COURTESY TRANSLATION FROM FRENCH

MAISON DES MINES DU KIVU

PUBLICATION OF THE ANALYSIS REPORT OF FISCAL AND PARAFISCAL FLOWS OF TWANGIZA MINING, A SUBSIDIARY OF BANRO CORPORATION

Tax exemptions granted to Twangiza Mining: a shortfall for the Congolese State?

PRESS RELEASE

(translated from French)

MMKi, a network of 3 civil society organizations based in Bukavu, Democratic Republic of Congo, is pleased to publish today the results of its analysis of fiscal and parafiscal flows of Twangiza Mining, which raises a number of concerns over the limited benefits that the Government receives from this project.

This report is the result of a systematic analysis by a team of civil society researchers from South Kivu, supervised by MMKi with technical and financial support from The Carter Center and the Fiscal Transparency Innovation Fund (an American Government Fund). The analysis is focused on seven fiscal and parafiscal obligations (existing and potential) of Twangiza Mining, as well as the different payments actually made by this company and assumptions regarding possible payments that the company should have paid to the Government if the 2002 Mining Code's fiscal regime was applied to the project.

Twangiza Mining (a subsidiary of Banro Corporation) operates the Twangiza gold deposit, which is located in the chiefdom of Luhwindja, South Kivu, DRC.

The research demonstrates that Twangiza's exemption arrangements found within the Banro Mining Convention amount to a loss of revenue for the Congolese Government. It follows from the analysis made by the Research team that the Congolese Government has / will have lost an estimated amount of **$19 Million** between 2010 and 2016 related to 7 specific income flows. When the project begins to generate profit, the Government risks a loss of revenue of almost **$7 Million** annually on the 7 income flows analyzed in this study.

Regarding payments actually made by the company, research has shown that Twangiza Mining has already paid $ 2,000,000 -- $ 1 000,000 for royalties in 2012 and $ 1,000,000 for *redevance minière* (mining royalty to the state as per the mining code) in 2013 -- despite its exemption from this obligation.

The analysis conducted by the research team also found that the contribution to community development funds (4% of net profit after capital repayment), a rare parafiscal obligation in the mining sector but one to which the company Twangiza is subject, has not been realized due to the complex formulation of its base. There are reasons to fear that the payment of this important revenue for local communities will not take place throughout the duration of the Mining Convention because the capital repayment period remains unknown[1].

The study also found that the absence of direct or indirect Government shareholding in Twangiza Mining excludes any possibility for the Congolese Government to earn dividends from the profits of the company, and this increases the potential volume of revenue loss for the Congolese Government in the medium and long term.

In view of the summary of results described above, MMKi recommends:

- **To the Government of the Democratic Republic of Congo**
  - Do not renew the Mining Convention signed with Banro Corporation once it expires in 2027.
  - Insert provisions into the Mining Code revision prohibiting the renewal of all Mining Conventions and force all projects currently governed by conventions into contracts that are governed by the Mining Code regime after the Conventions expire.
  - Consider the direct or indirect shareholding of the Congolese Government in Twangiza Mining, as well as in other Congolese subsidiaries of Banro Corporation.
  - Initiate, in agreement with Banro, a revision of the provisions in Amendment 2, Article 6 related to community development contributions, based on the Mining Convention model used by the Tenke Fungurume Mining Project, in which the base covers gross sales, and with payment not conditioned on the repayment of capital.
  - Clarify the collection of the *redevance minière* (mining royalty to the state as per the mining code) in 2013, even though Twangiza Mining was exempted from paying this tax.
  - Hand over a portion of the *redevance minière* (mining royalty to the state as per the mining code) to the Province of South Kivu and the Chiefdom of Luhwindja according to the allocation key defined in the Mining Code.

- **To Banro Corporation**

[1] The article 14 of the amendment number one of 18 February, 2002, provides that the duration of the Mining Convention between Banro and the Congolese Government is 30 years, a.i from 13 February, 1997 to 13 February, 2027.

- Endorse the recommendation to review Amendment 2, Article 6 regarding community development contributions, as proposed above.
- Publish all reports (especially financial reports) in French to allow citizens to understand and use them.

- **To Twangiza Mining Sarl**

- Clarify the payment of a $1,000,000 *redevance minière* (mining royalty to the state as per the mining code) in 2013, given Twangiza Mining's exemption from this tax.
- Clarify the non-payment of royalties to the state in 2013 despite the existence of this obligation and the payment of $1,000,000 in royalties in 2012.
- Publish and make available financial statements in accordance with OHADA Accounting rules.

Issued in Bukavu, 8[t] December 2015

For MMKi

Eric Kajemba

Chairman of the Board of Directors