



ICGLR THIRD PARTY AUDIT AT RUTONGO MINES Ltd

EXECUTIVE SUMMARY

(Published on 27 July 2016)

1. Introduction

a. Audit objective (reference to Regional Initiative, RCM)

As part of the Regional Initiative Against the Illegal Exploitation of Natural Resources (RINR) the International Conference on the Great Lakes Region (ICGLR) is in the process of implementing the Regional Certification Mechanism (RCM).

The RCM aims at providing assurance to buyers of tin, tantalum, tungsten and gold extracted in ICGLR Member States (MS) that minerals were produced, transported and exported legally and in accordance with minimum standards related to conflict free sourcing, social and environmental practices. In order to provide credible assurance, the RCM requires an independent third party audit of the mineral exporter to verify compliance with applicable requirements. The third party audit process includes the verification of systems, processes and practices at the exporter, as well as at a representative sample of its supply chains up to and including mine sites.

The third-party audit process is managed by the ICGLR Audit Committee (the Committee), a tripartite forum representing government, industry as well as civil society. The Committee accredits auditors and sets the standards and terms of reference for the audits. According to Section 8.8 of the ICGLR Certification Manual (Version November 2011), the Committee is further responsible to review the audit reports submitted by the accredited auditors.

The specific objective of this audit is to verify the level of conformance of Rutongo Mines Ltd's systems, processes and practices, up to and including mineral supply chains and mine sites with

the audit criteria with a view to obtain certification of Rutongo Mines Ltd. under the ICGLR RCM.

b. Auditee

i. General Information

Rutongo Mines Ltd. is one of Rwanda's largest cassiterite mining and processing companies. Rutongo Mines Ltd, situated some 26 km by road, north of the city of Kigali, is the collective name given to the active mining sites of Nyamyumba, Masoro, Gasambya, Mahaza, Gisanze and Karambo/Murambi. Whilst there are some lesser deposits on the concession, these are either inactive at present or attached to some of the larger sites. The company received its long-term mining licence on 29 January 2015 following an extensive feasibility study.

ii. Business Information (includes type of mines sourced from LSM and/orASM)

RML is a formalised operation, extracting ore from underground hard rock mining operations under the full control and direction of a large management team. RML mines its own mineral from underground quartz vein deposits, using modern equipment to extract ore through conventional drilling and blasting operations. It is the most industrialised operation in Rwanda.

By Ministerial Order No. 001/MINIRENA/16.02, 29 January 2015, RML was granted a mineral exploitation licence for the Rutongo mining concession for a period of 25 years.

Cassiterite production at the Rutongo site is undertaken by 9 sub-contractors who employ in the region of 965 miners. The company employs directly a further 882 miners. This figure has dropped from 5,000 in the past two years as a consequence of the collapse of global tin prices. Mining activity is undertaken in eight active mine shafts.

The company also employs another 325 individuals who have specific tasks which include engineering, blasting, security, land rehabilitation and general ground work. The mine site is managed by six senior company officials all of who were key informants for the purpose of the audit. The majority of senior management are expatriates from Australia and South Africa.

Ore extraction is effectively manual but assisted by the use of underground trains, 'bobcat' loaders and onsite excavators. Rock breaking is undertaken by mechanized crushers and further refined on site using short sluices and panning. The ore is then bagged at the sub-site where it receives an initial hand-written tag indicating the sub-contractor and the relevant team of diggers responsible for production. Ore is then dried on open fires prior to weighing and valuation. Ore is then transported by truck from either the shaft sub-sites to mechanised processing plants that consist of shaking tables, jigs and classifiers depending on the grade of the raw material.

Following initial processing, the bags of ore are taken to the tagging shed where they are once again weighed by the tag manager and then given an iTSCi mine tag. The production information is then logged into a voucher book in triplicate, a white copy going to ITRI, a yellow copy going to RML, and a pink copy going to GMD (Geology and Mines Department, Rwanda). This process is assisted by the use of bar code scanners which remotely relay iTSCi data directly to the ITRI database in the United Kingdom and print out receipts of the information for the mine managers. Tags are also securely stored: prior to issuance, iTSCi tags are kept in a secure box which is secured by two padlocks. The key for one padlock is held by the tag manager, while the key for the other is held by the head of security

Transportation is undertaken by Bollore and accompanying security. Ore is transported in 500 kg sacks with accompanying documentation and tags. All RML's production is sold directly to one iTSCi participating client based in Asia. When sufficient cassiterite is ready for export, all tags are placed in a packet, which is inserted inside the relevant sacks, and they are then taken by road to Dar-es-Salaam for onward shipping to Asia by sea. Each shipment is accompanied by an iTSCi 'C2' Exporter Declaration Form which includes data concerning the shipper, the trader, the end smelter, company lot numbers, iTSCi shipment numbers, taxation payments, bills of lading and invoices.

The audit was carried out against the ICGLR Regional Certification Mechanism Audit Manual. For the purposes of this audit, the scope is considered under the terms of the ICGLR Regional Certification Mechanism to be industrial mining as per Section 4a of the Appendices to the ICGLR Certification Manual.

c. Auditor

i. Audit Firm

Martello Risk Ltd.

ii. Lead Auditor

Dr. Caspar Fithen

2. Scope of audit

a. Methodology (provide a general description of methodology)

Martello Risk conducted a thorough literature review of existing, open-source material concerning RML. A total of 24 documents were examined as part of the pre-audit planning process covering not only those relating to previous audits of RML, but also baseline assessments of Rwanda and broader policy documents covering gold and 3T supply chain control for the Great Lakes Region. This review underpinned a comprehensive risk assessment which formed the foundation of the mine site inspection strategy and qualitative and quantitative data collection for the purpose of assessing conformance to both ICGLR status and progress criteria.

b. Provide a short overview of what was actually reviewed including: records, operations, mine sites, and other entities that were part of the audit.

QUALITATIVE DATA GATHERING

Supply Chain Site Inspections

In line with the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the ICGLR Regional Certification Mechanism Martello Risk gathered qualitative data pertinent to the audit of the supply chain of RML through interviews with individuals at the following points:

1. EXPORTER

2. TRADE AND TRANSPORTATION

3. MINING

QUANTITATIVE DATA GATHERING

In line with the ICGLR Certification Manual, that “auditors shall inspect a large enough percentage of the records in order to justify general conclusions about the totality of the record set”. Specifically, Martello Risk inspected the entire data set for production, tagging and shipping for the 12 months prior to the audit. Martello Risk conducted representative sampling of records at the following points along the supply chain.

1. EXPORTER

- a. Operations**
- b. Personnel**
- c. Contracts**

- d. Authorities
- e. Material & Financial Accounting

2. MINE SITES

- a. Mine-site Operator
- b. Due Diligence
- c. Personnel
- d. Contracts
- e. Authorities
- f. Financial and Material Accounting

3. Findings (flag status)

- a. Mine sites and trade routes

Summary Table of conformance to RCM status criteria

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	COMMUNITY DEVELOPMENT

Summary Table of conformance to RCM progress criteria

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	COMMUNITY DEVELOPMENT

b. Exporter Requirements

RECORDS	TAXES	CASH PURCHASES	BRIBES	HUMAN RIGHTS	CONFLICT	PUBLIC or PRIVATE SECURITY	CHAIN of CUSTODY	DATA	OWNERSHIP

4. Conclusion

Based on the evidence made available to the audit team, RML has undertaken best efforts to comply with all audit criteria.

Therefore, based on the scope and findings of the audit, the locations visited, the actors consulted and the processes reviewed, RML has demonstrated a level of conformance with the Audit Criteria that is consistent with a green flag.