

Case Study: Banro (DR Congo)

Banro's Story

Banro Corporation, a Canada-based gold exploration and development company, began exploration in the Democratic Republic of the Congo (DRC) in November 2004. Following successful discoveries, the company decided to construct a "Phase 1" gold mine at its wholly-owned Twangiza project located near the city of Bukavu. Begun in the spring of 2010 and scheduled for completion in Q4 2011, the operation is designed to produce 120,000 ounces of gold per year, with plans to expand annual gold production to more than 300,000 ounces over the next few years.

When exploration began, the company created the Banro Foundation, a registered charity in the DRC and a vehicle for investing in long-term community development in the villages near Banro's operations. Following lengthy consultations with tribal and community leaders, central and provincial government officials and Catholic Church representatives, the Banro Foundation prioritized investments in education, health and social infrastructure development.

Also in 2005, Cordiant Capital—which co-manages the US\$211 million Canada Investment



Fund for Africa (CIFA) with Actis—invested in Banro via a US\$13 million PIPE transaction.

Since Cordiant's investment, Banro has been awarded 14 exploration permits covering 2,638 square kilometers of highly prospective ground between its Twangiza and Lugushwa projects. So far, the company has identified 6.72 million ounces of measured and indicated resources, plus inferred resources of 4.46 million ounces.

Today, Banro's mining pipeline includes four wholly-owned properties along the Twangiza-Namoya gold belt in eastern DRC. Banro's aim is to build a new mine every two years, with its second operation in Namoya due for completion in 2013, followed by its third and fourth projects in Lugushwa and Kamituga—both of which are currently undergoing exploration and analysis.

The Role Played by Private Equity

In July 2006, Piers Cumberlege, Vice President at Cordiant, was appointed to Banro's Board of Directors as a Non-Executive Director to provide support and guidance to the company, particularly in shaping its corporate and social responsibility (CSR) program. In addition to the work of its Foundation, Banro has undertaken a number of CSR initiatives, focusing on job creation and training for Congolese citizens, environmental protection and workplace safety.

Cordiant's investment provided the capital necessary for a recruitment drive that has made Banro one of the largest private employers in the region. As the company has grown, it has deliberately created opportunities for local Congolese, while encouraging potential

local suppliers of goods and services to grow their businesses such that they can be trusted vendors to Banro. Of the 3,300 jobs created in the country, 3,000 are held by Congolese citizens, and the employee turnover rate in 2010 stood at the low level of 1.3%. Banro has also created an intensive training program to create jobs higher up the value chain; this training included a trip to Ghana in 2007 for the Congolese geologists' professional development.

In addition to global standards in environmental management at the Twangiza Mine Project, Banro adheres to the E3 Environmental Excellence in Exploration guidelines, which were developed by the Prospectors and Developers Association of Canada as a global standard for environmental protection in the mineral exploration business.

The Company



Essentials

Company: Banro Corporation, www.banro.com

Region: Africa

Country: Democratic Republic of the Congo (DRC)

Sector: Extractives

Business focus: Gold exploration and development

Size: Stock market cap of US\$900 million

GP: Cordiant Capital, a fund manager with US\$2.2 billion in capital commitments to private equity, loan and infrastructure funds in emerging markets (www.cordiantcap.com)

Date of investment: October 2005

Investment: US\$13 million; Cordiant serves as co-manager of the Canada Investment Fund for Africa (CIFA), which acquired 2 million common shares through a private placement

Impact Highlights

With a presence on Banro's Board of Directors, Cordiant sought to create value both in the company and in surrounding communities through a robust corporate social responsibility program

Using proceeds from Cordiant's investment, Banro is one of the largest private employers in the region; it has created jobs for 3,300 people in the DRC—3,000 of whom are Congolese citizens—and employee turnover is at a low rate of 1.3%

The Banro Foundation has completed over 40 community-driven projects addressing priority needs in education, health and social infrastructure development

Working with Congolese NGOs, the Banro Foundation has implemented programs to reintegrate 200 former child artisanal miners into the formal school system and offer skills-training programs

The Company View

“In an unstable region like the Democratic Republic of the Congo, Banro aspires to be a model of good corporate citizenship and to act with the utmost integrity in its long-term commitment to the communities in which it operates.”

“The financial support and advice relating to corporate and social responsibility provided by Cordiant has been invaluable in achieving our business objectives.”

Martin Jones,
Chairman,
Banro Foundation



“The expectation, when we became involved in Banro, was that the company would experience an increase in value as its operations progressed toward the mining of its known gold resource base. While this has been the case, we at Cordiant also believe that proactive engagement with local communities is yielding tangible economic results for the investor by buttressing Banro’s operations on the ground and reducing the risk of the investment. As a result, our involvement with Banro has been one of both financial support and advice around corporate and social responsibility.”

David Creighton, President and CEO, Cordiant Capital

Beyond the Bottom Line

In the communities of Luhwindja (Twangiza), Kamituga, Lugushwa and Sarambila (Namoya), the Banro Foundation has appointed a local team of leading citizens whose role is to recommend development projects. These local citizens are empowered by participating in the preparation of budgets and overseeing the completion of their community development initiatives. Over time, the intention is that the Banro Foundation will become increasingly independent of the Banro Corporation.

Since it was created, the Banro Foundation has completed over 40 projects addressing its priority areas of education, health and social infrastructure development. These projects included the construction of the Chiburhi Primary School, a modern facility with 12 classrooms serving 600 children, as well as the construction of the Kigumo Health Center, a large facility near Lugushwa designed to serve several thousand villagers in the region. The health center is equipped with bedding and mosquito netting, and a variety of medical supplies and medicines.

Working in cooperation with a Congolese NGO, the Banro Foundation has also implemented programs to reintegrate 200 former child artisanal miners into the formal school system and offer them skills-training programs. These three-year programs also provide psychological counselling to the participants.

At Banro’s Twangiza mine site, 180 households are resettled. Banro conducted a socio-economic



baseline study and has implemented a Resettlement Action Plan, drawn up in accordance with World Bank standards, that involves financial compensation for those affected and the construction of new housing using local labor and materials. The total plan will cost US\$13 million.

The Banro Foundation has played a leading role in providing assistance to humanitarian disasters, including the victims of the Sange explosion in July 2010, which killed over 220 people and caused an additional 100 casualties. The Governor of South Kivu Province created a crisis coordinating committee to monitor the situation and identify partners able to provide assistance and support. The Governor recruited the Banro Foundation to serve on this committee, and sought the Foundation’s assistance in providing medicine and food supplies to local hospitals.