AN OPEN LETTER: CALL FOR ASSISTANCE

The commodity crisis driving 3T mineral sector away from responsible production

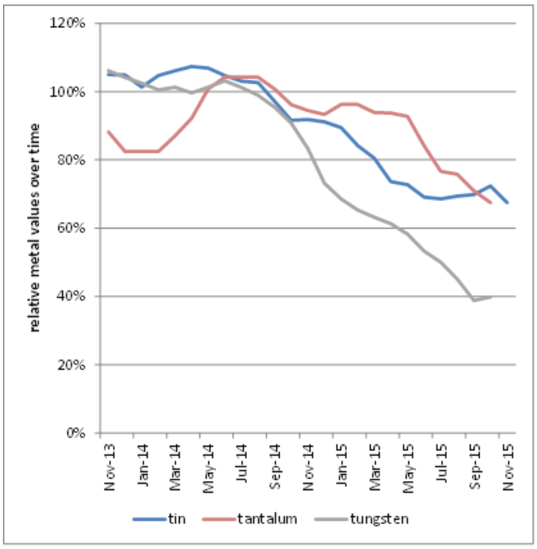
The tin, tantalum and tungsten (3T) mineral sector in the Great Lakes Region, which through concerted international and national effort has made significant progress towards becoming 'conflict free' over the last five years, is at risk of reverting back towards informality due to the steep fall in metal prices throughout 2015 following on weakness in business resulting from Dodd Frank and de-facto embargo over several years.

Such a regrettable setback should not be considered as only a business issue of market dynamics since it would also deal a serious blow to local livelihoods and ongoing efforts towards regional stability. We call for a concerted effort to assist the sector at this most difficult time and request tangible support from those who hold the common objective to break the link between 3T minerals and conflict.

THE MINERAL SECTOR IN CRISIS

From 2011 to 2014, metal and mineral prices generally fell by more than 35%. This led the World Bank[i] to predict in January 2015 that there would be an almost unprecedented further decline across all commodity prices in 2015. This forecast has proved to be accurate as metals prices are now at multiyear lows and continue to drop[ii,iii].

Mining companies everywhere have been facing difficult decisions[iv] leading to inevitable closures of operations. In the copper sector, large-scale operators have cut output but in contrast to the artisanal sector have the financial resources to minimise job losses; for example Glencore has retained 80% of staff at Katanga Mining despite an 18 month suspension of operations[v].



Relative 3T pricing for 2 years to Nov 2015

The Economist[vi] has highlighted that if stock markets had fallen by similar percentages this would be called a global economic crisis and calamity, yet insufficient attention is being paid to the minerals market collapse and its wide-ranging impacts.

COST CUTTING IN THE 3T SECTOR IN THE GREAT LAKES

The commitment of upstream businesses in the 3T sector, their governments and partners, to find solutions to the conflict minerals issue over the last five years has successfully created mechanisms which realise responsible trade. These mechanisms have achieved reduced involvement of armed groups around 3T mines[vii], produced accurate regional trade statistics, as well as ensuring market access for tens of thousands of miners. Although not perfect, these mechanisms have provided a strong basis for improvement and represent hope for the future of the sector. However, the metal price collapse puts the sustainability of those activities in doubt due to the falling value of the supply chain from which any non-essential activity will be cut.

The costs of trading 3Ts in and from the Great Lakes Region are no lower than other artisanal mining areas around the world. Businesses in the region and their customers already face challenges from inadequate infrastructure and the difficult operating environment. Transport times are long, theft is not uncommon, and provision of financing and insurance is challenging, all of which have relatively high cost. In addition, and in contrast to non-African 3T artisanal mining areas not subject to Dodd Frank, businesses in the region have 'conflict mineral' related costs to bear which affect their competitiveness and make them the first to suffer from global market decline.

Low cost production is generally not responsible production. The economic incentive is now for a return to informal trade, non-payment of taxes, and abandoning due diligence in order to secure survival. Due diligence costs will not be considered essential costs if all mineral trades at a similarly low price and there is no business reward to compensate for the substantial extra effort necessary to conform with internationally defined guidance and standards.

It is not possible for upstream business to make partial cuts to activities around due diligence; traceability is of no consequence without risk evaluation and mitigation, and risk management is of no value without reporting and follow up. A minimum standard must be maintained and the choice to be made by upstream business is therefore either to continue to make sufficient effort to apply the recommendations of the OECD guidance as an entirety, or to cut all those costs in their entirety. In current circumstances the latter seems more attractive.

Of course upstream companies can take steps to cut their own costs, and governments may choose to assist business with tax cuts or similar measures, but it is the international community who set expectations for conflict-free minerals, as well as adding to the discussion issues such as improved circumstances of mining and improved control of fraud and smuggling. While the true cost of responsible production is not being paid by consumers these expectations can create unintended negative, rather than positive, effects.

IMPACTS ON RESPONSIBLE SOURCING AND STABILITY

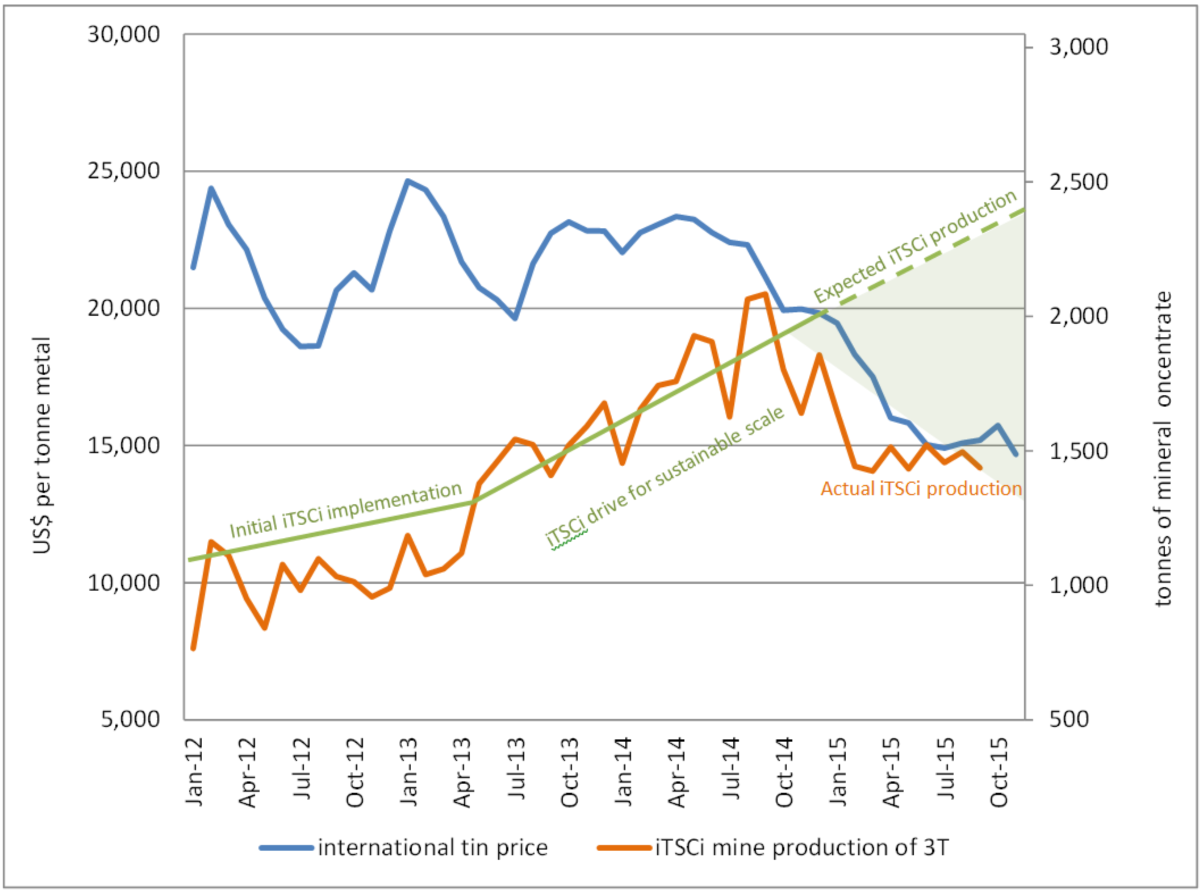
Output in the region has been tumbling in direct relation to metal price, and, as volumes decrease business becomes less worthwhile or simply not possible, in particular for the artisanal operators and small trading companies important in the region who do not have large financial reserves available to await a recovery in prices. This impact is clearly illustrated in the chart below and is especially true in areas such as the Kivus' where the de-facto embargo was long, and to where traceability, due diligence and positive trade is just returning.

As production of 3T minerals in the region continues to drop, the industry supported and government implemented iTSCi Programme, which is sustainably funded on the basis of tonnages and economies of scale also comes under threat of scaling down. There is no business case to maintain implementation in the more remote, insecure, and high risk mining areas, or in areas with low production or high rates of incidents for mitigation – in fact the areas where support and improvement is most vital. Withdrawal of iTSCi or other traceability from those types of areas would de-stabilise the 3T sector in DRC, Rwanda and Burundi and remove opportunity for continued legitimate market access for local miners.

Return to a de-facto embargo and loss of livelihoods for thousands of miners could encourage individuals in higher risk areas of the DRC to re-engage with local armed groups and contribute to increased instability. Other miners will continue to produce at low levels at sites where traceability is no longer present and in some cases will see a potential return of armed group involvement in the mineral trade. This potentially conflict mineral will inevitably still find its way into the international supply chain and into consumer product increasing uncertainty in the downstream side of the supply chain despite auditing efforts.

While gold is also trading at multi-year lows the value still remains significantly higher than for 3T's. Miners in the DRC will continue displacement to the gold sector which offers uncontrolled opportunities for armed groups due to lack of any successful traceability or due diligence activity for that metal.

Governments with a high reliance on the mineral sector who are receiving falling revenues to local and national economies as a result of both falling production, and falling mineral value, are in a similarly challenging situation. Government services who are key partners for implementation may suffer increased risk of staffing cuts or non-payment therefore leading to de-formalisation and reduced governance of their mineral sector.



Price effects on iTSCi mine production from DRC, Rwanda and Burundi

This chart demonstrates the impact of falling metal price on volumes of mineral produced by artisanal miners. Data for total 3T production from iTSCi mines is shown together with the tin price as the reference since this is readily available international commodity data. However, the value of each of the 3Ts has fallen over a similar period and has similar impacts on production.

CALL FOR ASSISTANCE

Experts agree that recovery in commodity prices will not be immediate or rapid. It is therefore critical, if responsible mineral trade in 3T's is to continue on the current widespread basis, for industry due diligence costs to be externally supported by others outside the upstream supply chain for the coming year.

As an example, the iTSCi Programme has always operated on limited budgets below anticipated in original planning, yet still achieving significant results[viii]. Upstream industry has contributed the vast majority of funding, averaging 81% over the past 5 years, but is not currently in a position to sustain adequate financing despite a number of increased efficiencies being put in place such as re-allocation of staff according to risk, postponement of training and equipment purchase, cuts to travel budgets, data technology development work and so on. Contributions from donors and downstream to all activities have been 16% and 2% respectively over the same period.

- **We encourage those governments who have, or plan to introduce, regulations on reporting or import of 'conflict minerals' to support the control and improvement of the sector at source with local involvement through support to traceability and due diligence programmes and Government partners.**

- **We encourage downstream manufacturing companies - at a time when falling prices are to their benefit - to invest in and support the upstream sector and their traceability and due diligence programmes to tackle conflict mineral issues at source before reaching or impacting smelters or their customers.**

- **We encourage donors to redouble efforts to assist government agencies in the region to ensure their continued ability to support traceability and their related programmes to achieve the long term goal of improved governance.**

In areas from where iTSCi, traceability and due diligence programmes risk being withdrawn it would take substantial time and investment to restart should the financial climate become more favourable. With additional support we can prevent that set-back and, instead, allow the 3Ts sector of the Region to survive this current risk of collapse.

December 2015

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The iTSCi Programme represents ~270 industry members in the upstream 3T supply chain, their customers, and all major 3T smelters. Many are listed below although not all are currently active. They are located across 35 countries, including Burundi, Democratic Republic of the Congo and Rwanda.

A&M Group Ltd
A.D Trade International Ltd
A.R. Minerals and Mining
Advanced Material Japan Corporation
Advanced Material Trading Pte Ltd
Africa Smelting Corporation
African Minerals Sarl
African Panther Resources
African Speciality Metals
African Tantalite Mining (Burundi)
Alford International Ltd
Alliance Minière du Congo AMC
Alseir Marketing Ltd
Andre Mining Sarl
Ares Group SPRL
Asia Tungsten Products Co., Limited
Asia Tungsten Products Vietnam Ltd
AVX Corporation
Bantooh, llc
Batton Services (Proprietary) Limited
Belair African Metals Sarl
Best Hope Society Sarl
Blancomet AA Minerals Ltd
Bollore Africa Logistics
Bollore Africa Logistics Burundi S.A
Bollore Africa Logistics Rwanda Ltd
Bollore Africa Logistics Tanzania Limited
Bollore Africa Logistics Uganda Ltd
Boss Mining Solution Ltd
BPA Soluciones Tecnologicas Avanzadas de Gestion, S.L.
Britcon Company Sarl
BTG Pactual Commodities Pte Ltd
Bugambira Mines Ltd
Camis Sarl
Camscorp Limited
Carlton Promotions L.P
Ceprodev Sprl
Chemaf Sprl (Chemicals of Africa Sprl)
China Railway Resources Trading Co., Ltd
Chivine Resources, Inc
CIE Sprl (Concorde Mining)
Circle Way Trading (PTY) Ltd
CMS Ltd
CNMNC Africa Company Limited
CNMNC Rwanda Company Ltd
COMBEAK (Coopérative Minière)
Crown Mining SARL
Customer Experience Management Ltd
Demayer Continental Ltd
Denis Coopérative Mining
DFSA Mining Congo 'DMC'
Duoluoshan Sapphire Rare Materials Co Ltd
East Rise Corporation Ltd
Etoile D'Orient "ETO" Sprl
Ets Amur
Ets Bakulikira-Nguma
Ets Gaferege (Ets GD Ltd)
ETS Rica (Erica)
Ets Kalinda Valence
Ets Munsad (Goma)
Ets Munsad Minerals
Eurotrade International Sarl
Excellent Mining Company Ltd
F&X Electro-Materials Ltd
Fédération des Coopératives Minières Au Rwanda (FECOMIRWA)
Fédération des Coopératives Minières Du Maniema (FECOMIMA)
Furisa Natural Resources
Gisande Trading Ltd
Global Advanced Metals Pty Ltd
Global Agro Products PVT Ltd
Grey Gold SPRL
Group KA Sprl (Group Kalambay)
Guangdong Zhiyuan New Material Co., Ltd.
H&Q Minerals
H.C. Starck Co., Ltd.
H.C. Starck GmbH
H.C. Starck Smelting GmbH & Co KG
Habatu Trading Minerals Ltd
Haipu Resources Limited
Halcyon Inc
Hauling Company Sarl (Haulco Sarl)
HCK Mining Company Ltd
Huaying Trading Company Sarl (HTC)
I.M.A Mines company Ltd
Cronimet Central Africa AG
International Minerals Expert Ltd
Interoil Europe SA
Jimpexx Company Limited
Jiujiang Jin Xin Nonferrous Metals Co Ltd
Jiujiang Tanbre Co Ltd
Kafra Minerals Company Ltd
Platotex Technology Company Limited
PM Trading (International) Limited
R.K.M Golden Rainbow Mining
Radjabu Minerals & Derivatives Ltd
Rash Et Rash Sarl
Remote Resources Ltd.
Rezidence OAZA s.r.o
Rising Star Sarl
Rotax International SARL
Rubamin Sarl
Rutongo Mines Ltd
Rwanda Allied Partners (RAP) Ltd
Rwanda Pure Water Ltd
Rwanda Rudniki Ltd
Rwandan Mineral Resources Ltd
Sak Mining Sarl
Saxmark I Stenungsund AB
Saxmark I Stenungsund AB Ltd
SEAVMC
Shalina Resources Ltd
Sideral Development Inc
Signal Mining Sarl
Sino Kat Tin Sarl
Sino Katanga Tin Sprl
Sizer Metals Pte Ltd
SMB SARL, SOCIÉTÉ MINIÈRE DE BISUNZU
SO.MI.DECO Sarl
Société Africaine Pour Le Développement Minier (SADEM CONGO)
Société Amur Mugote Et Frères Sprl
Société Aurifère Du Kivu Et Du Maniema Sarl (SAKIMA)
Société d'Exploitation Et de Commercialisation des Minerais du Burundi (SECOMIB) s.a
Société Générale De Commerce Sprl (SOGECOM)
Société Minière du Maniema (SOMIMA) sprl
Société Olive Sarl
Société Sicima Congo Sarl
Solidarité Des Occupants Du Sol Pour Le Développement Du Maniema
Specialty Metals Resources
Stapleford Minerals & Metals
Star Dragon Corporation Ltd
Sunrise Metal Company Ltd

COMIAM 'Coopérative Minière et Agricole de Malemba Nkulu
Compass Green Worldwide Sarl (CGW)
Conghua Tantalum & Niobium Smeltery
Congo Jia Xin
Congo Minerals Metals
Congo Mining & Mineral Resources Sprl
Congo Premier
Coopérative Des Artisanaux Du Congo 'CAC'
Coopérative Des Artisanaux Miniers Du Congo (CDMC)
Coopérative des Exploitants Artisanaux Miniers de Masisi (COOPERAMMA)
Coopérative Des Exploitants Miniers Du Congo (CEMICO)
Copérative Des Exploitants Miniers Pour le Développement Intergral (CEMDI)
Coopérative Minière Artisanale Wakutala Wakumona (COMIWA)
Coopérative Minière 'COOPEMAD'
Coopérative Minière Du Graben (COMIGRA)
Coopérative Minière du Tanganika (COMITA)
Coopérative Minière Dunia Tujenge (CMDT)
Coopérative Minière Et Artisanale Du Katanga (COMAKAT)
Coopérative Minière Et De Développement Dikuluwe (CMDD)
Coopérative Minière Et De Développement Du Katanga (COMIDEK)
Coopérative Minière Et Développement Communataire (CMDC) COMINIÈRE
Coopérative Minière LUBI (CML)
Coopérative Minière Pour La Promotion Rurale Du Katanga (COMIPRUK)
Coopérative Minière Pour Le Développement Du Katanga (CMDK)
Coopérative Minière pour le Développement du Lwalaba (COMIDEL)
Coopérative Minière pour le développement Integré du Congo (CMDIC)
Coopérative Minière Tumaini (COMITU)
Coopérative Minière VIMATED (CMV)
Coproco Group Sprl
Kemet de México SA de CV
Kemet Electronics Corporation
KST Trading
La Générale Des Coopératives Minières DU SUD-KIVU (GECOMISKI)
Lunska Ltd
M Metal Sarl
Maison Nikele
Malabar Logistics Sarl
Malaysia Smelting Corporation Berhad
Maniema Gold Sarl
Maniema Mining Company
Manono Minerals (MANOMIN)
MCZ Mining Company Ltd
Met Trade (India) Limited
Metachem Sprl
Metalink International Co Ltd
Metals Investment Inc.
Metmar Trading (PTY) Ltd
Minérales Industries Métallurgiques (MIM SARL)
Minerals Resources International AG
Minerals Supply Africa Ltd
Mines De Developpement (MIDEV)
Mining Mineral Resources (MMR)
Minserve SARL
Mitsui Mining and Smelting Company Limited
Molycorp Silmet AS
MRI Trading AG
Multi Consortium International M.C.I. Sprl
NEMEP Ltd
New Bugarama Mining Company Limited
Ningxia Orient Tantalum Industry Corporation Limited
Noble Resources International Pte Ltd
NordKat Group Sarl
Noviva Ltd
Nowid Limited
Ntarabana Minerals Trading Limited
Opera Mining
Osmin Partners Limited
Pella Rwanda Resources Limited
Philbert Trading Minerals Ltd
Phoenix Metal
Taki Chemical Co Ltd
Tantalium Minerals Trading (TMT) Ltd
Tantalum Mining Company (TAMINCO)
Tawotin Ltd
Tebuka Mineral Processing (TMP) Ltd
Telex Metals LLC
Terra-kara SARL
Thailand Smelting and Refining Co Ltd
TheM Metal Srl
Tinta Mining Limited
TMT Metals AG
Trademet s.a.
Trading Services Logistics Sarl
Trafford Minerals Trading International Sarl
Trafigura Pte Ltd
Trans Mining Logistic Sarl (T.M.L Sarl)
Transamine Trading SA
Transvale Mining Sarl
Travelling Escenografia SA
Traxys Europe S.A
Tromea ® LTD
TSM Entreprise
TWC Minerals Ltd
Ulba Metallurgical Plant JSC
Union Stone Ltd
Uniton Industries Limited
Universe Minerals Trading
Valko Mining Investment Inc
Vietnam Youngsun Tungsten Industry Co Ltd
Vin Metal Synergies (Mauritius) Ltd
Vin Metal Synergies FZCO (VMS)
WAYCOR Ltd
Willem Minerals Company Sprl
Wolfram Bergbau & Hutten AG
Wolfram Mining and Processing
Wolfram Mining and Processing (Burundi)
Worldwide Minerals Supply Ltd
Xiamen Tungsten (H.C) CO., Ltd
Yujin Shoji Ltd
Zhuzhou Cemented Carbide Works Import & Export Company
Zoe Mining Trading & Manufacturing Co Ltd
Zopco SA

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[viii] iTSCi Programme Annual Review https://www.itri.co.uk/index.php?option=com_mtree&task=viewlink&link_id=55336&Itemid=11