

Banro Corporation
Consolidated Financial Statements
For the years ended December 31, 2003 and 2002
(Expressed in U.S. dollars)

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Auditors' Report

To the Shareholders of Banro Corporation

We have audited the consolidated balance sheets of Banro Corporation as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario

February 26, 2004 (Except for Note 13, which is as at March 30, 2004)

Banro Corporation
Consolidated Balance Sheets
(Expressed in U.S. dollars)

December 31	2003	2002
Assets		
Current		
Cash	\$ 938,930	\$ 1,228,005
Accounts receivable and prepaid expenses	12,495	40,571
Amounts due from related parties (Note 7)	50,596	317,108
	1,002,021	1,585,684
Note receivable (Note 2)	216,320	208,000
Investments (Note 3)	1,014,939	930,673
Property, plant and equipment (Note 4)	142,456	111,619
Deferred exploration expenditures (Note 5)	322,690	-
	\$ 2,698,426	\$ 2,835,976

Liabilities and Shareholders' Equity

Current		
Accounts payable	\$ 40,953	\$ 80,902
Amount due to related party	-	4,912
	40,953	85,814
Shareholders' equity		
Share capital (Note 6)	39,469,888	39,173,793
Contributed surplus (Note 6)	502,014	29,816
Deficit	(37,314,429)	(36,453,447)
	2,657,473	2,750,162
	\$ 2,698,426	\$ 2,835,976

On behalf of the Board

(Signed) Arnold T. Kondrat Director

(Signed) Richard J. Lachcik Director

Banro Corporation
Consolidated Statements of Operations and Deficit
(Expressed in U.S. dollars)

For the years ended December 31	2003	2002
Expenses		
Professional fees	\$ 155,293	\$ 234,588
Consulting fees	258,412	356,458
Office and sundry	121,278	127,515
Salary	272,604	185,175
Employee stock based compensation	378,724	-
Travel and promotion	175,894	262,340
Shareholder relations	39,761	83,115
Management fees	34,256	10,286
Interest and bank charges	3,770	2,532
Accounting and secretarial fees	919	818
Amortization	44,031	49,857
Foreign exchange loss (gain)	(356,141)	55,028
	(1,128,801)	(1,367,712)
Interest income	28,543	29,461
Loss from operations	(1,100,258)	(1,338,251)
Share of equity loss of BRC Development	(116,731)	(56,821)
Loss on dilution of interest in BRC Development	(2,899)	-
Loss on disposition of capital asset	-	(10,646)
Loss on deconsolidation of Sakima (Note 1)	(2,551)	-
Recovery of legal fees from lawsuit (Note 10)	361,457	-
Net loss for the year	(860,982)	(1,405,718)
Deficit, beginning of year	(36,453,447)	(35,047,729)
Deficit, end of year	\$ (37,314,429)	\$(36,453,447)
Loss per share (Note 6(e))	\$ (0.09)	\$ (0.15)

Banro Corporation
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

For the years ended December 31	2003	2002
Cash provided by (used in)		
Operating activities		
Net loss for the period	\$ (860,982)	\$ (1,405,718)
Adjustments to reconcile loss to net cash provided by operating activities		
Unrealized foreign exchange gain	(110,854)	(8,791)
Share of equity loss	116,731	56,821
Loss on dilution of interest	2,899	-
Value of options issued (Note 6(d))	472,198	33,705
Amortization	44,031	49,857
Loss on disposition of capital assets	-	10,646
Accrued interest on notes receivable	(8,320)	(8,000)
Changes in non-cash working capital balances		
Accounts receivable and prepaid expenses	28,980	276,262
Accounts payable	(42,912)	(301,248)
	(358,229)	(1,296,466)
Investing activities		
Acquisition of property, plant and equipment	(79,467)	(22,232)
Disposition of property, plant and equipment	-	21,960
Proceeds on amount due from BRC Development	189,574	(547,764)
Deferred exploration expenditures	(318,091)	-
	(207,984)	(548,036)
Financing activities		
Due to/from related parties	(84,004)	(120,794)
Common shares and warrants issued for cash	296,095	3,173,191
	212,091	3,052,397
Foreign exchange gain on cash held in foreign currency	65,047	5,573
Net increase (decrease) in cash during the year	(289,075)	1,213,468
Cash, beginning of year	1,228,005	14,537
Cash, end of year	\$ 938,930	\$ 1,228,005

Banro Corporation
Summary of Significant Accounting Policies
(Expressed in U.S. dollars)

December 31, 2003 and 2002

Nature of Business	Banro Corporation's (the "Company") business focus is in the exploration of mineral properties in the Democratic Republic of the Congo (the "Congo").
Principles of Consolidation	<p>The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary in the United States, Banro American Resources Inc., and its wholly-owned subsidiaries, Banro Congo Mining SARL, Kamituga Mining SARL, Lugushwa Mining SARL, Namoya Mining SARL and Twangiza Mining SARL in the Congo.</p> <p>Up to September 30, 2003, the consolidated financial statements also included the accounts of its 93% owned subsidiary, Société Aurifère du Kivu et du Maniema S.A.R.L. ("Sakima") in the Congo. The Congolese government held the remaining 7% ownership interest of Sakima (Note 1).</p>
Investments	Investments in companies subject to significant influence are accounted for using the equity method. Other long-term investments are accounted for using the cost method.
Property, Plant and Equipment	<p>Property, plant and equipment is recorded at cost. Amortization is recorded as follows:</p> <p>Office furniture and fixtures - 20% declining balance basis Office equipment - Straight line over four years Vehicles - Straight line over four years Leasehold improvements - Straight line over five years</p>

Banro Corporation
Summary of Significant Accounting Policies
(Expressed in U.S. dollars)

December 31, 2003 and 2002

Foreign Currency Translation

These consolidated financial statements are expressed in the functional currency of the Company, United States dollars. For integrated operations, monetary assets and liabilities are translated at the spot rates of exchange in effect at the end of the year; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenues and expense items, except amortization, are translated at average rates of exchange in effect during the year. Realized exchange gains and losses and currency translation adjustments are included in the consolidated statements of operations and deficit.

Deferred Exploration Expenditures

Exploration costs relating to mineral properties and rights are deferred and carried as an asset until the results of the projects are known. As the Company currently has no operational income, any incidental revenues earned in connection with these properties or related exploration activities are applied as a reduction to capitalized exploration costs. If a property is determined to be non-commercial, non-productive or its value is impaired, those costs in excess of estimated recoveries are charged to operations.

Stock Options

The Company has a stock option plan, which is described in Note 6(d). During the year the Company adopted, on a prospective basis, the fair value method of accounting for stock options granted to directors, officers and employees whereby the weighted average fair value of options granted is recorded as a compensation expense in the financial statements. Compensation expense on stock options granted to non-employees is recorded as an expense in the period the options are vested using the fair value method. Any consideration paid by directors, officers, employees and consultants on exercise of stock options or purchases of shares is credited to share capital.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

Financial Instruments

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of its financial instruments approximate their carrying values, unless otherwise noted.

Income Taxes

The asset and liability method is used to determine income taxes. Pursuant to this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Net future income tax losses are offset by valuation allowances to the extent that they are not more likely not to be realized.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

1. Interest in Congolese Subsidiaries

On July 31, 1998 the Company discovered that the government of the Congo, without prior warning or consultation, had issued Presidential decrees purporting to, among other things, (a) dissolve Sakima and (b) terminate the Company's mining convention relating to the Company's mineral properties. The Company disputed the validity of the Congolese government actions and vigorously pursued resolution of the disputes through legal procedures.

On April 18, 2002 the government of the Congo formally signed a settlement agreement with the Company. The agreement calls for, among other things, the Company to hold 100% interest in the Twangiza, Kamituga, Lugushwa and Namoya gold deposits under a revived 30-year mining convention. The government of the Congo will retain 100% of the tin assets. Subsequent to the signing of the settlement agreement the Company filed with the Federal Court in Washington, DC, a notice of dismissal with respect to its legal action against the Congolese government.

On May 30, 2003 the government of the Congo issued Presidential decrees to rescind the July 31, 1998 decrees and to amend the Company's mining convention in accordance with the settlement agreement signed on April 18, 2002.

On September 30, 2003 the Company wound up the operations of Sakima and will transfer all its shares in Sakima to the government of Congo in accordance with the April 18, 2002 settlement agreement after Sakima's title in the gold deposits is transferred to the Company's new wholly-owned subsidiaries.

The Company operates primarily in one operating segment and its assets located in the Congo, including its interests in gold and other mining properties, may be subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities in this country or may result in the impairment or loss of part or all of the Company's interest in the properties.

2. Note Receivable

The note, receivable from a shareholder of the Company, is secured by a pledge of marketable securities with a market value at December 31, 2003 of \$76,425 and bears interest at 4% per annum. The principal and interest accrued thereon is due on November 30, 2004.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

3. Investments

(a) Investment in Nevada Bob's International Inc.

Effective December 31, 2003 the Company entered into an agreement with Nevada Bob's International Inc. (NBI), a franchisor of golf equipment and apparel, in order to purchase 941,255 common shares of NBI at a price of \$0.40 per share or \$376,502 in the aggregate, in order to settle an outstanding debt of NBI to the Company of the equivalent amount. The quoted market value of the shares on December 31, 2003 was \$0.34 per share or \$320,027 in aggregate.

The investment represents 6.55% of outstanding common shares of NBI and is accounted for under the cost method, as management does not have the ability to exercise significant influence over NBI. This investment will continue to be carried at cost and will be written down only when there has been a loss in value which is other than temporary.

(b) Investment in BRC Development Corporation

The Company owns 3,500,000 common shares, representing a 40.30% (2002 – 43.75%) equity interest, in BRC Development Corporation (BRC) with a quoted market value of approximately \$3,509,448 at December 31, 2003 (2002 - \$333,000). On November 29, 2002 the Company acquired, by way of private placement 1,500,000 common shares of BRC at a price of Cdn. \$0.20 per share.

BRC is a corporation formed under the laws of the Province of Ontario whose principal business is the acquisition and exploration of mineral properties.

The Company's investment in BRC is summarized as follows:

	2003	2002
Equity investment, beginning of year	\$ 502,968	\$ 367,024
Acquisitions	-	192,765
	502,968	559,789
Share of equity loss	(116,731)	(56,821)
Loss on dilution of interest	(2,899)	-
Equity investment, end of year	383,338	502,968
Amount due from BRC	255,099	427,705
	\$ 638,437	\$ 930,673

The amount due from BRC is unsecured, non-interest bearing and is due on demand. The fair value of this loan could not be reasonably determined as there is no comparable market data.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

3. Investments (continued)

(b) Investment in BRC Development Corporation (continued)

BRC's summarized audited balance sheet and income statement for the years ended December 31, 2003 and 2002, converted to US \$ at the year end rate of exchange, is as follows:

	2003	2002
Assets		
Current assets	\$ 59,689	\$ 100,360
Investment	1,016,542	1,287,614
Mineral properties	358,309	240,455
Deferred pre-operating costs	17,340	-
Property, plant and equipment	57,879	76,109
	1,509,759	1,704,538
Liabilities		
	378,921	577,582
Net Equity		
	\$ 1,130,838	\$ 1,126,956
Income Statement		
Revenue	\$ 2	\$ 10
Expenses	(340,649)	(150,667)
Write-off of mineral claims	(3,169)	(25,263)
	\$ (343,816)	\$ (175,920)

4. Property, Plant and Equipment

December 31, 2003	Cost	Accumulated Amortization	Net Book Value
Office furniture and fixtures	\$ 18,254	\$ 12,162	\$ 6,092
Office equipment	114,390	59,235	55,155
Vehicle	47,145	2,947	44,198
Leasehold improvement	105,746	68,735	37,011
	\$ 285,535	\$ 143,079	\$ 142,456

Banro Corporation
Notes to Consolidated Financial Statements
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December 31, 2003 and 2002

4. Property, Plant and Equipment (continued)

December 31, 2002	Cost	Accumulated Amortization	Net Book Value
Office furniture and fixtures	\$ 18,254	\$ 10,775	\$ 7,479
Office equipment	103,019	57,039	45,980
Leasehold improvement	105,746	47,586	58,160
	<u>\$ 227,019</u>	<u>\$ 115,400</u>	<u>\$ 111,619</u>

5. Deferred Exploration Expenditures

Deferred Exploration

	2003	Cumulative from inception in April 1994
Exploration cost	\$ 318,091	\$ 16,476,171
Amortization	4,599	35,450
Net expenditure	322,690	16,511,621
Effect of exchange rate change	-	2,511
	322,690	16,514,132
Write-off	-	(16,191,442)
Balance, end of period	\$ 322,690	\$ 322,690

Banro Corporation
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(Expressed in U.S. dollars)

December 31, 2003 and 2002

5. Deferred Exploration Expenditures (continued)

Mineral rights

		2003	Cumulative from inception in April 1994
Mineral rights	\$	-	\$ 9,681,194
Write-off		-	(9,681,194)
Balance, end of period	\$	-	-

Because of the events referred to in Note 1, the mineral rights and deferred exploration expenditures were written off in 2000. For the period ended December 31, 2002 the Company did not capitalize any costs related to the Congo mineral properties.

6. Share Capital

(a) Authorized Share Capital

Unlimited number of common shares
Unlimited number of preference shares, issuable in series

(b) Issued Share Capital - Common Shares

	2003		2002	
	Number of Shares	Amount	Number of Shares	Amount
Balance –				
Beginning of period	9,886,594	\$ 39,173,793	7,472,844	\$ 35,996,713
Exercise of stock options	41,250	23,017	38,750	22,710
Exercise of warrants	500,000	273,078	425,000	125,502
Issued during the period	-	-	1,950,000	3,028,868
Balance – End of period	10,427,844	\$ 39,469,888	9,886,594	\$ 39,173,793

(i) On January 24, 2002, the Company issued by way of a non-brokered private placement 350,000 units of the Company at a price of Cdn. \$0.70 per unit for cash proceeds of Cdn. \$245,000 (US \$152,886). Each unit consists of one common share of the Company and one non-transferable warrant. Each such warrant entitles the holder thereof to purchase one common share of the Company at a price of Cdn. \$0.80 for a period of two years.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

6. Share Capital - (continued)

- (ii) On March 25, 2002, the Company completed a non-brokered arm's length private placement of 500,000 common shares of the Company at a price of Cdn. \$1.30 per share for cash proceeds of Cdn. \$650,000 (US \$408,703).
- (ii) On April 22, 2002, the Company completed a non-brokered arm's length private placement of 100,000 units of the Company at a price of Cdn. \$1.50 per unit for cash proceeds of Cdn. \$150,000 (US \$94,067). Each unit consists of one common share of the Company and one non-transferable warrant. Each such warrant entitles the holder thereof to purchase one common share of the Company at a price of Cdn. \$1.80 for a period of two years.
- (iii) On May 21, 2002, the Company completed a non-brokered arm's length private placement of 1,000,000 common shares of the Company at a price of Cdn. \$3.65 per share for cash proceeds of Cdn. \$3,650,000 (US \$2,373,212).

(c) Warrants

The following table summarizes information about warrants outstanding and exercisable at December 31, 2003.

Date of Grant	Number Outstanding	Exercise price Cdn \$	Expiry Date
01/24/02	250,000	\$ 0.80	01/24/04
04/22/02	100,000	\$ 1.80	04/22/04
	<u>350,000</u>		

(d) Stock Options

In 2001, the Company established an incentive Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company to a maximum of 1,900,000 common shares.

Under this Stock Option Plan, options vest 25% immediately at grant date and 25% on each of the three consecutive six-month periods subsequent to the issuance. As at December 31, 2003 the Company had 1,081,500 stock options outstanding to acquire common shares at a weighted-average price of Cdn. \$2.06 per share, expiring at various dates between January 2004 and October 2008.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

6. Share Capital - (continued)

(d) Stock Options - (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

Options outstanding and exercisable							
Date of grant	Number outstanding at 12/31/02	Options granted during the period	Options Exercised, Expired or Forfeited	Number outstanding at 12/31/03	Options Exercisable at 12/31/03	Exercise price Cdn \$	Expiry date
						\$	
01/31/01	396,250	-	21,250	375,000	375,000	0.60	01/31/04
01/31/01	30,000	-	10,000	20,000	20,000	1.00	01/31/04
10/12/01	40,000	-	-	40,000	40,000	0.60	10/12/04
01/08/02	223,000	-	40,000	183,000	183,000	0.80	01/08/07
04/03/02	25,000	-	-	25,000	25,000	1.70	04/03/04
04/26/02	30,000	-	20,000	10,000	10,000	3.30	04/26/04
10/16/03		168,500		168,500	42,125	4.00	10/16/08
10/16/03		60,000		60,000	15,000	4.00	10/16/06
10/29/03		100,000		100,000	25,000	4.11	10/29/08
10/29/03		100,000		100,000	25,000	4.11	10/29/06
	744,250	428,500	91,250	1,081,500	760,125		

2002

The weighted average grant-date fair value of 178,000 stock options granted to employees, directors and officers during 2002 was \$58,822. No compensation cost was recognized in the income statement for these stock options. Had the fair value of these options been expensed, the loss for the year would be \$1,464,540 and the loss per share would be \$0.16.

During 2002, the Company issued a total of 110,000 stock options to consultants and other service providers, of which 10,000 were exercised on January 26, 2002 and 45,000 were exercisable as at December 31, 2002. The weighted average grant-date fair value of these vested stock options was \$33,705. This amount was recognized in the income statement as an expense and was credited accordingly to options in the balance sheet.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

6. Share Capital - (continued)

(d) Stock Options - (continued)

2003

As at December 31, 2003, the weighted average grant-date fair value of 158,625 vested stock options granted to employees, directors and officers was \$378,724. This amount was recognized in the income statement as an expense and was credited accordingly to contributed surplus in the balance sheet.

During the year ended December 31, 2003, a total of 72,500 stock options previously issued to consultants and other service providers vested. The weighted average grant-date fair value of these vested stock options was \$93,474. This amount was recognized in the income statement as an expense and was credited accordingly to options in the balance sheet. During the year a total of 50,000 options previously granted to consultants were cancelled. Accordingly an amount of \$16,986 relating to these options was transferred to contributed surplus.

The Black-Scholes option-pricing model was used to estimate values of all stock options granted during the year based on the following weighted average information:

- (i) risk-free interest rate: 2.54% (2002 – 2.54%)
- (ii) expected volatility: 118% (2002 – 124%)
- (iii) expected life: 3.74 years (2002 – 4.38 years)
- (iv) expected dividends: \$Nil (2002 - \$Nil)

(e) Earnings (Loss) per Share

Earnings (loss) per share was calculated on the basis of the weighted average number of common shares outstanding for the year ended December 31, 2003, amounting to 9,918,786 (2002 – 9,183,681) common shares.

Fully diluted earnings (loss) per share have not been presented since the exercise of the options and warrants would be anti-dilutive.

(f) Contributed Surplus

	2003	2002
Stock option compensation	\$ 502,014	\$ 29,816

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

7. Related Party Transactions

(a) Due from Related Parties

This amount represents advances of \$50,596 (2002 - \$101,393) due from employees of the Company and advances due from corporations whose directors are also directors of the Company of \$nil (2002 - \$215,715).

Included in accounts payable is an amount of \$3,018 due to a corporation whose director and sole shareholder is a director of the Company.

Amounts due from related parties are unsecured, non-interest-bearing and repayable upon demand.

(b) Other Transactions

During the year ended December 31, 2003, a corporation wholly-owned by a director of the Company incurred office and general expenses on behalf of the Company and two other affiliated corporations. The Company's share of these expenses amounted to \$70,733 (2002 - \$53,986).

Management fees of \$34,256 (2002 - \$10,286) were paid to directors of the Company.

Legal fees of \$78,047 (2002 - \$98,442) were paid to a law firm of which two partners are also directors of the Company.

These transactions are in the normal course of operations and are measured at the exchange value.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

8. Income Taxes

The Company's income tax provision (recovery) for the year ended December 31, 2003 and 2002 have been calculated as follows:

	<u>2003</u>	<u>2002</u>
Net loss for the year	\$ 860,982	\$ 1,405,718
Combined federal and provincial income tax rates	36.62%	38.62%
Income tax recovery at Canadian federal and provincial statutory rates	\$ (315,292)	\$ (542,888)
Losses of subsidiaries not taken for tax	10,817	10,295
Non deductible amounts expensed	79,427	43,487
Losses expired	448,949	123,438
Change in tax rate	34,973	307,381
Change in valuation allowance	(258,874)	58,287
	\$ -	\$ -

The Company's future income tax assets and liabilities at December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Property, plant and equipment	\$ 35,798	\$ 20,169
Other	(4,187)	-
Non-capital losses carried forward	2,044,479	2,314,795
Net future tax asset before valuation allowance	2,076,090	2,334,964
Valuation allowance	(2,076,090)	(2,334,964)
Net future tax asset	\$ -	\$ -

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)

December 31, 2003 and 2002

8. Income Taxes - (continued)

As at December 31, 2003, the Company has available tax losses for Canadian income tax purpose that may be carried forward to reduce taxable income derived in future years. A summary of these losses is provided below. These losses will expire as follows:

2004	\$ 512,344
2005	1,204,046
2006	603,108
2007	633,293
2008	781,825
2009	1,343,572
2010	582,058
	<hr/>
	\$ 5,660,246

A valuation allowance has been recorded to offset the potential benefits of these carry-forward non-capital losses and deductible temporary differences in these consolidated financial statements as the realization thereof is not considered more likely than not. In addition, the Company had capital losses of \$28,318,924 (2002 - \$23,387,988) which could be used to offset capital gains in future tax periods.

9. Lease Commitments

The Company's future minimum lease commitments for office premises as at December 31, 2003 for the following two years are as follows:

2004	\$ 108,328
2005	72,219

This cost is shared equally with a related company.

10. Recovery of Legal Fees

During the year the Company received an amount relating to a court award in a legal case over the ownership of metals inventory.

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December 31, 2003 and 2002

11. Contingent Liability

In March 1999, a Congolese court ruled against Sakima in connection with a claim filed by a South African company for payment of mining consumables supplied to a predecessor company. The claim is in the amount of \$537,224 plus \$300,000 in damages. There is some uncertainty surrounding the claim and the execution of the judgment at this time. Management does not believe that a liability exists and is pursuing rectification of the judgment in the Congolese Supreme Court. No provision has been made in these financial statements for this claim.

12. Segmented Reporting

The Company has one operating segment: the acquisition, exploration and development of precious metal projects located principally in the Democratic Republic of the Congo.

Geographic segmentation of capital assets and deferred exploration costs is as follows:

	<u>2003</u>	<u>2002</u>
Democratic Republic of the Congo – deferred exploration costs	\$ 322,690	\$ -
Democratic Republic of the Congo – capital assets	68,983	-
Canada – capital assets	73,473	111,619
	<u>\$ 465,146</u>	<u>\$ 111,619</u>

13. Subsequent Events

(a) Stock Options

Subsequent to the year end, the Company granted 800,000 additional stock options to acquire common shares of the Company at exercise prices ranging from Cdn. \$6.00 to Cdn. \$8.20 per share expiring between January 21, 2009 and March 16, 2009.

(b) Investment in BRC Development Corporation

On March 10, 2004 the Company completed a debt settlement transaction with BRC Development Corporation (BRC). Pursuant to this transaction, the Company purchased 244,032 common shares of BRC at a price of Cdn. \$1.35 per share, or Cdn. \$329,443 in aggregate in order to settle an outstanding debt of the equivalent amount. The Company now owns a total of 3,744,032 common shares representing 41.88% of the issued and outstanding shares of BRC.

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13. Subsequent Events (continued)

(c) Financing

On March 30, 2004, the Company completed a private placement (the "Offering") of 2,000,000 common shares at Cdn. \$8.00 per share for gross proceeds of Cdn. \$16,000,000 (US\$ 11,979,203). The net proceeds of the financing will be used to advance the Company's projects in the Democratic Republic of the Congo located within the Twangiza – Namoya gold belt and for general corporate purposes.

Kingsdale Capital Markets Inc. and Kingsdale Capital Partners Inc. (collectively, the "Agent") acted as the Company's agent in connection with the Offering. In consideration for its services, the Company paid to the Agent a cash fee equal to 6% of the gross proceeds of the Offering and issued to the Agent 120,000 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$8.00 per share for a period of one year.