

CADRE DE CONCERTATION DE LA SOCIETE CIVILE DE L'ITURI SUR LES RESSOURCES NATURELLES

ANALYSIS OF FISCAL AND PARAFISCAL REVENUES OF THE KIBALI PROJECT.

“Short Term Win, Long Term Loss”

PRESS RELEASE:

(translated from French)

Kibali Goldmines Ltd. (KGM) is the largest company currently operating a gold mine in the new province of Haut Uélé in the Democratic Republic Congo, which has proven reserves of 5.4 million tons of gold with an average grade of 1.5 grams/ton, and an additional 77 million potential tons at a higher grade. As such, it is not only among the major contributors to the Congolese Government's budget, but also a hope for the sustainable development of the Democratic Republic of Congo, and that of the province of Haut-Uélé in particular.

A study entitled "**Short term win, long term loss**" conducted by the Consultation Framework of the Civil Society of Ituri on Natural Resources (CdC/RN), with technical and financial support from the Carter Center and the Fiscal Transparency Innovation Fund (a US Government fund), reviewed the fiscal and parafiscal revenues of KGM and analyzed the payments made under this project.

The study uncovered some issues and risks associated with some of the analyzed revenues. These include:

1. The non-publication of certain contracts and annexes that may facilitate the understanding of some parafiscal revenues, despite the commitments and instruments adopted by the government in order to increase transparency in the natural resources sector, including membership and implementation of the Extractive Industries Transparency Initiative (EITI) and the adoption by the Congolese Prime Minister of Decree No. 011/26 of 26th May 2011 enacting the obligation to publish all contracts related to natural resource extraction;
2. Lack of transparency in the revenues paid to SOKIMO (including the 113.6 million USD received for the sale of its assets), part of which would be due to the omnipresence of the Congolese government in the management of SOKIMO;
3. The absence of retrocession of the *redevance minière* (a mining royalty paid to the state as per the mining code) to the former Province Orientale (25%) and the decentralized territorial entities of the former district of Haut Uele (currently a province) (15%) despite regular payment of this flow by KGM to the Congolese government;

4. The non-publication of KGM's annual reports and financial statements;
5. A KGM feasibility study projecting to 2024 the payment of significant taxes on profits and gains, locally known as IBP, a period exposed to more tax risks for shareholders and the Congolese Government including possible Gold price fluctuations;
6. The failure of the Congolese Government to control its reserves, making dubious estimates provided by KGM because of the absence of Government cross-checking.

Given all the above, the study offers some recommendations:

To the Congolese Government

- Release and make accessible all contracts for natural resources, including their annexes, particularly those of the Kibali project;
- Release and make accessible annual reports and financial statements of extractive companies and particularly those of KGM;
- Cross-check probable or proven reserves to ensure a reliable and comprehensive collection of taxes;
- Separate and clarify the role of the Government as a shareholder in SOKIMO Company and as public authorities in the management of natural resources;
- Comply with the law through effective retrocession of the *redevance minière* (mining royalty paid to the State as per the mining code) to the province of Haut Uélé and its decentralized territorial entities, known as ETDs.

To Kibali Goldmines Ltd.

- Release and make accessible annual reports and financial statements;
- Harmonize its reporting data with that provided to the Congolese government, SOKIMO and EITI-DRC;
- Include concepts accepted by Congolese legislation regarding Royalties and Fees in its publications;
- Ensure transparency of payments made to the Congolese Government and SOKIMO;
- Make an optimization study for the payment of significant taxes on profits and gains, locally known as IBP, in the medium term.

To SOKIMO

- Publish all of KGM's earned income from contractual transactions, including the sale of assets (113.6 million USD), as well as the uses of that income;
- Develop a policy to revitalize activities to recapture its status as a mining giant in the region in terms of its mining assets (owner of 3 large mining concessions: 38, 39 and 40).

Issued in Bunia, on November 26, 2015

**For CdC / RN
Mongo Malolo**

of the Board of Directors.

**Eric
Chairman**

Contact: Jimmy Munguriek Ufoy (Permanent Secretary of CdC / RN).
+243 815 134 070 +243 820 875 088 and;
www.cdcituri.org
Email: cdcituri@gmail.com

Phone:
Website: