to three people for his visit to China and it could last for five to seven days. To avoid dealing with the Ministry of Foreign Affairs, Chen wrote that he should be represented as a private citizen, [REDACTED]. Chen then wrote that "to pressure the [REDACTED] confirmed schedule cannot be casual, trust is important" and that he (Chen) can bear two or three days delay for the actual work, but he made it clear that they "absolutely cannot be slack".

- 82) I read two attachments in French sent on April 11th, 2013, at 09:52 hours from Xingxing Xu to Jun Tian, copied to Chen Longbo, Fullang Wang and Yue Ma. I learned that the attachments consisted of the following:

(a) A letter dated April 10th, 2013, signed by Longbo Chen and written on MagMinerals Potasses Congo's letterhead. It was addressed to the [REDACTED] soliciting an intervention for the expropriation project. The letter explains that they had a fruitful meeting in Brazzaville and the commitment from [REDACTED] was to provide special assistance regarding the operations of the expropriation project and to complete the process of expropriation of 290 hectares in the region of the new port before April 15th, 2013. MagMinerals Potasses Congo SA was encountering difficulties with the availability of the employees under his guardianship and is soliciting his assistance.

(b) A letter dated April 10th, 2013, signed by Longbo Chen and written on Evergreen Holding Group's letterhead addressed to the [REDACTED]

[REDACTED]

83) I read an e-mail sent on April 12th, 2013, from Jun Tian to Xingxing Xu, copied to Chen Longbo and Fullang Wang. The e-mail was translated from Chinese to English by a certified RCMP translator. I learned that Jun Tian submitted it (the letters) yesterday and he still has not seen the [REDACTED]. Jun Tian wrote that he is "making necessary communication links with the Administration Director".

[REDACTED]

[REDACTED]

84) I read an e-mail sent on April 29th, 2013, by Jun Tian, Head of Project Development for MagMinerals Potasses Congo SA to Fullang Wang, Deputy General Manager for MagMinerals Potasses Congo SA reporting on his work in Brazzaville. The e-mail was translated from Chinese to English by a certified RCMP translator. I learned that Jun Tian wrote that:

(a) The [REDACTED] hoped that his wife could accompany him for his trip to China. It stated that Jun Tian advised Manager Chen and obtained approval. [REDACTED] confirmed that his trip to China would be from July 1st to 10th, and he requested an itinerary and visit;

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[I believe that the 5 million CFA requested in this e-mail is the cash payment that [REDACTED] refused to authorize and reported to the Canadian authorities, based on the timeframe and the amount.] JW

(d) He needed the Financial Department to prepare the cash since May 1st was a holiday. He would go to the Homeland Department to get a list of members, expenses and itinerary as soon as possible to pass on to Ministry of Finance and General Affairs Department;

(e) The implementation of the Land Expropriation Committee ceremony contains three parts as follows:

i) Welcome speech by MagMinerals Potasses Congo SA;

ii) Project preview by MagMinerals Potasses Congo SA;

[REDACTED]

[I believe that the dates included in this paragraph are in 2013.]

[REDACTED]

[REDACTED]

Request for payment of 6,000,000 CFA to Government Officials

86) In his statement, [REDACTED] explained that on May 2nd, 2013, he saw two financial forms for approval on his desk related to the cash payment. Sergeant Denis Beaudoin presented copies of these forms that [REDACTED] had previously sent. [REDACTED] described these two forms as:

(a) "DEMANDE D'AVANCE SUR DEPENSE" - Expense Request Form (APPENDIX A);

i) [REDACTED] explained that the purpose of this form was to have expenses approved;

ii) The payment was requested by Jin (King) Zhongping who was in charge of Project Development. The reason for the payment was expenses for the [REDACTED]. The accounting code PDD-PLA 050007 was on the form which [REDACTED] described as being used for per diem payments. The amount of the payment was 6,000,000 CFA [\$12,048 CAD]. He believed that the requester's signature was King Zhongping and the form was dated May 2nd, 2013.

iii) [REDACTED] believed that the payment was approved and signed by Jun Tian, Head of Project Development, who is also King Zhongping's boss;

iv) Fullang Wang, the Deputy General Manager signed the form. 

[REDACTED]

i) He explained that the purpose of this form is to provide the justification and the details of the expense;

ii) He mentioned that the year on the receipt should be 2013 instead of 2012. [REDACTED] explained that the receipt was possibly made by the Cashier using an older form;

iii) He described "Souveraineté" (sovereignty) as a government term and "Frais de Mission Forfait" (Delegation expense) as expenses for someone who could be with the [REDACTED]

iv) [REDACTED]

[REDACTED]

vi) He believed that the two signatures on the bottom of the form are Fullang Wang, the Deputy General Manager and Jun Tian, Head of Project Development;

vii) This form is in relation to the launching of the expropriation commission for the Mengo Project. Mengo is a village North of Pointe Noire in the ROC where the Project is located.

87) [REDACTED] further stated that:

(a) He did not sign to authorize the payment totaling 6,000,000 CFA [\$12,048 CAD];

(b) He spoke to Shoubing Li, Finance Director for MagMinerals Potasses Congo SA, regarding the possible illegal payment according to Canadian legislation. Shoubing Li told [REDACTED] that he worked elsewhere in Africa and that it was the way to conduct business in Africa.

[I believe that Shoubing Li expressed that payments to Foreign Public Officials are necessary to conduct business in Africa in order to develop the project.]

(c) From the discussion with Shoubing Li, [REDACTED] understood that the payment was going to be made. Shoubing Li confirmed that he would assume the responsibility for the approval for that specific payment and any future payments request if necessary;

(d) It was a significant payment, MagMinerals Potasses Congo SA kept approximately 10,000,000 CFA [\$20,080 CAD] in cash in the office, so it would have required a cash replenishment. JR

[I believe that the payment was in fact made because I read an e-mail sent on May 6th, 2013, by [REDACTED] indicating that the cashier, needed to do a cash replenishment.]

Details regarding [REDACTED] visit on May 2nd, 2013

88) I read an e-mail and an attachment sent on October 1st, 2013, from Loondeo Bekah, Assistant Controller at MagIndustries in Toronto and I learned the following:

- (a) A document signed by Longbo Chen (CEO of MagIndustries) and Geoff Woo (CFO of MagIndustries) stated that one of the milestones achieved was that the Minister of Land Affairs of the Republic of Congo put in place a Land Expropriation Commission and mandated the Commission to finish expropriation as fast as possible on the 290 hectares of land occupied by the locals;

[REDACTED]

[REDACTED]

[REDACTED]

89) I read an e-mail and an attachment sent on May 10th, 2013, from Jun Tian, Head of Project Development for MagMinerals Potasses Congo SA, to Elisabeth Bouanga, Chief of Community Services for MagMinerals Potasses Congo SA, and I learned that MagMinerals Potasses Congo SA obtained authority to occupy 290 hectares of land in port zone in Pointe Noire. [REDACTED]

[REDACTED]

JB

[REDACTED]

Authorization of payment of 6,000,000 CFA

90) In his statement, [REDACTED] explained that later in May 2013, he saw a form titled "BON DE SORTIE/ENTRÉE DE CAISSE" - dated May 2nd, 2013, (APPENDIX C). [REDACTED] consulted and initiated a copy of this form which he had previously sent by e-mail to Sergeant Denis Beaudoin. He described this form as being used to obtain money from the cashier, Fanie Tchissambou. [REDACTED] also indicated that:

(a) The requester and beneficiary is King Zhongping. [REDACTED]
[REDACTED] The budget code was 421140 which is used in the accounting in the general ledger. The standard project code PDD-PLA 050007 is related to per diem payments;

(b) On the form, [REDACTED] identified three signatures:

- i) The signature under "Visa Caisse" was Fanie Tchissambou;
- ii) The signature under "Visa Bénéficiaire" was King Zhongping;
- iii) The signature under "Visa DAF" was Shoubing Li.

(c) First, [REDACTED] was unsure about the Beneficiary Visa signature on the form as it is uncommon to have the same person who is the requester and the beneficiary. After comparing signatures with APPENDIX A and APPENDIX C, [REDACTED] believed that the Beneficiary Visa signature was King Zhongping.

[I reviewed APPENDICES A and C and Jin (King) Zhongping's signature in APPENDIX A did not appear to be identical to the Beneficiary Visa signature in APPENDIX C].

[REDACTED] seeks advice from PricewaterhouseCoopers

91) In his statement, [REDACTED] explained that:

(a) Following the request for payment dated May 2nd, 2013, he sought advice from PricewaterhouseCoopers (PWC), Financial Advisors for MagIndustries;

(b) He met with Moise Kokolo from PricewaterhouseCoopers on May 24th, 2013 to discuss the payments allowed with respect to the local and Canadian legislation to Government Officials. Moise Kokolo shared that according to Congolese regulations, payments for per diems to members of a Congolese Government Officials cannot exceed 150,000 CFA [\$301.20 CAD]. Also, Moise Kokolo provided a copy of the "Congolese Law no. 94-8" to [REDACTED] titled "Décret no 94-8 du 27 Janvier 1994 fixant le régime des indemnités de déplacement des agents de l'Etat". JR

[I accessed the PricewaterhouseCoopers website at www.pwc.co.za/en_ZA/.../republic-of-congo-draft-2013-finance-act.pdf and saw Moise Kokolo, listed under the PricewaterhouseCoopers adviser "contacts" tab with his phone number and e-mail address. On April 7th, 2014, during the analysis of seized electronic data, I became aware that Moise Kokolo is a lawyer for PricewaterhouseCoopers in the ROC. Since the information included in this paragraph was provided by [REDACTED], I believe that the solicitor-client privilege no longer applies.]

[REDACTED] sent a copy of the law he was provided by Moise Kokolo to Sergeant Denis Beaudoin which I read. I learned that the document is regarding the indemnities of travel expenses for Congolese Government Officials. The document outlines categories of Government Officials and the maximum allowed to be paid. The limit for a Minister is 150,000 CFA [\$301.20 CAD].]

- (c) After his meeting with Moise Kokolo, he told his supervisor, Shoubing Li, that he was refusing to sign any per diem payments above 150,000 CFA [\$301.20 CAD] to Government Officials. [REDACTED] stated that Shoubing Li told him that he (Shoubing Li) would authorize future payments if over the limit.

Discussion regarding the elimination of [REDACTED] prior of the arrival of the new accounting supervisor

- 92) I read an e-mail sent on June 4th, 2013, from Shoubing Li, Finance Director for MagMinerals Potasses Congo SA, to Longbo Chen, CEO of MagIndustries. The e-mail was translated from Chinese to English by a certified RCMP translator. I learned that Shoubing Li stated that MagIndustries was in the process of hiring an accounting supervisor which "must be based on cautious selection, overall assessment and careful consideration". Shoubing Li would like a keen and diligent candidate in business finance and preferably would have overseas work experience. Shoubing Li discussed the situation at length with Mr. Dong and they believed that some individuals can be eliminated prior to the arrival of the new accounting supervisor. Shoubing Li named [REDACTED] as an example of one that should be eliminated.

[I believe that [REDACTED] because of the type of financial position mentioned in this paragraph.]

[I believe that Mr. Dong is Alchun Dong, Advisor to the General Manager for MagMinerals Potasses Congo SA. Alchun Dong is known as Alice Dong.]

[I further believe that Shoubing Li's opinion to eliminate [REDACTED] was a recent decision, because I reviewed [REDACTED]'s work visa for the ROC and learned that it was renewed on May 13th, 2013 and valid until May 12th, 2016.]

[REDACTED] reports the payment anonymously to MagIndustries

- 93) In his statement, [REDACTED] explained that he had received information from the Former CFO of MagIndustries, Will Burton, on how to anonymously report illegal or unethical incidents using an anonymous function on his MagIndustries e-mail

address. Using this tool, on July 30th, 2013, [REDACTED] anonymously reported via e-mail that a payment of 5,000,000 CFA [\$10,000 CAD] was made to a Government Official on May 2nd, 2013. [REDACTED] expected that the head office of MagIndustries would conduct an investigation on the payment.

[I read an e-mail dated July 30th, 2013, from "Anonymous Anonyme" which stated in French "Un paiement de 5,000,000 XAF a été fait à un membre du gouvernement le 2 mai 2013". I believe that this e-mail was sent by [REDACTED].]

- 94) I read three e-mails dated July 30th, 2013, between Rich Morrow, Director of Investor Relations and Corporate Development, Yuan Ding, Chair of the Audit Committee for MagIndustries, and Michael Gunns, Consultant for MagIndustries in Toronto regarding the anonymous message. Morrow wrote that this message obviously raised a matter which merited further investigation and would like to discuss it the following week when they would be in Congo. Ding replied to Morrow they would talk about this issue next week in Congo. On the same date, Morrow also forwarded the information to Michael Gunns, Consultant for MagIndustries, regarding the anonymous complaint.
- 95) I read two e-mails dated July 31st, 2013, between Michael Gunns, Consultant for MagIndustries in Toronto and Geoff Woo, CFO of MagIndustries in Toronto. Gunns sent an e-mail to Geoff Woo regarding the anonymous e-mail and that this needed to be investigated. Gunns wrote to Woo asking if he remembered the presentation they attended at the Goodman law firm, as they emphasized that investigations required to be thorough and complete. On the same date, Woo replied to Gunns that he would arrive in PN on August 4th.

[I believe that the acronym "PN" is Pointe Noire.]

[REDACTED] meets Michael Gunns in the Republic of Congo

- 96) In his statement, [REDACTED] stated that Michael Gunns, Consultant for MagIndustries came to the ROC in August 2013. At first, [REDACTED] could not recall if he met Gunns in July or August 2013. After analyzing events and circumstances, [REDACTED] confirmed that his meeting with Gunns took place after his anonymous e-mail (after July 30th, 2013). [REDACTED] and Gunns met at the Atlantic Palace Hotel in the ROC. Initially, [REDACTED] and Gunns discussed the expropriation and the operations of the previous year. Then, Gunns asked [REDACTED] about any payment to Government Officials. [REDACTED] decided to tell Gunns about the payment request made on May 2nd, 2013, and that the amount was above the 150,000 CFA [\$301.20 CAD] limit as mentioned by Moïse Kokolo of PricewaterhouseCoopers. Gunns told him that he had discussed the payment previously with Kevin Stephens. Gunns also told [REDACTED] that he met with Kokolo and Shoubing Li. Finally, Gunns asked to see the documentation regarding the payment. Gunns advised [REDACTED] that he would write a report to the Board of Directors to inform them of the situation. They also spoke about the CFPOA and Gunns did not feel it was a facilitation payment. [REDACTED] confirmed that the purpose of Gunns' visit was for internal control and to inquire if any illegal payments were made.

Rich Morrow and Geoff Woo travel to the Republic of Congo

JR

97) In his statement, [REDACTED] stated that:

(a) Geoff Woo traveled to the ROC in order to attend the Board of Directors meeting. After his meeting with Michael Gunns, [REDACTED] had a meeting with Geoff Woo in the ROC which lasted about 20 to 30 minutes. During this meeting, Woo told [REDACTED] to attend MagIndustries' Toronto office for training with respect to an accounting software to be used in Toronto and in the ROC. The training coincided with the end of [REDACTED]'s vacation in Canada;

(b) Rich Morrow, Director of Development for MagIndustries in Toronto, also travelled to the ROC in August 2013.

[I believe that since Geoff Woo was in the ROC and was acting as Chief Financial Officer for MagIndustries of Toronto, he was aware of [REDACTED] reporting the payment to Gunns.]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Michael Gunns' termination by MagIndustries

101) I read an e-mail and attachment dated September 3rd, 2013, from Rich Morrow, Director of Investor Relations and Corporate Development to Nardla Smith, Human Resource for MagIndustries in Toronto. I learned that the attachment was a notice of termination of Michael Gunns and the Gunns Group from the consulting agreement with MagIndustries. The termination would be effective thirty days from September 3rd, 2013. It thanked Gunns for fulfilling the terms of his consulting mandate.

JR

Discussion about how to terminate [REDACTED] employment contract

102) I read an e-mail sent on September 4th, 2013, at 12:45 hours, from Geoff Woo, CFO of MagIndustries in Toronto, to Longbo Chen, CEO of MagIndustries, discussing [REDACTED] condition and how to terminate his employment contract. The e-mail was translated from Chinese to English by a certified RCMP translator. I learned that Geoff Woo proposed that on [REDACTED] first day at work, he would be interviewed by Shoubing Li, his immediate supervisor to enquire if he is capable of continuing to work and to make arrangement for new tasks. Shoubing Li would record/document his performance until November 18th. [REDACTED]

[I believe that Geoff Woo developed a plan to fire [REDACTED].]

103) I read an e-mail sent on September 4th, 2013, at 13:37 hours, from Shoubing Li, Finance Director for MagMinerals Potasses Congo SA to Geoff Woo regarding [REDACTED] situation. The e-mail was translated from Chinese to English by a certified RCMP translator. I learned that Shoubing Li thought that Geoff Woo's plan was difficult for him to comply with. Shoubing Li stated that [REDACTED] was ready for dismissal because he cannot do these jobs and he was not at all comfortable to let him do them. Shoubing Li stated that [REDACTED] work in financial aspect cannot be qualified for the job of Chief Accountant. Shoubing Li stated that if the company has decided to carry out the plan, he would try to make arrangement for [REDACTED] to do work which was not important and would not let him feel discriminated against.

[I believe that [REDACTED] because of his former financial title mentioned in this paragraph.]

104) I read the minutes of a special meeting held on September 5th, 2013 from 09:00 hours to 10:30 hours to address [REDACTED] coming to work in Pointe Noire and related issues. The participants were Fuliang Wang, Deputy General Manager for MagMinerals Potasses Congo SA, Aichun Dong, Advisor to the General Manager for MagMinerals Potasses Congo SA, and Shoubing Li, Finance Director for MagMinerals Potasses Congo SA. The document was translated from Chinese to English by a certified RCMP translator. I learned that a consensus had been reached and that if [REDACTED] came to work in Pointe Noire it would cause the following related issues and risks and for the time being, [REDACTED] must not be allocated to Pointe Noire:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(c) "Relationship with Michael Gunns, there is a big risk". It stated that [REDACTED] had a strong radical mindset. "In view of the previous incident of reporting, if connects with Michael Gunns who just resigned from the job. If they act together, [REDACTED] is likely to provide him a range of information he considers a problem during Pointe Noire, then the Company will suffer incalculable damage or entanglement".

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[As explained earlier in this ITO, on September 3rd, 2013, Michael Gunns received a notice of termination of his contract, but based on the information included in this paragraph, it appears that Gunns has resigned from his duties with MagIndustries.]

[REDACTED] attends training and meetings in Toronto

105) In his statement, [REDACTED] stated that:

- (a) On September 11th and 12th, 2013, he attended a two-day training session in Toronto for an accounting software provided by René Rotermundt, Accounting Supervisor. The main purpose of the training was to generate financial statements from the accounting system;
- (b) On September 11th, 2013, [REDACTED] had a meeting with Geoff Woo. They discussed [REDACTED] growth opportunities for his career and possible promotion in Toronto;
- (c) On September 12th, 2013, just before [REDACTED] return flight to the ROC, he had an unplanned meeting with Geoff Woo. Geoff Woo discussed changes in the Finance Department. He offered [REDACTED] new employment in Toronto as Senior Accountant with a decreased salary and benefits, which [REDACTED] felt was a demotion. The employment offer was detailed in a document given to [REDACTED]. [REDACTED] expressed his dissatisfaction to Geoff Woo regarding the position. [REDACTED] then traveled to the ROC.

Limited access to [REDACTED] work station

106) I read an e-mail and an attachment sent on September 13th, 2013, from Geoff Woo, CFO of MagIndustries in Toronto to Aichun Dong, Advisor to the General Manager for MagMinerals Potasses Congo SA, Fullang Wang, Deputy General Manager for MagMinerals Potasses Congo SA, Shoubing Li, Finance Director for MagMinerals Potasses Congo SA, copied to Nardla Smith, Human Resources for MagIndustries, Rich Morrow, Director of Investor Relations and Corporate Development, and Chen Longbo, CEO of MagIndustries regarding a termination letter in case [REDACTED] did not accept their offer. Geoff Woo stated they had

suspended his access to his e-mail and accounting system and he should be allowed supervised access to his work station only to clear out personal effects. Also, he should only be permitted in to the MagMinerals Potasses Congo SA office to receive/sign the final offer or the termination letter.

returns to the Republic of Congo

- 107) In his statement, [REDACTED] stated that when he returned to the ROC, he attended MagMinerals Potasses Congo SA's office and was not given access to his company computer and e-mail address. Fullang Wang, Deputy General Manager went to see [REDACTED] and told him to consult his personal e-mail address account, as MagIndustries had sent him a revised employment offer. When he checked his personal e-mail account, he read a second employment offer with a \$5,000 CAD increase in pay from the first offer. [REDACTED] explained that it was still \$20,000 CAD less than his Chief Accountant position in the ROC. As a result, [REDACTED] replied to Geoff Woo that he is declining the offer, because it was for a lower position and salary.
- 108) I read a memo dated September 16th, 2013, addressed to Fullang Wang, Alchun Dong and Shoubing Li and signed by Longbo Chen and Geoff Woo. The memo was from Nardia Smith, Human Resources Specialist for MagIndustries in Toronto. I learned that it was to inform them of the restructuring of the finance department. It stated that Shoubing Li had been there for six months and he managed the department well enough to eliminate the [REDACTED] position.
- 109) I read an e-mail and two attachments sent on September 18th, 2013, from [REDACTED] to Geoff Woo, copied to Nardia Smith. [REDACTED] stated that:
- (a) MAG's Senior Management and the Board of Directors of MagIndustries were aware of Shoubing Li, MagMinerals Potasses Congo SA's Finance Director, breaking Congolese and Canadian Law by signing off and approving an illegal cash payment of 5,000,000 XAF [\$10,040 CAD] to a Government Official on May 2nd, 2013;
 - (b) He wondered why the company was not eliminating Shoubing Li's position, since he was unqualified and had broken Canadian and Congolese law;
- [According to the statement of [REDACTED] he said he never witnessed the payment being made and he also said that his former supervisor Shoubing Li is not a qualified accountant.]**
- [The attachments were the documents from the 6,000,000 CFA [\$12,048 CAD] payments on May 2nd, 2013 (APPENDICES A, B and C).]**

Kevin Stephens discusses how to organize an amicable situation with [REDACTED]

- 110) I read an e-mail dated September 22nd, 2013, from Kevin Stephens, Risk Manager for MagMinerals Potasses Congo SA to Longbo Chen, CEO of MagIndustries on how to organize an amicable situation with [REDACTED]. I learned that:
- (a) Kevin Stephens believed that the company handled the situation badly by removing [REDACTED] e-mail service, physically denying him access to his

office [REDACTED]
[REDACTED]

- (b) Stephens stated that [REDACTED], as [REDACTED] for the past two years, had been privy to some sensitive and confidential company information such as per diem payments made to certain members of the Congolese Government, tax, other fiscal issues and financial reporting/disclosure issues;
- (c) Stephens emphasized that they needed to avoid any possibility that [REDACTED] might release anything of a sensitive nature to the Congolese Government or worse, the Canadian Government.

Termination of [REDACTED] contract

- 111) In his statement, [REDACTED] indicated that he attended a Labor Department hearing in the ROC regarding the abolition of his position. He told the Labor Department Board that he felt his position was abolished because he reported an illegal payment made by MagIndustries to a [REDACTED]. He received notification that his position was abolished on October 25th, 2013. I read the release signed by [REDACTED] which was attached to an e-mail sent on November 14th, 2013, from Parle Didjang to Nardia Smith, Human Resources Specialist for MagIndustries in Toronto. The attachment was a letter signed by [REDACTED] that his contract with MagMinerals Potasses Congo SA was terminated as of October 25th, 2013. I also read the release of [REDACTED] termination of employment from MagIndustries signed by [REDACTED] which was attached to an email sent on November 20th, 2013, from [REDACTED] to Nardia Smith. I read an e-mail sent on November 20th, 2013, from Longbo Chen to Nardia Smith, Geoff Woo, CFO of MagIndustries in Toronto and Rich Morrow, Director of Investor Relations and Corporate Development for MagIndustries in Toronto which stated that they still needed to pay attention to his ([REDACTED]) further actions.

PART 2: EUCALYPTUS FIBRE CONGO - THE BLACK MONEY PAYMENTS, PARAGRAPHS 112 to 142

- 112) As stated in the overview of this ITO, while reviewing documents seized at Radiant Communications, investigators became aware of payments made by Eucalyptus Fibre Congo, another subsidiary of MagIndustries. Having reasonable grounds to believe these payments were bribes to Foreign Public Officials, I obtained a search warrant to search the data seized at Radiant Communications for additional information regarding these payments.
- 113) On July 23rd, 2014, I swore an ITO before Beverly Souliere, a Justice of the Peace in the Province of Ontario and a search warrant was authorized pursuant to section 487, an assistance order pursuant to 487.02 and a sealing order pursuant to section 487.3 of the *Criminal Code*. A copy of this warrant is attached to this ITO as APPENDIX D. I obtained a search warrant to search for:
- (a) Any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments, belonging to MagIndustries, related to "black money" payments made by Eucalyptus Fibre Congo;

- (b) Any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments belonging to MagIndustries, related to Ernst & Young;
- (c) BUT NOT INCLUDING any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments belonging to MagIndustries, that has been previously or will be identified as potentially privileged.

Michael Gunns' observations after his visit to the Republic of Congo In December 2012

114) I read an e-mail and attachment sent on December 12th, 2012, from Michael Gunns, Consultant for MagIndustries in Toronto to Will Burton, Former CFO for MagIndustries in Toronto, describing Michael Gunns' observations during his visit to the ROC in December 2012. I learned that Michael Gunns wrote "*I was concerned in my initial discussions (before you arrived) with Feng, Albert and Hank. They seemed so overwhelmed by day-to-day issues that I thought they wouldn't be that interested. However, I felt we reached a lot of consensus and resonance with some practical pain they are feeling - where they either don't know what to do, or feel they are being manipulated by their own people (e.g. per dilems to officials, EFC local troika). Feng's comment during the first discussion I had with them was: 'we have to fix conduct issues, or we'll hit a brick wall' "*

[I believe Feng is Huang Feng, CEO of Eucalyptus Fibre Congo and that Hank is Cheng Han Yeh, Deputy General Manager of Eucalyptus Fibre Congo.]

[I believe that "per dilems to officials" are payments to Government Officials and that Senior Officers of Eucalyptus Fibre Congo discussed these payments with Michael Gunns during his visit. I also believe that the Toronto office of MagIndustries was aware of the existence of such payments as this e-mail was sent on December 12th, 2012. At that time, Will Burton, Former CFO, was based at the Toronto office of MagIndustries.]

Ernst & Young 2012 audit – issues of unsupported documents

115) I read an e-mail and attachment sent on March 15th, 2013, from michel.bakala@cg.ey.com, Manager Assurance, Ernst & Young (EY) Congo Brazzaville, to yong.cao@magindustries.com, Finance Director of Eucalyptus Fibre Congo, and copied to victor.ketevi@cg.ey.com, Audit Manager at EY in Congo. The attachment is an updated version of "Key Accounting and auditing issues" by EY and I learned that EY discovered payments that were not properly supported. Below is a reproduced table from the attachment of five payments not properly supported: *LD*

Number	Date	Journal	N°Pièce	Description	Amount	Comments
1	30/11/2012	CAI	3275	FRS DIVERS	30 000 000	No supporting

Number	Date	Journal	N°Pièce	Description	Amount	Comments
				DG (pénalité)		document We are not able to appreciate if the payment has been made for a normal course of the company business
2	18/07/2012	CAI	2106	TRANSPORT TERRE JAUNE	7 000 000	No supporting document We are not able to appreciate if the payment has been made for a normal course of the company business
3	26/12/2012	CAI	3460	FRS DIVERS HE WENLAN	5 000 000	No supporting document We are not able to appreciate if the payment has been made for a normal course of the company business
4	24/07/2012	CAI	2152	TRANSPORT TERRE JAUNE	3 000 000	No supporting document We are not able to appreciate if the payment has been made for a normal course of the company business
5	04/07/2012	CAI	1968	EVALUATø SVT Nø 001260 IMBOUNOU	2 000 000	No supporting document We are not able to appreciate if the payment has been made for a normal course of the company business
					47 000 600	

[I believe that the amounts mentioned above are in CFA Franc currency.]

[I believe that an error occurred and the total amount should read 47,000,000 [\$94,000 CAD].]

Loondeo Bekah seeks help from Yong Cao to reconcile payments

116) I read an e-mail dated March 19th, 2013, at 09:15 hours from Loondeo Bekah, Assistant Controller in Toronto, to Yong Cao, Finance Director of Eucalyptus Fibre Congo copied to Feng Huang, Chief Executive Officer of Eucalyptus Fibre Congo, Geoff Woo, Financial Controller for MagIndustries in Toronto and Will Burton, Former CFO of MagIndustries in Toronto regarding the Eucalyptus Fibre Congo audit issues. I learned that Loondeo Bekah requested Yong Cao's help to reconcile five amounts on the "key accounting and auditing issues". Loondeo

Bekah wrote that the back-ups that Carl provided had different amounts and there were only three.

[I believe the five payments that Loondeo Bekah was trying to reconcile are the same payments described in the table of the previous paragraph.]

- 117) I read an e-mail dated March 19th, 2013, at 09:42 hours from Loondeo Bekah to Yong Cao, copied to Will Burton and Feng Huang concerning the Eucalyptus Fibre Congo audit issues. I learned that Loondeo Bekah requested Yong Cao's phone number as the matter was very urgent and needed to sort it out. I read the reply on the same date at 12:20 hours by Yong Cao to Loondeo Bekah and I learned that Yong Cao provided his telephone number.

Will Burton requests an update regarding the five unsupported payments

- 118) I read an e-mail sent on March 19th, 2013 from William Burton, Former CFO of MagIndustries based in Toronto, to Frank Phan, Manager, Assurance Services at EY in Toronto. I learned that Will Burton sought an update concerning where EY stood with the audit. He wrote that regarding the "infamous 5 unsupported payments" at Eucalyptus Fibre Congo, "we have gotten the support from our people, but they have to reconcile it and give it to the Congo auditors". Will Burton stated that one of the payments for 30 million CFA [\$60,000 CAD] related to an under the table payment to the tax authorities.

Yong Cao describes the five (money) payments

- 119) I read an e-mail dated March 20th, 2013, from Yong Cao, Finance Director of Eucalyptus Fibre Congo, to Loondeo Bekah, Assistant Controller for MagIndustries in Toronto and victor.ketevi@cg.ey.com, Audit Manager at EY in Congo copied to Feng Huang, CEO of Eucalyptus Fibre Congo. Yong Cao described what he referred to as the bank payments without supporting documents as follows:

- (a) 30,000,000 Fcfa [\$60,000 CAD] ("black money", no supporting documents) + 35,727,324 Fcfa [\$71,454.65 CAD] ("white money", supporting documents attached);
- (b) 7,000,000 [\$14,000 CAD] Fcfa ("black money", no supporting documents) +13,052,700 Fcfa [\$26,105.40 CAD] ("white money", supporting documents attached);
- (c) 5,000,000 Fcfa [\$10,000 CAD] ("black money", no supporting documents) +2,506,559 Fcfa [\$5,013.12 CAD] ("white money", supporting documents attached);
- (d) 3,000,000 Fcfa [\$6,000 CAD] ("black money", no supporting documents) + 0 Fcfa ("white money", supporting documents attached);
- (e) 2,000,000 Fcfa [\$4,000 CAD] ("white money", for land rental, attached).

[I believe that the five payments described in this paragraph are the same as those mentioned in the table of paragraph 115.]



Victor Ketevi mentions black money payments

120) I read an e-mail dated March 20th, 2013, from Victor Ketevi, Audit Manager at EY in Congo to Yong Cao, Finance Director of Eucalyptus Fibre Congo copied to Feng Huang, CEO of Eucalyptus Fibre Congo, Loondeo Bekah, Assistant Controller for MagIndustries in Toronto, Will Burton, Former CFO of MagIndustries in Toronto, Geoff Woo and Ashraf.Zineldin@ca.ey.com, Partner in Assurance Services at EY in Toronto regarding the "black money" payments. I learned that Victor Ketevi wrote to Yong that the "black" money could not be considered as "made for business purpose". Victor Ketevi stated that they had to expense around "XAF 35 million" [\$70,000 CAD]. Also, the "black money" paid would be included in their representation letter.

[As it will be described later in this ITO, a representation letter is usually obtained by the auditor at the end of the audit. On July 10th, 2014, I spoke to Patricia Odlerna, Senior Forensic Accountant, and I learned that it is a common practice for the auditors to prepare the format of the letter and to send it to the client, but the content of the letter remains the management's responsibility.]

[Patricia Odlerna is a Chartered Professional Accountant, Chartered Accountant (CPA, CA), Chartered Business Valuator (CBV) with a Certified in Financial Forensics (CFF) credential from the American Institute of CPAs working with Public Works Government Services Canada (PWGC).]

Victor Ketevi seeks signature on the Letter of Representation for Eucalyptus Fibre Congo

121) I read an e-mail and attachment sent on March 22nd, 2013, from Victor Ketevi, Audit Manager at EY in Congo to Loondeo Bekah, Assistant Controller for MagIndustries in Toronto copied to Yong Cao, Finance Director of Eucalyptus Fibre Congo and Feng Huang, CEO of Eucalyptus Fibre Congo. I learned that Victor Ketevi advised that the audit procedures for fiscal year 2012 were completed. Victor Ketevi requested that the representation letter attached to his e-mail be signed by Eucalyptus Fibre Congo management and returned to him.

Letter of Representation signed by Feng Huang and Will Burton

122) I read an attachment sent from Michael Gunns, Consultant for MagIndustries in Toronto to himself, copied to Rich Morrow, Director of Investor Relations and Corporate Development which is a Letter of Representation signed by Feng Huang (Eucalyptus Fibre Congo CEO) and Will Burton (MagIndustries CFO) dated March 21st, 2013.

(a) I read an appendix to the Letter of Representation in relation to the reporting financial statements as of December 31st, 2012, and I learned that a list of transactions without supporting transactions was enumerated. Below is a reproduced table from the attachment of the five transactions listed as "payments not properly supported":

JB

[In March 2013, as per the Letter of Representation, eight payments were first identified as unsupported. Later, it was determined that three cash payments were later supported with proper documentation.]

Number	Date	Journal	N°Pièce	Description	Amount	Comments
1	30/11/2012	CAI	3275	FRS DIVERS DG (pénalité)	30 000 000	This black money for tax audit notification
2	18/07/2012	CAI	2106	TRANSPORT TERRE JAUNE	7 000 000	This black money for personal income tax notification
3	26/12/2012	CAI	3460	FRS DIVERS HE WENLAN	5 000 000	This black money for social insurance notification
4	24/07/2012	CAI	2152	TRANSPORT TERRE JAUNE	3 000 000	This black money for consumption, competition and fraud services
5	04/07/2012	CAI	1968	EVALUATØ SVT Nø 001260 IMBOUNOU	2 000 000	
					47 000 600	

[I believe that the amounts mentioned above are in CFA Franc currency.]

[I believe that an error occurred and the total amount should read 47,000,000 [\$94,000 CAD].]

Resignation of William C. Burton – Director of Eucalyptus Fibre Congo

123) I read a Director's resignation letter with immediate effect dated March 22nd, 2013, from William C. Burton to Eucalyptus Fibre Congo. This letter was executed and delivered as a deed in the presence of the witness and signed by Michael Gunns, Chartered Accountant (FCA).



124) I read an e-mail and attachment sent on March 24th, 2013, from Ashraf Zineldin, Canadian partner of EY in Toronto to Will Burton. The attachment was an audit report from EY presenting the results of its audit of the 2012 consolidated financial statements of MagIndustries. I learned the following from the audit report:

- (a) MagIndustries had significant deficiencies in internal control over financial reporting in the ROC. It was noted that some of the reporting operations were not operating as designed; specifically, in relation to the supporting documentation for entry payments. It also stated that the amounts involved were not material and that it could result in fraudulent acts. It also mentioned that the overriding of controls in the ROC operations represented a significant deficiency and required corrective actions to be taken by the management;
- (b) There is a table titled "Summary of audit differences" which described the differences between the amounts recorded by Eucalyptus Fibre Congo and the amounts EY believed should be recorded or reported. The table is divided into two sections. The first one is referred to as corrected misstatements and the second one as uncorrected misstatements made by Eucalyptus Fibre Congo.

[I accessed the CPA Canada Handbook – Assurance, glossary of terms website at <http://www.knotia.ca/knowledge/Home.aspx?productId=126> and I learned that the term misstatement is *"a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud".*]


[On July 7th, 2014, I discussed the term fraud with Patricia Odierna, Senior Forensic Accountant and she provided a definition of fraud from the CPA Canada Handbook – Assurance, glossary of terms. I learned that the term fraud is *"an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage".*]

[I believe that the company did not correct all misstatements found by auditors.]

- (c) In the appendix of the report, it was mentioned that EY was not aware of any fraud or illegal acts involving senior management or fraud or illegal acts that caused a material misstatement of the financial statements.

[On October 24th, 2014, I spoke to Patricia Odierna, Senior Forensic Accountant, and I learned that when auditors discover misstatements, they may evaluate the value of the misstatement and their impact on the financial statement, based on their professional judgment.]

Conference call – Review of the audit findings

125) I read an e-mail and attachment sent on March 26th, 2013, of the minutes of a conference call that took place on the same day at 10:00 hours between Yuan 

Ding as Chairman of MagIndustries' Audit Committee, Ashraf Zineidin as E&Y Audit Partner and Rich Morrow as Secretary of the meeting. I learned that Yuan Ding had received the package and reviewed all documents that had been sent out. Ashraf Zineidin noted E&Y's general satisfaction with Mag's financial accounting systems and internal controls but noted audit findings in the MagMinerals Potasses Congo SA office in Pointe Noire, which required further management attention. Auditors detected payments to employees without supporting documents. These payments were advanced to employees and were included in other receivables. Yuan Ding would share the information to the Board and request a plan from the Management to rectify these issues.

[I believe that the acronym "AC" is Audit Committee, since Ashraf Zineidin is referring to the Audit Committee Package.]

[I further believe that Ashraf Zineidin meant Eucalyptus Fibre Congo office and not MagMinerals Potasses Congo SA. Michael Gunns later clarified this in an e-mail dated May 9th, 2013.]

[I believe that when individuals use E&Y in an e-mail included in this ITO, they are referring to Ernst & Young.]

Michael Gunns' concern with the code of conduct

126) I read an e-mail dated March 28th, 2013, from Michael Gunns, Consultant for MagIndustries in Toronto to Rich Morrow, Director of Investor Relations and Corporate Development and I learned that he listed several items to discuss with Rich Morrow before Rich Morrow meets with Mr. Chen. Gunns emphasized the code of conduct. The code of conduct was a significant focus for the trip that he (Michael Gunns) made with Will to the ROC in December 2012. Michael Gunns mentioned the implementation of the whistle-blower program was a "long suit" and it was decided that he would start preparing suitable local codes when the year-end financials had been completed. Gunns would also prepare examples to guide tricky decisions. Since it was a deep concern for the leaders of Eucalyptus Fibre Congo and MagMinerals Potasses Congo SA, Will was to craft examples around the use of facilitation payments.

[I believe that Mr. Chen is Longbo Chen, CEO of MagIndustries.]

[Facilitation payment is a term used in the CFPOA to describe legal payments under the Act. I believe that Eucalyptus Fibre Congo and MagMinerals Potasses Congo SA were facing issues regarding payment to Government Officials as detailed in paragraph 114 and that the former CFO of MagIndustries, Will Burton was to prepare examples around facilitation payments to guide management of MagIndustries subsidiaries in the ROC.]

[I believe that Will is Will Burton, because Michael Gunns and Will Burton travelled to the ROC in December 2012. Refer to the paragraph 114 in this ITO.]

JB

Michael Gunns requests Geoff Woo to review items with Yong Cao, Financial Director of Eucalyptus Fibre Congo

- 127) I read an e-mail dated April 18th, 2013, from Michael Gunns, Consultant for MagIndustries in Toronto to Geoff Woo, CFO of MagIndustries, copied to Rich Morrow, Director of Investor Relations and Corporate Development in Toronto regarding the Eucalyptus Fibre Congo payments. I learned that Gunns wrote that the way the items raised by the Toronto EY partner with the Chair of the Audit Committee were not described correctly as they were first described as relating to MagMinerals Potasses Congo SA and the explanation was something like "payments were advanced to employees and were included in other receivables". Gunns discussed these matters in general terms with the Chair of the Audit Committee who wanted a full description for distribution to the Board and for subsequent discussion between the Board and Management. Gunns asked Geoff Woo to discuss the items with Cao and to contact him by e-mail after, in order to have another telephone discussion. Gunns stated that it may turn out that there was nothing to be concerned about regarding the nature of the payments.

Geoff Woo confirms to Michael Gunns that they were Eucalyptus Fibre Congo black money payments

- 128) I read an e-mail dated April 25th, 2013, from Geoff Woo, CFO of MagIndustries in Toronto, to Michael Gunns, Consultant for MagIndustries in Toronto. I learned that Woo had a meeting that day with Feng Huang, CEO of Eucalyptus Fibre Congo and Yong Cao, Financial Director of Eucalyptus Fibre Congo. Woo stated that Eucalyptus Fibre Congo had "its shortcomings in personal income tax in accordance with Congo tax regulations". Eucalyptus Fibre Congo "paid the black money in exchange for cost-efficiency". Geoff Woo also mentioned that a detailed report was being drafted by Eucalyptus Fibre Congo which would be sent to Gunns.

Eucalyptus Fibre Congo black money report

- 129) I read four e-mails between Michael Gunns, Consultant for MagIndustries, and Geoff Woo, CFO of MagIndustries in Toronto, as well as an e-mail from Gunns to Yue Ma, Corporate Development Associate for MagIndustries in Toronto. The e-mails are summarized as follows. On April 25th, 2013, Gunns asked if the initial draft report could only be sent to him. Geoff Woo replied that that he would send the report to Mr. Chen and to Gunns after his review. Woo said that he did not want to send it directly to Dr. Ding as Gunns might be the most appropriate person to facilitate. On May 7th, 2013, Gunns wondered if there was any more news with respect to the report. Woo replied that he just got it in the morning. Woo wanted to modify the English version for him (Gunns), but due to the urgency, he sent the report to Gunns and he (Gunns) may ask for Yue's assistance if the English translation was unclear. On the same date, Gunns sent an e-mail to Yue Ma, Corporate Development Associate for MagIndustries in Toronto. Gunns requested her assistance to translate the Chinese spreadsheet.

and to return it to him. Gunns stated that it was important that the translation was fairly accurate and complete.

[I believe that Michael Gunns referred to the draft report discussed in this paragraph about the "black money" payments.]

[I believe that Dr. Ding is Yuan Ding and Mr. Chen is Longbo Chen, both members of the Board of Directors of MagIndustries.]

130) I read an e-mail and attachment titled "EFC tax issue 20130506 (CH+EN).xlsx"; (APPENDIX E) sent on May 8th, 2013, from Yue Ma, MagIndustries based in Toronto, to Michael Gunns, which summarized as follows:

(a) For the year 2012, the total amount that should have been imposed to Eucalyptus Fibre Congo for the taxable staff benefit items was 63,967,318 CFA [\$127,934.64 CAD]. In reality, a total amount of 17 million CFA [\$34,000 CAD] was paid; 6 million [\$12,000 CAD] was paid under the table and 11 million [\$22,000 CAD] was paid above board, resulting in savings of 46 million CFA [\$92,000 CAD];

(b) It described the ways to wash "black money" as follows:

(i) Finance Department should have two sets of books, one for government inspection and one for internal use. Main finance and HR positions must be occupied by Chinese employees;

(ii) Have a third party pay the under the table amount. The third party then bills a consulting fee to Eucalyptus Fibre Congo;

(iii) Evergreen sets up a consulting company in Ponit-Noire to proceed with such transactions.

[I believe that "Ponit-Noire" is a typographical error and should read Pointe Noire.]

[I believe that payments above board are payments to the government and "under the table" or "black money" payments are made to Congolese Government Officials. I also believe that since taxes are normally handled by a country, only Public Officials would have the authority to settle an amount owed to the government.]

[I believe that by having Evergreen create a consulting company in Pointe Noire to pay the "black money", MagIndustries officials were trying to distance themselves and the company from these payments.]

Yong Cao comments on the 6 Million CFA black money payment

131) I read an e-mail dated May 9th, 2013, from Yong Cao, Finance Director of Eucalyptus Fibre Congo, to Geoff Woo, CFO of MagIndustries in Toronto, and Feng Huang, CEO of Eucalyptus Fibre Congo, copied to Chen Longbo, CEO of MagIndustries, Michael Gunns, Consultant for MagIndustries in Toronto, and Rich Morrow, Director of Investor Relations and Corporate Development for MagIndustries in Toronto, regarding the Eucalyptus Fibre Congo report. Yong Cao mentioned that the attached with the yellow marks signified the "black money" that was paid in the year 2012 but the taxable period belonged to the years from 2008 to 2011. Yong Cao stated that his report submitted on Tuesday

of that week belonged to the year 2012, but it was actually paid in the year 2013, in the 1st quarter total with the 6M CFA [\$12,000 CAD] "black money" and 11M CFA [\$22,000 CAD] "white money".

[I believe that the report referred to by Yong Cao is the report titled "EFC tax issue 20130506 (CH+EN).xlsx" explained in the previous paragraph. I further believe that the 6M CFA [\$12,000 CAD] payment paid in the 1st QTR of the year 2013 was not identified during the EY 2012 audit.]

Michael Gunns' follow-up on Yong Cao's report

132) I read an e-mail dated May 9th, 2013, from Michael Gunns, Consultant for MagIndustries to Yong Cao, Finance Director of Eucalyptus Fibre Congo, copied to Chen Longbo, CEO of MagIndustries, Rich Morrow, Director of Investor Relations and Corporate Development, Geoff Woo, CFO of MagIndustries and Feng Huang, CEO of Eucalyptus Fibre Congo concerning the Eucalyptus Fibre Congo report, which is summarized as follows:

(a) Michael Gunns wrote that Yong Cao's report addressed FCFA 6 million [\$12,000 CAD] out of at least FCFA 47 million [\$94,000 CAD] described in the E&Y letter and that it did not relate to any specific items listed by E&Y;

(b) In light of the wording "black money" in the letter, Michael Gunns and Rich Morrow decided to advise Dr. Ding about the nature of the transactions and how they were described by E&Y Congo;

(c) Michael Gunns mentioned that Dr. Ding understands that business practices in the Congo differ from those in other parts of the world with the ROC ranking very low on the World Transparency Index. As a Canadian public company, MAG is under regulatory scrutiny and this matter of settling claims may be typical locally but its continuation was putting MAG at a very serious risk;

[I believe the World Transparency Index is a corruption index calculated by transparency international.]

(d) Dr. Ding asked that a full description of the payments and the circumstances be sent to him for discussion with the Board. Dr. Ding made it clear that this document should speak plainly to the matters, so that the Board may make informed decisions;

(e) Michael Gunns visited Eucalyptus Fibre Congo in December 2012 and said that Feng Huang was distressed over these business practices. Michael Gunns was also aware that these matters occurred before Yong Cao joined Eucalyptus Fibre Congo;

[Also, as described in paragraph 114 (where Michael Gunns and Will Burton went to the ROC), I believe that Feng Huang was distressed over business practice such as per diems to Government Officials.]

(f) Michael Gunns wrote they were left with no choice but to fully explain all the items listed by E&Y.



133) I read an e-mail dated May 9th, 2013, from Michael Gunns to Rich Morrow. I learned that:

(a) Michael Gunns requested permission from Rich Morrow to send Dr. Ding the e-mail he just sent to Cao Yong (Carl). Michael Gunns mentioned that due to Carl copying in Chen and Becky, this issue was getting a much higher profile;

(b) Michael Gunns also mentioned writing a "white paper" to explain why corruption and safety are in the top of the minds of Canadians. Later, Gunns referred to SNC-Lavalin and the corrupt payments.

[I believe that Michael Gunns was referring to the e-mail mentioned in the previous paragraph because both e-mails were sent on the same day.]

134) I read an e-mail dated May 10th, 2013, from Yong Cao to Michael Gunns, copied to Chen Longbo, Rich Morrow, Geoff Woo and Feng Huang. Yong Cao clarified that the FCFA 6 million [\$12,000 CAD] was paid in a different taxable period. The letter by E&Y listed the period belongs before the year 2012. It should have been paid before the year 2012 for the taxable items as per the local tax rule, except for one "black money" payment of 3M CFA [\$6,000 CAD] paid to the "commerce administration department".

135) I read an e-mail dated May 10th, 2013, from Michael Gunns to Yong Cao, copied to Chen Longbo, Rich Morrow, Director of Investor Relations and Corporate Development in Toronto, Geoff Woo, CFO of MagIndustries in Toronto and Feng Huang. Gunns asked about the item totaling 45 million FCFA [\$90,000 CAD], pertaining to the "black money" route. Gunns asked Yong Cao if he had any estimate of the full amounts if it had not gone into the "black money" route.

Michael Gunns informs Yuan Ding about the questionable payments made by Eucalyptus Fibre Congo in 2012

136) I read an e-mail and attachment sent on May 10th, 2013, from Michael Gunns, Consultant for MagIndustries to Yuan Ding, Chair of the Audit Committee for MagIndustries, copied to Rich Morrow, Director of Investor Relations and Corporate Development regarding the Eucalyptus unsupported payments made in 2012. I learned that:

(a) Their enquiries continued concerning the questionable payments made by Eucalyptus Fibre Congo in 2012. Michael Gunns wrote that Rich Morrow would be meeting with Simon and his intentions were to raise the whole issue;

[I believe that Simon is Xiaolei (Simon) Llang, Chairman of the Board of Directors for MagIndustries.]

(b) Michael Gunns wrote that another payment was made in 2013 concerning a tax audit of payroll deductions of FCFA 63,967,318 [\$127,934.64 CAD]. He stated that "through under table deal, we finally paid total 17 million FCFA (black money 6 million FCFA and white money 11 million FCFA), total cost saving 46 million FCFA".

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Yong Cao describes black money payments and benefit for the company

137) I read an e-mail dated May 11th, 2013, from Yong Cao, Finance Director of Eucalyptus Fibre Congo to Michael Gunns, Consultant for MagIndustries in Toronto, copied to Chen Longbo, CEO of MagIndustries, Rich Morrow, Director of Investor Relations and Corporate Development in Toronto, Geoff Woo, CFO of MagIndustries in Toronto, and Feng Huang, CEO of Eucalyptus Fibre Congo to clarify Gunns' questions about the "black money" payments. Yong Cao revealed that apart from the items using "black money" solution, no other payment occurred in 2012 except for payments made to police for vehicle and traffic problems but not big amounts and it was popular locally. Yong Cao clarified the total of the 45M CFA [\$90,000 CAD] "black money" as follows:

(a) For the tax inspection of year 2008-2010, Eucalyptus Fibre Congo paid 30M CFA [\$60,000 CAD] of "black money" and approximately 36M CFA [\$72,000 CAD] to government. Eucalyptus Fibre Congo should have paid an amount of 148M CFA [\$296,000 CAD];

(b) For the tax inspection of year 2011, Eucalyptus Fibre Congo paid 7M CFA [\$14,000 CAD] of "black money" and 13M CFA [\$26,000 CAD] to government. Eucalyptus Fibre Congo should have paid an amount around 180M CFA [\$360,000 CAD];

(c) For the social secure inspection of year 2011, Eucalyptus Fibre Congo paid 5M CFA [\$10,000 CAD] of "black money" and 2.5M CFA [\$5,000 CAD] to government. Eucalyptus Fibre Congo should have paid an amount around 50M CFA [100,000 CAD];

(d) For the inspection from commerce administration bureau for business documents integrity checking, Eucalyptus Fibre Congo paid 3M CFA [\$6,000 CAD] of "black money". Eucalyptus Fibre Congo should have paid an amount around 30M CFA [60,000 CAD].

[I believe based on the amounts and the sequence of the e-mails described in this ITO that the above payments are four of the payments identified in the EY audit report and that "white money" payments as referred previously in this ITO are payments made legitimately to the government.]

Michael Gunns seeks an update on the Eucalyptus Fibre Congo black money payments

138) I read an e-mail dated August 8th, 2013, from Michael Gunns, Consultant for MagIndustries to Yong Cao, Finance Director of Eucalyptus Fibre Congo, copied to Feng Huang, CEO of Eucalyptus Fibre Congo, Chen Longbo, CEO of MagIndustries, and Geoff Woo, CFO of MagIndustries in Toronto, requesting an urgent update regarding the Eucalyptus Fibre Congo "black money" payments. Michael Gunns wrote that the Board of Directors and the Audit Committee would be meeting on Saturday in PNR. The Chair of the Audit Committee would likely ask for an update on the type of payments mentioned above and asked if any other black payments were made since. Michael Gunns mentioned that Yong

Cao told him about one payment in the report for the year 2013 for an amount of 6M CFA [\$12,000 CAD] of "black money" and 11M CFA [\$22,000 CAD] of "white money" even though the period belonged to the year 2012.

[I believe that the 6 million CFA [\$12,000 CAD] "black money" payment for the year 2013 is the same as the one described in this ITO by Yong Cao on May 9th, 2013.]

[I accessed the airline and airport code search website at www.iata.org/publications/Pages/code-search.aspx and I learned that the acronym "PNR" signifies Pointe Noire. PNR is the three letter city code /airport code for Pointe Noire airport.]

MagIndustries 2013 Audit Plan

139) I read an e-mail and attachment sent on November 7th, 2013, which contained MagIndustries' Corporate 2013 Audit Plan with a letter dated November 12th, 2013, by Ashraf Zineidin, Canadian Partner at EY in Toronto. I learned that EY conducted a full scope audit on the following locations for the year 2012 and 2013:

- (a) MagIndustries Corporate in Canada;
- (b) MagMinerals Potasses in Congo;
- (c) Eucalyptus Fibre Congo in Congo.

[As will be described later in this ITO, a full scope audit requires that the auditor select a larger sample for its audit testing, which means a higher percentage of the amount and disclosure to verify.]

Forensic Accounting Management Group – Patricia Odierna

140) On June 20th, 2014, I met with Patricia Odierna, Senior Forensic Accountant, to discuss this investigation, how an audit is usually conducted, and to obtain an explanation of certain documents prepared by/for EY. I learned that:

- (a) MagIndustries is a publicly traded company and it is required to produce annually audited financial statements. Usually, during the audit, the auditor will not obtain audit evidence for every amount in disclosure; typically, a sample is selected by the auditor based on its assessment of risk and its determination of materiality. Usually, a full scope audit entails that the auditor select a larger sample for its audit testing, meaning a higher percentage of the amount and disclosure to verify;
- (b) If during the audit, the auditor (EY) finds a misstatement, it will usually be reported in the summary of misstatements. If such a misstatement is determined to be material by the auditor, the company will be asked to correct it. When misstatements are found, the auditor may also decide to increase the sample selection for the audit testing.

Compilation of the black money payments and the financial advantage for Eucalyptus Fibre Congo

141) I read a report dated June 30th, 2014, prepared by Patricia Odierna. Based on the evidence gathered in this investigation and provided to her, Patricia Odierna prepared a report regarding the financial advantage for Eucalyptus Fibre Congo as a result of the "black money" payments made, presumably to Congolese public officials. Below is a table copied from her report.

Project Alose (project 2013-1304028)

Schedule 1.2

Summary of references to the alleged "black money" and "white money" and total financial advantage to EFC (calculated)						
Source document: "Follow up on EFC payments-urgent.pdf" (Note 1)						
"Black money" or amount paid "under-the-table"	Amounts paid		Reference to amounts that should have been paid	Total financial advantage to EFC (calculated) (Note 3)		"Black money" or amount paid "under-the-table"
	CFA Franc	CFA Franc		CFA Franc	CAD \$ (Note 2)	
30,000,000	35,000,000	65,000,000	140,000,000	82,000,000	184,000	80,000
7,000,000	13,000,000	20,000,000	190,000,000	160,000,000	320,000	14,000
5,000,000	2,500,000	7,500,000	50,000,000	42,500,000	85,000	10,000
3,000,000		3,000,000	30,000,000	27,000,000	54,000	6,000
4,000,000	11,000,000	17,000,000	N/A	N/A	N/A	12,000
51,000,000	63,500,000	115,500,000	490,000,000	315,500,000	673,000	122,000

Notes:
 1. Exchange of emails between representatives of Maghribi and EFC. Refer to Appendix B for source document.
 2. Converted by FAAG at the December 31, 2012 closing exchange rate. The December 31, 2012 closing exchange rate was 500 CFA Franc = 1 CAD \$ (source: Bank of Congo).
 3. Difference between the amounts that should have been paid (deducted from de source documents) by EFC to the government and the amounts actually paid.

[I believe that 51 million CFA [\$102,000,000 CAD] is the combination of the four "black money" payments included in the Letter of Representation totaling 45 million CFA plus the "black money" payment of 6 million CFA [\$12,000 CAD] identified in an e-mail by Yong Cao.]

[I spoke to Patricia Odierna, and I learned that she did not mention the financial advantage for the 6 million CFA [\$12,000 CAD] payment above in Schedule 1.2 as it was not included in the e-mail titled "Follow up on EFC payments-urgent.pdf". The advantage for that specific payment is described below in Schedule 1.4, and was calculated from the e-mail titled "Discussion with Cao-short translate.pdf".]

[I believe that the 6 million CFA [\$12,000 CAD] in Schedules 1.2 and 1.4 is the same "black money" payment. In total, five "black money" payments were found totaling 51 million CFA [\$102,000,000 CAD].] *JP*

Summary of references to the alleged "black money" and "white money" and total financial advantage to EFC (calculated)						
Source document: "Discussion with Cao-shong translate.pdf" (Note 1)						
"Black money" or "white money" and amounts paid "under-the-table" to the government	Amounts paid		Reference to amounts that should have been paid	Total financial advantage to EFC (calculated) (Note 3)	"black money" or amount paid "under-the-table"	Reference on the source document to the terms "black money" and "white money" as well as payments and amounts that should have been paid to the government
	CFA Franc	CAD \$				
	A	B	C	D	E	F
	8,000,000	11,000,000	43,967,318	46,967,318	93,935	12,000
	8,000,000	11,000,000	43,967,318	46,967,318	93,935	12,000

Notes:
 1. Exchange of emails. Refer to Appendix D for source document.
 2. Converted by FAMG at the December 31, 2012 closing exchange rate. The December 31, 2012 closing exchange rate was: 500 CFA Franc = 1 CAD \$ (source: Bank of Canada).
 3. Difference between the amounts that should have been paid (extracted from the source documents) by EFC to the government and the amounts actually paid.

(a) The report states that "the financial advantage for EFC of paying the alleged bribes was determined by calculating the difference between the amounts that should have been paid by EFC to the government and the amounts actually paid". Below is Table 2, which consists of the calculations by adding the amounts outlined by transaction in schedule 1.2 and 1.4. "The total financial advantage to Eucalyptus Fibre Congo by paying the alleged bribes based on the calculations presented in Table 2 could amount to 358.5M CFA (or \$716,935 CAD)".

[Based on the evidence gathered to date respecting the "black money" payments made by Eucalyptus Fibre Congo, a subsidiary of MagIndustries gained a financial advantage by evading taxes as outlined in Patricia Odierna's report. Although the recipient(s) of the "black money" is/are unknown, one can infer that this person was a public official in the ROC, or someone acting on behalf of a public official since the administration of tax collection is a government function in the ROC.]

Name of source documents	Total financial advantage to EFC		References	Source documents
	CFA Franc	CAD \$ (Note 1)		
Exchange of emails from the document entitled "Follow up on EFC payments-urgent.pdf"	311,500,000	623,000	Schedule 1.2	Appendix B
Exchange of emails from document entitled "Discussion with Cao-shong translate.pdf"	46,967,318	93,935	Schedule 1.4	Appendix D
Total	358,467,318	716,935		

Note:
 1. Converted by FAMG at the December 31, 2012 closing exchange rate. The December 31, 2012 closing exchange rate was: 500 CFA Franc = 1 CAD \$ (source: Bank of Canada).

Report of Patricia Odierna describing audit standards, purpose and procedures

142) I read the same report dated June 30th, 2014, written by Patricia Odierna, as mentioned in paragraph 141 and I learned that:

(a) An auditor must follow the "Canadian Auditing Standards" (CAS) general guidelines to meet his/her professional responsibilities concerning the audit of financial statements. An auditor may turn to other authoritative sources, although CAS are the authoritative auditing pronouncement;

JS

- (b) The auditor's responsibility is not to prepare the financial statements, but it consists of expressing an opinion on the financial statements, to provide assurance that the financial statements are presented fairly;
- (c) The auditor will not obtain audit evidence for every amount and disclosure. "A sample is selected by the auditor based on its assessment of risk and its determination of materiality". The auditor usually makes a judgment about the size of misstatements that will be considered materiality. If the auditor assesses a low level for the materiality, it means that the auditor will accept fewer misstatements. A full scope audit or lower materiality usually entails a larger sample selection for the verifications done by the auditors.

[I read the 2012 audit results report for Eucalyptus Fibre Congo made by EY and it mentioned that the auditors completed a full scope audit.]

- (d) The auditor keeps an audit file for each audit and relevant audit evidence obtained must be documented. The documentation should include the following:
- (i) *"The engagement letter;*
 - (ii) *Planning of the audit;*
 - (iii) *Assessment of independence and general qualifications;*
 - (iv) *Assessment of the risks of material misstatements;*
 - (v) *Assessment of internal control in order to design appropriate audit procedures;*
 - (vi) *Audit procedures and evidence obtained;*
 - (vii) *Subsequent events or other special considerations;*
 - (viii) *A Management representation letter";*
- (e) A management representation letter is usually obtained by the auditor at the end of the audit. "The letter is prepared by management and includes written representations that it has fulfilled its responsibilities for the preparation of the financial statements and for the completeness of the information provided to the auditor".
- (f) "When auditing consolidated financial statements, the auditor may decide to perform or request the auditor of the subsidiaries to perform, an audit of specific account balances or transactions that are identified as risky. Forms of involvement in the work of the subsidiaries auditor vary and may include, among others, meetings with the subsidiaries' management or their auditors to obtain an understanding of the company and its environment, perform risk assessment procedures to determine the risks of material misstatement at the subsidiary level, design and perform further audit procedures, review overall audit strategy, review relevant audit documentation, participate in key meetings, etc".

[I believe that EY participated in key meetings with regard to the payments without supporting documents as mentioned in this ITO under the heading "Conference Call – Review Of The Audit Findings".]

- (g) At the end of the audit, the auditor must report its findings to the people in charge of governance in the company, like the Board of Directors. "Usually, the Board of Directors will elect a subgroup, the audit committee, to be

responsible" for the oversight of reviewing the financial statements and "recommending their approval to the Board of Directors", as well as "recommending the election of the independent auditors, discussing the progress and findings of the audit" and reviewing internal controls. The auditor will usually prepare a document for the audit committee that summarizes its audit findings and present it during a meeting in which members of the audit committee can ask questions.

MagIndustries and Michael Gunns' Involvement

143) The following paragraphs describe some of Michael Gunns' actions as MagIndustries' governance specialist. Although they could not be directly associated with either the payment to [REDACTED] of the ROC or the "black money" payments made by Eucalyptus Fibre Congo, they are relevant to this investigation to demonstrate that during this specific time in 2013, MagIndustries faced conduct issues regarding corrupt payments made by its employees. The information below shows that Gunns placed a lot of importance on the topic of corruption and as described in this ITO, he received a notice of termination of his contract in September 2013.

Michael Gunns sends the proposed amendment of the *Corruption of Foreign Officials Act*

144) I read an e-mail and attachment sent on February 19th, 2013, from Michael Gunns to Will Burton to inform him of the proposed amendment to the *Corruption of Foreign Officials Act*. Gunns referred to a key section, called "facilitation payments are prohibited" and wrote that it did not mean that the amendment would pass.

[I believe that the *Corruption of Foreign Officials Act* is the same as the CFPOA.]

Risk and compliance materials – Michael Gunns

145) I read an e-mail dated July 5th, 2013, from Michael Gunns with attached documents to Geoff Woo, CFO of MagIndustries in Toronto suggesting he study them in a particular order before their meeting and start planning their approach. The attachments consisted of the following:

(a) A 2012 report from the US State Department regarding the climate in the ROC. Michael Gunns thought of it as part of the briefing material for the Board in August and wrote that Rich confirmed that the report is credible and useful;

(b) A presentation by McCarthy's, a Canadian Law Firm, pertaining to the proposed amendments to Canada's *Corruption of Public Officials Act*. Michael Gunns drew attention to the compliance programs and the responsibility for the acts of agents and business partners.

(c) An article from Canadian Business dated February 14th, 2013, in relation to two recent highly-publicized Canadian cases involving the RCMP; JP

(d) A link to the Transparency International site, which indicated that the assessment ranked the ROC 144 out of 176;

[On September 11th, 2014, I accessed the Transparency International Site at www.transparency.org/ and I learned that the assessment ranked the ROC 154 out of 177.]

(e) A copy of the reports including the risk survey and the risk approach which Michael Gunns provided to the Board at their meeting in Toronto in June 2012;

(f) A copy of the PowerPoint presentation made to the Board in June 2012;

(g) The materials given at the Goodman's session which they attended on June 27th.

[I believe that Geoff Woo and Michael Gunns attended the Goodman's session on June 27th, 2013, as Rich Morrow authorized them to attend.]

[I further believe that Michael Gunns was concerned about corruption since he emphasized the subject of bribery and provided all this documentation in preparation for their next meeting to start preparing their approach.]

Michael Gunns seeks permission to attend an anti-corruption presentation in Toronto

146) I read two e-mails dated June 13th, 2013, between Michael Gunns and Rich Morrow, Director of Investor Relations and Corporate Development, regarding an upcoming anti-corruption presentation by Goodmans LLP in Toronto. Michael Gunns mentioned that the presentation was well-timed. He stated that sending too many people may not look "too cool". Michael Gunns thought that Lucy, Geoff and he should go and he could brief them on what to say if they were asked why they were attending. Michael Gunns would register those who are going to the presentation. Rich Morrow agreed and wrote to Michael Gunns to go ahead and register.

[I believe that on the date this email was sent, Michael Gunns and Rich Morrow did not know about the payment made on May 2nd, 2013, to the [REDACTED]. Therefore, I believe that Michael Gunns wished to attend this conference and mentioned that it was well-timed because at the time the e-mail was sent, MagIndustries had been dealing with the black money payments made by Eucalyptus Fibre Congo.]

Anti-bribery legislation PowerPoint from Michael Gunns

147) I read an e-mail dated July 26th, 2013, from Michael Gunns, Consultant for MagIndustries, to Rich Morrow, Director of Investor Relations and Corporate Development. I learned that Michael Gunns included a covering note, a PowerPoint presentation, and the 2012 report prepared by the U.S. State Department regarding the Investment Climate in the ROC that he wished to later send to the Board. The covering note stated that a presentation would be attached and the primary topic would be the Anti-Bribery Legislation and its

Impact. Michael Gunns stated it was "a very important and complex one, with considerable implications".

- 148) I read an e-mail and attachments sent on July 26th, 2013, from Michael Gunns to Geoff Woo, CFO of MagIndustries in Toronto. The e-mail included the proposed covering note and the attachments previously sent to Rich Morrow. One of the attachments was the Anti-Bribery Legislation PowerPoint presentation containing 24 slides titled "MAG – Risk – Aug 2013 Audit & Board.pdf" prepared for the Audit Committee and Board meeting in August 2013 by Michael Gunns. One slide mentioned that an Update of Control Environment of MagMinerals Potasses Congo SA, Eucalyptus Fibre Congo, Toronto, etc. would be presented separately by Geoff Woo. The presentation dealt with the topics of the updated CFPOA, the corruption risk of the ROC and facilitation payments. It also analyzed Canadian CFPOA court cases Niko Resources, 2011 and Griffiths, 2013. It pointed out the difference between the fine and restriction put on the company based on how the company reacted to the illegal payment and their degree of cooperation. It noted that all law enforcement agencies take the view that the appropriate level of tolerance towards bribery is zero.

[I believe that Geoff Woo may also have presented to the Board of Directors in August 2013, along with Michael Gunns. Michael Gunns suggested to Geoff Woo to not include certain slides in his presentation in order to not lose the focus on the bribery topic.]

Governance issues – October 2013

- 149) I read an e-mail and three attachments, sent on October 2nd, 2013, from Michael Gunns to Rich Morrow, Director of Investor Relations and Corporate Development. I learned that Michael Gunns put importance on one of the attachments titled "MAG Priorities Oct 2013.pdf". The document described the summary of the most outstanding governance matters for MagIndustries as of October 2nd, 2013. The items were written in order of importance and items one to three required an immediate attention. One of the most urgent matters listed under the risk management was the Anti-Bribery. The report stated that the CEO instructed at the Board meeting in August 2013 that transactions and activities that would violate the CFPOA must not occur. Also, following the Board meeting, similar instructions were given by the CEO to his senior management team immediately. It also stated "In the event of scrutiny, the company will be judged on vigorous and robust implementation and monitoring – rather than simply establishing policy".

[As explained in part 1 of this ITO, Michael Gunns received a notice of termination of his contract on September 3rd, 2013. The termination would be effective thirty days from September 3rd, 2013.]

Conclusion

Part 1: MagMinerals Potasses Congo SA

- 150) In 2013, MagIndustries was facing difficulties with its expropriation projects in the ROC. Management decided to invite the [REDACTED] to Pointe Noire

for a visit. Three days prior to his visit, Jun Tian advised that the [REDACTED] requested 5,000,000 CFA [\$10,040 CAD] to coordinate all aspects of the connection from the Premier and the Mayor of Pointe Noire and Koullou as well as 1,000,000 CFA [\$2,008 CAD] for per diem payments to his delegation during his visit. [REDACTED] was also invited to visit China but Longbo Chen decided to not use a MagIndustries letterhead for the invitation.

- 151) On May 2nd, 2013, a meeting was held in Pointe Noire to officially launch the expropriation commission for the Mengo Project. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- 152) On May 2nd, 2013, [REDACTED] refused to sign a payment totaling 6,000,000 CFA [\$12,048 CAD] to Government Officials. As a result of [REDACTED] refusal, Shoubing Li and Fuliang Wang authorized the payment that was made in cash.

- 153) In July 2013, [REDACTED] sent an anonymous e-mail to inform MagIndustries that on May 2nd, 2013, a payment of 5,000,000 CFA [\$10,040 CAD] was made to a Government Official. He was later met by Michael Gunns in the ROC to investigate the anonymous complaint. [REDACTED] reported to Gunns that he refused to authorize the payment.

- 154) I believe that MagIndustries' head office in Toronto was informed of the bribe. First, the anonymous e-mail sent on July 30th, 2013 alerted the company. Then, Geoff Woo, CFO of MagIndustries in Toronto and Gunns, a Consultant for MagIndustries in Toronto, traveled to the ROC and both met with [REDACTED]. Gunns discussed with [REDACTED] the illegal payment. I believe that Gunns reported the payment to the Board of Directors and Woo was also in attendance.

- 155) I believe that the payment made to [REDACTED] was made to gain a business advantage for the expropriation work conducted by MagIndustries.

- 156) I have reasonable grounds to believe that a search warrant for the documents and/or data ("Things to search for") and the documents and/or data to be produced would further the investigation and these things would afford evidence of the offences under investigation.

Part 2: Eucalyptus Fibre Congo

- 157) Based on the information set out in this ITO, I believe that during their 2012 Audit of Eucalyptus Fibre Congo, EY discovered the existence of a number of unsupported payments. After EY briefed MagIndustries' audit committee and informed them that the term "black money" was going to be used in the representation letter, MagIndustries' management at their Toronto office sought clarification about the nature of these payments.

- 158) MagIndustries was issued fines from previous years relating to the Congo tax regulations which they settled by making "black money" payments and "white money" payments. JP

- 159) I believe that the "black money" payments were bribes made to government employees and the "white money" payments were legitimate payments made to the government.
- 160) I believe that Geoff Woo, CFO of MagIndustries in Toronto, was aware of the "black money" payments as well as the spreadsheet that described ways to wash "black money" (APPENDIX E), as it was discussed in e-mails.
- 161) I believe that a total of five "black money" payments were made by Eucalyptus Fibre Congo for a total of approximately \$102,000 CAD. The "black money" payments, combined with "white money" payments totaled \$147,000 CAD. I believe MagIndustries benefitted from these payments by saving approximately \$716,935 CAD owed in taxes. I further believe that the total of amounts that should have been paid for the Congo tax regulations was approximately 943,934.64 CAD.
- 162) I have reasonable grounds to believe that a search warrant for the documents and/or data ("Things to search for") and the document and/or data to be produced will further the investigation and these things will afford evidence of the offences under investigation.

SEARCH WARRANT

SEARCH WARRANT AT MAGINDUSTRIES LOCATED AT 33 YONGE STREET, SUITE 820, TORONTO, ONTARIO

This search warrant is being sought in relation to the following offences:

- 163) I have reasonable grounds to believe that offences contrary to an Act of Parliament have been committed:
- (a) Between January 1st, 2013 and December 31st, 2013, by Longbo Chen, Jin Zhongping, Jun Tian and Fuliang Wang, to wit:
- i) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;
 - ii) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;
 - iii) Conspiracy to commit an indictable offence contrary to section 465 of the *Criminal Code*.
- (b) Between January 1st, 2012 and December 31st, 2013, unknown employees of Eucalyptus Fibre Congo and/or MagIndustries, to wit:
- i) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*; JS

ii) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;

164) I also have reasonable grounds to believe that offences pursuant to section 22.2 of the *Criminal Code* have been committed between January 1st, 2012 and December 31st, 2013, by MagIndustries:

(c) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;

(d) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*.

The "Things to search for"

165) Should this search warrant be granted, I propose that peace officers be authorized to enter the premises at 33 Yonge Street, Suite 820, Toronto, Ontario, to search for and to seize the following documents and/or data ("Things to search for"):

(a) Documents include all paper formats, electronic data that can be contained within devices (such as but not limited to mobile devices, external storage devices, computers and hard drives) and include agreements, financial statements, notes, letters, spreadsheets, flow charts, correspondence, e-mails and faxes;

i) Any documents related to the title or job function of MagIndustries', and/or its subsidiaries', employees for the years 2008 up to and including 2014;

ii) Any documents for the years 2012 up to and including 2014 related to MagIndustries' expropriation projects in the Republic of Congo;

iii) Any documents for the years 2012 up to and including 2014 related to the

iv) Any documents for the years 2013 up to and including 2014 related to the planning and/or any subsequent visit to China organized by MagIndustries by

v) Any documents related to the payment and/or agreement to pay [REDACTED] on May 2nd, 2013;

vi) Any documents related to [REDACTED], ex MagIndustries' employee;

vii) Any documents for the year 2013 related to MagIndustries' internal control policy, reports, guidelines and/or procedures;

viii) Any documents related to a 30,000,000 CFA payment made by Eucalyptus Fibre Congo on November 30th, 2012, regarding a tax inspection;

ix) Any documents related to a 7,000,000 CFA payment made by Eucalyptus Fibre Congo on July 18th, 2012, regarding a tax inspection;

x) Any documents related to a 5,000,000 CFA payment made by Eucalyptus Fibre Congo on December 26th, 2012, regarding social secure inspection;

xi) Any documents related to a 3,000,000 CFA payment made by Eucalyptus Fibre Congo on July 24th, 2012, regarding a commerce administration inspection;

xii) Any documents related to a 6,000,000 CFA payment made by Eucalyptus Fibre Congo in 2013 regarding taxable staff benefits.

The documents and/or data exist and are at 33 Yonge Street, Suite 820, Toronto, Ontario

166) I believe the above noted things in sub-paragraph (i) to (xi) are each associated to MagIndustries and the offences under investigation. I believe that the events described in the grounds to believe led to documents being created by MagIndustries employees to allow them to continue the development of their potash mine and the wood chip business in the Republic of Congo. I believe that the head office of a publicly traded Canadian company keeps documents detailing the title and the job function of its employees. I also believe that it is reasonable to search documents up to December 31st, 2014, since the expropriation project is ongoing. I believe that the communication between the Government Public Officials and MagIndustries is ongoing. It is reasonable to believe that these documents which are collected in paper and electronic format are at the head office and place of business of MagIndustries located at 33 Yonge Street, Suite 820, in Toronto, Ontario.

167) I read a report prepared by Constable Daniel Cheng (Cst. Cheng), a peace officer and member of the RCMP in Toronto. I learned that on October 6th, 2014, Cst. Cheng attended 33 Yonge Street, Suite 820, Toronto, Ontario and saw a sign indicating "MagIndustries Corp" upon exiting the elevator on the 8th floor. He also located suite 820 on the frosted glass door indicating "MagIndustries" and the door was locked.

The documents and/or data at 33 Yonge Street, Suite 820, Toronto, Ontario will afford evidence

168) Any documents related to the title or job function of MagIndustries, and/or its subsidiaries', employees for the years 2008 to 2014 will afford evidence with respect to the commission of the offence by understanding the structure of the company and the role of certain individuals.

169) Any documents for the years 2012 to 2014 related to MagIndustries' expropriation projects in the Republic of Congo will afford evidence with respect to the commission of the offence in relation to the expropriation project.

170) Any documents for the years 2012 to 2014 related to the [REDACTED]

[REDACTED]

JSP

171) [REDACTED]

172) [REDACTED]

173) Any documents in relation to [REDACTED], ex MagIndustries' employee will afford evidence with respect to the commission of the offence as to how MagIndustries dealt with him and the reasons behind his training in Toronto and the abolition of his position.

174) Any documents for the year 2013 related to MagIndustries' internal control policy, reports, guidelines and/or procedures will afford evidence with respect to the commission of the offence in understanding the practices at MagIndustries and obtaining any reports made regarding the payments under investigation.

175) Any documents in relation to a 30,000,000 CFA payment made by Eucalyptus Fibre Congo on November 30th, 2012, regarding a tax inspection will afford evidence with respect to the commission of the offence and will provide a full picture regarding the payment, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

176) Any documents in relation to a 7,000,000 CFA payment made by Eucalyptus Fibre Congo on July 18th, 2012, regarding a tax inspection will afford evidence with respect to the commission of the offence and will provide a full picture regarding the payments, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

177) Any documents in relation to a 5,000,000 CFA payment made by Eucalyptus Fibre Congo on December 28th, 2012, regarding social secure inspection will afford evidence with respect to the commission of the offence and will provide a full picture regarding the payments, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

178) Any documents related to a 3,000,000 CFA payment made by Eucalyptus Fibre Congo on July 24th, 2012, regarding a commerce administration inspection will provide a full picture regarding the payments, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

179) Any documents in relation to a 6,000,000 CFA payment made by Eucalyptus Fibre Congo in 2013 regarding a taxable staff benefit will afford evidence with respect to the commission of the offence and will provide a full picture regarding the payments, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

JP

Computer Searches

- 180) Furthermore, I believe that some of the documents and/or data ("Things to search for") will be contained in computers, electronic devices as well as electronic messages. It is reasonable to believe that some documents have been created or kept on a computer. The majority of individuals working in a business environment use computers at work. It is also reasonable to believe that documents could have been created and exchanged via e-mail. For these reasons, I am requesting that the search of computer(s) be granted for the "Things to search for".
- 181) I believe that analyzing all the data of a company on site could take an extended amount of time. In order to reduce the impact on the regular business of MagIndustries and to avoid an over seizure, investigators will, if feasible, conduct a search of the computer(s), server(s), electronic device(s) or external storage device(s) on site and only the electronic data believed on reasonable grounds to be included in the "Things to search for" will be copied and/or forensically imaged.
- 182) If the on-site search is not possible, all of the electronic data contained within the computer(s), server(s), electronic device(s) or external storage device(s) will be copied and/or forensically imaged.
- 183) As a result, I propose that the electronic data copied from the computer(s), server(s), electronic device(s) or external storage device(s) be acquired on site and reviewed and analyzed at a RCMP facility.
- 184) I spoke to Cst. Etienne Dussault, Computer Forensic Investigator of the Integrated Technological Crime Unit of the RCMP, National Division, in Ottawa, Ontario and he told me the following:
- (a) Imaging involves making a copy of the data that would be on a computer and/or device. Furthermore, he told me that it is difficult to say how long it would take to image a computer or device until it is examined, but depending on the circumstances, a computer may take two to four business days. However, the quantity of devices and media, size or capacity, the complexity and the physical condition are factors that will affect the amount of time taken to process and forensically image the electronic media or devices;
 - (b) At the scene of a search, he can do a cursory search to determine who the user(s) of the computer is (are). If there are reasonable grounds to believe that information regarding the documents and/or data ("Things to search for") would be found, the device and/or a forensic image of the device will be seized and/or made;
 - (c) Once imaged, he can filter files based on the format such as, but not limited to audio, video, graphics, word processing, etc.;
 - (d) He can filter files based on dates of the documents. However, when he retrieves documents that have been deleted, there may not be a date associated to the file and the only way to see the date of the document is to open it.

JP

TERMS AND CONDITIONS

- 185) I propose the following terms and conditions in relation with the computer(s), server(s), electronic device(s) or external storage device(s):
- (a) When reasonable grounds to believe that the things to search for are contained in electronic data within a computer, a server, an electronic device or an external storage device, a copy and/or a forensic image of the electronic data will be made and if not feasible, a copy and/or a forensic image of the device will be made;
 - (b) In the event that it is not practicable to image the electronic data or device on site due to circumstances out of the control of the RCMP, the electronic data or the computer(s), server(s), electronic device(s) or external storage device(s) seized will be forensically imaged on site (mirror image);
 - (c) In the event that it is not practicable to forensically image on site, the item may be removed from the search location and the imaging process may take place in an RCMP facility;
 - (d) The search of the electronic data, computer(s), server(s), electronic device(s) or external storage device(s) will be based on the offences set out in this warrant to identify any of the documents and/or data ("Things to search for");
 - (e) The computer(s), server(s), electronic device(s) or external storage device(s) will be returned as soon as practicable.
- 186) I also propose that the documents and/or data to be seized will be examined and analyzed subject to and in accordance with the following terms and conditions:
- (a) The examination and analysis to search for the evidence described in paragraph 165(a) i) to xii) will be conducted on all the documents and/or data, **EXCLUDING** documents and/or data identified as potentially privileged.
 - (b) In order to identify the relevant documents and/or data, all the documents and/or data (**EXCLUDING** documents and/or data identified as potentially privileged) may be examined and searched regardless of the form in which the documents and/or data is stored.
 - (c) When investigators reasonably believe that a document and/or data was either received or sent by a solicitor, or investigators reasonably believe a document and/or data is subject to the solicitor client privilege, the investigator will cease reviewing the document and/or data and will limit its access after which time no person shall access these documents except as authorized by court order.

ASSISTANCE ORDER

- 187) I believe that the assistance of the Forensic Accountant Management Group from Public Works and Government Services Canada may be required to assist the peace officers with the search as financial information is sought and they will provide assistance with their experience. I therefore propose that pursuant to section 487.02 of the *Criminal Code*, an assistance order be issued ordering the


Forensic Accountant Management Group and any other person to provide such assistance as it is necessary to give effect to the search warrant.

- 188) I believe that the assistance of a certified RCMP translator may be required to assist peace officers with the search as some documents and/or data may be written in Chinese. The translator would provide assistance to determine the content of the document and/or data if written in Chinese. I therefore propose that pursuant to section 487.02 of the *Criminal Code*, an assistance order be issued ordering the certified RCMP translator to provide such assistance as it is necessary to give effect to the search warrant.
- 189) I believe that the assistance of any person employed by or contracted by MagIndustries may be needed to assist the peace officers with the search. Paper format documents can be filed in a complex manner in a business. Their assistance may be necessary to help investigators and to show them where their documents are kept. Also, computer networks and related systems can be very complicated and their structures vary from one environment to another. Their assistance may be necessary to provide information about the systems, location of data related to this authorization, how to access the systems or to provide user or administrative credentials to access computer systems or network. I believe that MagIndustries employees' assistance will be required to give effect to this authorization. I therefore propose that pursuant to section 487.02 of the *Criminal Code*, an assistance order be issued ordering the MagIndustries' employees and any other person to provide such assistance as it is necessary to give effect to the search warrant.

PRODUCTION ORDER

PRODUCTION ORDER FOR TRENT HENRY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ERNST & YOUNG

This production order is being sought in relation to the following offences:

- 190) I also have reasonable grounds to believe that between January 1st, 2012 and December 31st, 2013, unknown employees of Eucalyptus Fibre Congo and/or MagIndustries have committed the following offences:
- (a) Bribing a Foreign Public Official contrary to section 3(1) of the *Corruption of Foreign Public Officials Act*;
 - (b) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*;
- 191) Pursuant to section 22.2 of the *Criminal Code*, I also have reasonable grounds to believe that between January 1st, 2012, and December 31st, 2013, MagIndustries have committed the following offences:
- (a) Bribing a Foreign Public official contrary to section 3(1) of the *Corruption of Foreign Public Officials act*;
 - (b) Fraud on MagIndustries' investors contrary to section 380 of the *Criminal Code*. 

The documents and/or the data to be produced

192) I propose that Trent Henry, Chairman and Chief Executive Officer of Ernst & Young Canada, or his designate, shall produce documents and/or data, or copies of them certified by affidavit to be true copies, located at 222 Bay Street, P.O. Box 251, Toronto, Ontario or any other location, off site facility, receptacle or place where Ernst & Young maintains and stores the things referred to as documents and/or data to be produced to Constable Anick Marie Mazerolle, or her designate, a peace officer of the RCMP, Sensitive and International Investigations Section at 155 McArthur Avenue, Room 523, Ottawa, Ontario as soon as reasonably possible but in any event no later than 30 days from the date this order is served. Should this production order be granted, there are reasonable grounds to believe that the following documents and/or data will afford evidence respecting the commission of the named offences.

193) Documents include all paper formats, electronic data that can be contained within devices (such as but not limited to mobile devices, external storage devices, computers and hard drives) and include agreements, financial statements, notes, letters, spreadsheets, flow charts, correspondence, e-mails and faxes;

(a) The documents and/or data, or copies of them certified by affidavit to be true copies to be produced are:

i) The 2012 MagIndustries audit file, including the paper and electronic file, auditor's notes and e-mails;

ii) Any documents related to a 30,000,000 CFA payment made by Eucalyptus Fibre Congo on November 30th, 2012, regarding a tax inspection;

iii) Any documents related to a 7,000,000 CFA payment made by Eucalyptus Fibre Congo on July 18th, 2012, regarding a tax inspection;

iv) Any documents related to a 5,000,000 CFA payment made by Eucalyptus Fibre Congo on December 26th, 2012, regarding social secure inspection;

v) Any documents related to a 3,000,000 CFA payment made by Eucalyptus Fibre Congo on July 24th, 2012, regarding a commerce administration inspection;

vi) Any documents related to a 6,000,000 CFA payment made by Eucalyptus Fibre Congo in 2013 regarding taxable staff benefit.

The documents and/or the data are in the possession of Ernst & Young and their CEO Trent Henry

194) I believe that documents and/or data in relation to MagIndustries are in possession of Ernst & Young. As explained in this ITO, EY is the auditing firm for MagIndustries and Ashraf Zineldin is the person responsible for the audit for EY. As stated earlier in this ITO, Ashraf Zineldin provided his work address in an email as EY Tower, 222 Bay Street, P.O. Box 251, Toronto, Ontario. JR

- 195) I believe that throughout their audit, EY employees have collected and produced documents which are collected in paper and electronic format. It is reasonable to believe that these documents and/or data are in possession of Ernst & Young.
- 196) I spoke to Patricia Odierna and I learned that the audit procedures and the evidence obtained must be documented as per the Canadian Auditing Standards. I believe that these documents and/or data are in possession of Ernst & Young.
- 197) I accessed the EY website at www.ey.com and I learned that Trent Henry is the Chairman and CEO of the company EY in Canada. As the CEO of the company, I believe that Trent Henry has the possession or the control of the documents and/or data.

The documents and/or the data to be produced will afford evidence

- 198) The 2012 MagIndustries audit file, including the paper and electronic file, auditor's notes and e-mails will afford evidence with respect to the commission of the offence and will provide a full picture concerning their audit procedures, the information obtained while they conducted the audit, their assessment of the risks of material misstatements and their representation letter. Furthermore, any documents in relation to the payments listed in paragraph 193 will afford evidence with respect to the commission of the offence and will provide a full picture regarding the payments, how MagIndustries dealt with it, confirm which individuals authorized the payments and who was paid.

TERMS AND CONDITIONS

- 199) I propose the following terms and conditions in relation with the documents and/or data to be produced:
- (a) Trent Henry, or his designate, shall not destroy or alter any original documents and/or data copied or duplicated and produced unless permitted by order of a Court of competent jurisdiction or until advised by Constable Anick Marie Mazerolle or a peace officer acting under the authority or direction of that peace officer, that the investigation of the offences is concluded and that any charges resulting have been disposed of including all appeals;
- (b) Trent Henry, or his designate, may produce any documents and/or data by electronic transmission to the electronic e-mail address at [REDACTED] or can contact Constable Anick Marie Mazerolle at [REDACTED] to make arrangements for the delivery of documents and/or data;
- (c) Trent Henry, or his designate, and any employee shall not directly or indirectly disclose or permit disclosure of the content and existence of this order, in any manner, or to any person except as may be necessary for the purposes of compliance with its terms or obtaining the advice or assistance of legal counsel unless otherwise ordered by a Court of competent jurisdiction;
- (d) Nothing in this order shall require the production of any documents and/or data which is subject to solicitor client privilege;

(e) Copies of any documents and/or data produced pursuant to this order need not to be returned to Ernst & Young.

200) Trent Henry and/or Ernst & Young are not under investigation for the offences mentioned in paragraphs 190 and 191.

SEALING ORDER

201) I am also seeking that all documents relating to this application, any resulting search warrant and production order and any report to a Justice in respect of the things seized be placed in a packet and sealed immediately on determination of this application, and that packet shall be kept in the custody of the court in a place to which the public has no access and shall not be dealt with except in accordance with section 487.3 (4) of the *Criminal Code*.

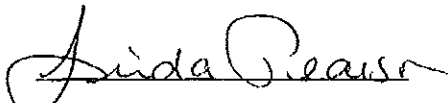
202) If the content of this application was made public before its execution and MagIndustries was made aware, it would compromise the extent of this ongoing investigation as evidence could be destroyed at the office of MagIndustries.

203) At this point, it is unknown how MagIndustries' employees will react and if some of them will agree to provide a statement. Should this application be made available to the public before any interviews, it would greatly affect the evidence to be obtained during those interviews as the interviewee could be aware of the information gathered thus far.

204) I believe that if the content of this application was to become public, MagIndustries share price could be negatively affected which would prejudice the interests of innocent persons owning this stock.

SWORN BEFORE ME AT the city of

Ottawa in the Province of Ontario,
This 16th day of January, 2015


A Commissioner of Oaths, etc.


Cst. Anick Mazerolle (affiant)

APPENDICES

LB

APPENDIX A

JP.

Demander (Demander)
Fonction (Position)
Département (Department)
Concerne (Reason)

IN ZHANGPING
Chargé du développement du projet
développement
Plus pour délégation du Ministère des
Affaires Privées et du Domaine Public
PDD-PLA
PDD-PLA-05007


Montant
Amount (XAF) 6.000.000 En lettres SIX MILLIONS FCFA

Demander signature

Date: 02.05.2013

Approuvé par (Approved by):
Chef de Dépt.
(Dept. Head)

DG/DGA

Montant (Fcf)	Signature
5,000,000	
1,000,000	
6,000,000	

Propriation pour le Projet de Potasse de Mengo

maï 2012)
aires Foncières et du Domaine Public







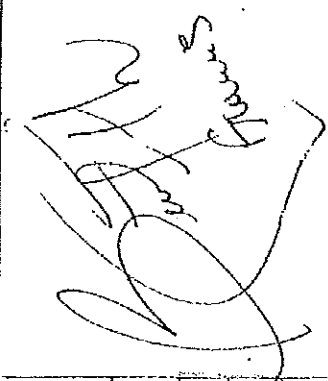


APPENDIX B

JR

**Frais pour la Délégation du Ministère des Affaires Foncières et du Domaine Public
(Pointe-Noire, le 2 mai 2012)**

Dans le but d'installation officielle de la commission d'expropriation pour le Projet de Potasse de Mengo

No.	Nom et Prénom	Frais	Montant (Fcfa)	Signature
1	Ministre Pierre MABIALA souveraineté		5.000.000	
2	Délégation	frais de mission forfait	1.000.000	
		TOTAL	6.000.000	







APPENDIX C

JP.

DATE : 29 mai 2013 **BON DE SORTIE / ENTREE DE CAISSE**
 DEMANDEUR : YANNICK HONG SONG
 MOTIF DE LA DEPENSE : Avance sur le plan de financement de l'Etat
 BENEFICIAIRE : Etat de la République du Congo
 MONTANT : 100 000 000 (En lettres)

(A remplir par le demandeur)

Code Budgétaire : RND-PLA-05000 Montant Budget % :

Comptes à Imputer : 421110 Montant Budget % Actuel :

Solde Montant Budget % :

Visa Caisse	Visa Bénéficiaire	Visa Chef Comptable	Visa DAF	Visa DGA ou DO

16

APPENDIX D

JR

CANADA) In the matter of an Application for a Search
) Warrant, pursuant to section 487, an Assistance
PROVINCE OF ONTARIO) Order, pursuant to Section 487.02, and a Sealing
) Order pursuant to section 487.3 of the *Criminal*
EAST REGION) *Code*.
)

SEARCH WARRANT AND RELATED ORDERS

TO: PEACE OFFICERS:

UPON BEING SATISFIED, based on the information on oath in writing, dated July ²³ 2014, of Constable Anick Marie Mazerolle, a peace officer and member of the Royal Canadian Mounted Police of the City of Ottawa, in the Province of Ontario, that there are reasonable grounds to believe that one or more offences contrary to an Act of Parliament have been committed, to wit:

- (a) Bribing a foreign public official, contrary to section 3 (1) of the *Corruption of Foreign Public Official Act*;
- (b) Conspiracy to commit an indictable offence, contrary to section 465 of the *Criminal Code*.

AND UPON BEING SATISFIED THAT there are reasonable grounds to believe that the following things will afford evidence with respect to the commission of the said offences:

- (c) The hard drive containing data that was seized at Radiant Communications on March 19th, 2014.

AND UPON BEING SATISFIED THAT there are reasonable grounds to believe that the said computer hard drive described above is at the following place:

- (d) 155 McArthur Avenue, Ottawa, Ontario, K1A 0R4.

AND UPON BEING SATISFIED THAT the provisions of sections 487, 487.02, and 487.3 of the *Criminal Code* have been met;

IT IS ORDERED THAT:

OFFENCES

1. The offences for which there are reasonable grounds to believe has been committed are:

- (a) Bribing a foreign public official, contrary to section 3 (1) of the *Corruption of Foreign Public Official Act*; and
- (b) Conspiracy to commit an indictable offence, contrary to section 465 of the *Criminal Code*.

JR


SEARCH WARRANT

2. Peace officers are hereby authorized, between the hours of 6:00 AM and 6:00 PM on the 24th day of July, 2014, to enter the premises at 155 McArthur Avenue, Ottawa, Ontario, K1A 0R4 (the "premises"), to search for and to seize the hard drive containing data seized at Radiant Communications on March 19th, 2014 (the "hard drive"), for which there are reasonable grounds to believe the following evidence relating to the offences in paragraph 1 will be obtained:
 - (a) Any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments belonging to MagIndustries, related to black money payments made by Eucalyptus Fibre Congo.
 - (b) Any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments belonging to MagIndustries, related to Ernst & Young.
 - (c) **BUT NOT INCLUDING** any e-mails or electronic communications, including sent, unsent and deleted communications and their associated attachments belonging to MagIndustries, that has been previously or will be identified as potentially privileged.

OTHER TERMS AND CONDITIONS

3. The hard drive to be seized will be examined and analyzed subject to and in accordance with the following terms and conditions:
 - (a) The examination and analysis to search for the evidence described in paragraphs 2(a) and 2(b) will be conducted on all the data contained on the hard drive, **EXCLUDING** the data identified as potentially privileged.
 - (b) In order to identify the relevant data, all the data (**EXCLUDING** the data identified as potentially privileged) may be examined and searched regardless of the form in which the data is stored.
 - (c) When investigators reasonably believe that a document was either received or sent by a solicitor, or investigators reasonably believe a document is subject to the solicitor client privilege, the investigator will cease reviewing the document and will limit its access after which time no person shall access these documents except as authorized by court order.

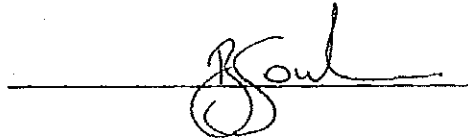
ASSISTANCE ORDER

4. **IT IS FURTHER ORDERED THAT**, pursuant to section 487.02 of the *Criminal Code*, any person, including Stephanie Kenny, shall provide such assistance as is necessary to give effect to this search warrant. Furthermore, any persons, including Radiant Communications and its employees shall not directly or indirectly disclose or permit disclosure of the content, existence or operation of this search warrant in any manner, or to any person, except as may be necessary for the purposes of compliance with the terms of this search warrant or to obtain legal advice. 

SEALING ORDER

5. **IT IS FURTHER ORDERED THAT**, pursuant to section 487.3 of the *Criminal Code*, all documents relating to this application and any resulting search warrant and any report to a justice in respect of the things seized, shall be placed in a packet and sealed immediately on determination of this application, and that packet shall be kept in the custody of the court in a place to which the public has no access and shall not be dealt with except in accordance with section 487.3 (4) of the *Criminal Code*.

DATED at the City of Ottawa, in the Province of Ontario, on July 23 2014.

A handwritten signature in cursive script, appearing to read 'Roul', is written over a horizontal line.

A Justice of the Peace
in and for the Province of Ontario

Small handwritten initials, possibly 'JR', located below the typed name.

APPENDIX E

BR

Currency: CFA

	Y2012			
	Taxable Base	Pension Funds	Unique Tax on Payroll	Individual Income Tax
Tuition	2,024,000	491,427	132,066	809,600
Water	1,998,850	485,321	97,848	799,540
Electricity	7,202,448	1,748,754	437,970	2,860,979
Liquid Gas	277,300	67,328	18,094	110,920
Security	3,120,000	757,536	46,800	1,248,000
Meal Allowance	35,382,000	8,590,750	2,308,676	14,152,800
Retirement Compensation	3,785,300	919,071	56,780	1,514,120
Subsidies & Bonuses	1,940,098	471,055	29,101	776,039
Daily Workers	38,050,925	9,233,909	570,464	15,212,370
	99,760,921	22,765,152	3,697,798	37,594,368

In Y2012, the total amount that should be imposed by CNSS, TI, and IRPP for the above taxable staff benefit items is 69,967,318 CFA. In reality, a total amount of 17 million CFA was paid (6 million under-the-table + 11 million aboveboard), resulting in total cost saving of 46 million CFA.

Ways to wash black money:

1) Finance Department should have 2 sets of books, one for government inspection and one for internal use. Main Finance and HR positions must be occupied by Chinese employees.

2) Have a third party pay the under-the-table amount. The third party then bills a consulting fee to EFC

3) Evergreen sets up a consulting company in Point-Noire to proceed such transactions.

SR