

FLEURETTE GROUP PRESS STATEMENT [RELEVANT EXTRACTS]

Fleurette Group rejects Global Witnesses' inaccurate and misleading KCC report

- Global Witness' statement implies that KCC royalties were worth \$880m to Fleurette. This is entirely wrong and reflects poor understanding of basic business and valuation principles.
- Independent international financial institutions advised both sides, and the transaction was priced in accordance with the valuations provided to the parties.
- Although publicly available, Global Witness have omitted information that hugely impacts the assessment of value for the KCC Royalty, most importantly that AHIL's royalty right will fall away in early 2019.
- The transaction ultimately resulted in Gécamines safeguarding value for the DRC economy and Fleurette making a considerable loss due to the subsequent collapse in commodity prices and suspension of KCC's operations. Fleurette recognizes this as inherent industry risk in the mining sector.

Unfortunately for AHIL and KCC, the project ceased production in September 2015. AHIL does not expect to receive any more royalties, and will have suffered a huge loss as a result – as royalties paid up to this point were far less than the amount AHIL paid for the royalties. This is an example of how industry risk can play a major part in the life of a DRC project in addition to the broader risks associated with operating in a country like the DRC.

Fleurette Group wholeheartedly disputes the allegations by Global Witness that the DRC economy has somehow lost money through the sale of the KCC royalty stream. The transaction between Africa Horizons Investment Limited ("AHIL" - which is a 100% Fleurette subsidiary) and Gécamines regarding KCC is an example of a deal where Fleurette has lost a significant amount money and with hindsight, Gécamines negotiated a highly lucrative transaction to the benefit of the DRC.

Global Witness' implication that the royalties were worth \$880m shows a lack of understanding of the most basic business and valuation principles:

- Even though Golder Associates [author of the Independent Technical Report of March 2012] provide a very conservative 10% discount factor to the royalty cashflow streams they expected to be generated by the KCC project, Global Witness applied 0% discount when expressing the worth of the royalty stream in their statement. If they had applied an industry-standard 15% discount factor, the cashflow they misleadingly referred to would have determined a \$245m valuation for the royalty right until 2030. (As mentioned, that itself is wrong because the right lapses in early 2019).
- Global Witness... omitted the annual rental deduction of \$1.2m from their calculation and 10% withholding tax on royalties (again, publicly available information).

KCC carried out its own verification, taking reasonable measures in accordance with its procedures to satisfy itself the sale was authorized by Gécamines and that there was an underlying basis for the sale.

A spokesman for Fleurette said: "In essence, this was a good deal by Gécamines, independently verified by multiple stakeholders, which safeguarded value for the DRC, but a poor deal for Fleurette.