

## ***Miner's patience pays off***

**Barry Critchley**, Financial Post

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In June, elections will be held in the Democratic Republic of the Congo - a significant event because it represents the first time in that country's history that all the people will have a chance to select their representatives.

For one Canadian, Arnold Kondrat, the elections for both DRC's parliamentarians and its president will be further evidence "that the country has come a long way" and add credence to his decision, made a decade ago, to invest in the country.

Kondrat is the founder and former president and chief executive of Banro Corp., a Canadian-based gold exploration and development company that has been active in the DRC since 1996. He remains Banro's largest individual shareholder with a stake of about three million shares.

Banro's 10 years in that part of the world have been quite a ride.

"It's rewarding now. It hasn't been in the past. It's satisfying to see the plan come about. The [good] markets have allowed us to raise considerable amounts of capital," Kondrat said.

"It's a survivor story. Five years later we end up back on top," said Kondrat, who has met the current president, Joseph Kabila, on many occasions. "He is a good guy, he listens to advice. He has some good advisors around him and he has guided the country toward peace and stability. He has done a commendable job."

Kondrat said the key change in Banro's fortunes was Kabila becoming president in 2003. "He changed his Cabinet, brought in some technocrats that enabled him to make judgment calls based on common sense."

Since then, Banro has returned to its exploration and development activities, which will mean spending \$20-million this year. "The resources are there. We are firming them up and expanding the resource," he said, adding the

ultimate plan is to develop the projects through joint ventures, to develop them itself or to sell the projects.

While the future looks rosy, it was not always the case - which required Kondrat to keep the faith. "The deposits were so large and so vast that you can't ignore these types of opportunities. As I have said on many occasions, 'You have to go where the gold is.' And you have to go to more difficult areas to find it."

And for those shareholders who stuck with Banro, the returns have also been impressive. Over the five years-plus to Feb. 28, 2006, Banro has posted an annual average compound return of 110.5%, compared with 6.46% for the S&P/TSX composite index. Over a longer period, the stock is back to where it was in early 1998.

In a recent report, RBC Capital Markets in London posted an "outperform" rating on the stock with a \$16.50 price target. RBC also attached a speculative risk label to the company.

Banro's four 100%-owned deposits are home to eight million ounces. Of the eight million, 2.5 million are proven while the rest are inferred. "Back in 1998, we did a drill program to prove up 3.2 million ounces in one deposit," Kondrat said.

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Here is a history of what Banro has been through in the DRC:

- September, 1996. Banro reaches an agreement with Mines D'or Du Zaire (MDDZ) under which Banro would own 72% of Sominki and the government of Zaire the rest. The stake costs Banro \$21-million.
- February, 1997. Banro and the government - then led by President Mobutu, a dictator - reach a 25-year mining agreement.
- July, 1998. The government of Zaire dissolves Banro's 93% owned subsidiary, Sakima (the former Sominki), and terminates the 25-year mining agreement.

At this time, there is a major civil war in the DRC.

- August, 1998. Banro initiates formal arbitration proceedings against the government of the DRC "seeking restitution for the sudden and unlawful expropriation of the company's gold mining concessions in Eastern Congo." Banro's claim was for US\$1-billion.

- September, 2001. Banro files a request for judgment of default against the DRC in the district court in Washington, D.C.
- December, 2001. Banro and the government reach agreement "for the return of the company's assets in the DRC."
- June, 2003. A new government is installed in the DRC.
- November, 2003. Banro reopens an exploration office in the DRC.
- March, 2004. Banro raises \$16-million in capital via the sale of two million shares at \$8 a share. Kingsdale Capital Markets is the agent.
- June, 2004. Peter Cowley is named Banro's president and chief executive. Kondrat becomes executive vice-president.
- March, 2005. Banro lists its shares on the American Stock Exchange.
- June, 2005. Banro raises \$18.375-million via the sale of 2.5 million shares at \$5.25 a share.
- September, 2005. Banro raises \$13-million from the sale of two million shares at \$6.50 a share.
- November, 2005. Banro receives approval to list its shares on the Toronto Stock Exchange.

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