



BANRO CORPORATION

**Consolidated Financial Statements**  
For the years ended December 31, 2008 and 2007

(Expressed in U.S. dollars)

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**Contents**

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<b>Auditors' report</b>	<b>3</b>
<b>Consolidated Financial Statements</b>	
Balance Sheets	<b>4</b>
Statements of Operations and Other Comprehensive Loss	<b>5</b>
Statements of Changes in Shareholders' Equity	<b>6</b>
Statements of Cash Flows	<b>7</b>
Summary of Significant Accounting Policies	<b>8-12</b>
Notes to Financial Statements	<b>13-36</b>

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## Auditors' Report

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### To the Shareholders of Banro Corporation

We have audited the consolidated balance sheets of Banro Corporation as at December 31, 2008 and 2007 and the consolidated statements of operations and other comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). 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, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as at December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), and our report dated March 26, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed) BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
March 26, 2009

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### Comments by Auditors for U.S. Readers on Canada - U.S. Reporting Conflict

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In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when changes in accounting policies, such as those described in the summary of significant accounting policies, has a material effect on the consolidated financial statements. Our report to the shareholders dated March 26, 2009, is expressed in accordance with Canadian reporting standards which do not require a reference to such events and in the auditors' report when these are adequately disclosed in the consolidated financial statements.

(Signed) BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
March 26, 2009

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

	December 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,353,600	\$ 2,167,013
Short term investments (Notes 2 and 12)	-	26,713,091
Accounts receivable and prepaid expenses	361,799	414,572
	2,715,399	29,294,676
<b>Restricted cash</b> (Notes 2 and 12)	5,074,414	3,049,500
<b>Investments</b> (Note 3)	764,145	3,507,960
<b>Property, plant and equipment</b> (Note 4)	828,344	916,880
<b>Deferred exploration expenditures</b> (Note 5)	105,891,819	64,087,344
	\$ 115,274,121	\$ 100,856,360
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable	\$ 4,295,184	\$ 3,597,956
<b>Commitments and guarantees</b> (Notes 8 and 12)		
<b>Shareholders' equity</b>		
Share capital	158,527,626	136,593,491
Contributed surplus	14,761,134	14,000,674
Accumulated other comprehensive income	-	503,570
Deficit	(62,309,823)	(53,839,331)
	110,978,937	97,258,404
	\$ 115,274,121	\$ 100,856,360

On behalf of the Board

(signed) "Michael J. Prinsloo" Director  
Michael J. Prinsloo

(signed) "Arnold T. Kondrat" Director  
Arnold T. Kondrat

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Banro Corporation**  
**Consolidated Statements of Operations and Other Comprehensive Loss**  
**(Expressed in U.S. dollars)**

<b>For the years ended December 31</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Expenses</b>			
Professional fees	\$ 686,249	\$ 626,859	\$ 686,376
Consulting fees	651	43,380	245,435
Office and sundry	894,523	886,407	787,747
Salary	2,101,014	1,653,228	1,306,412
Employee stock based compensation	1,429,438	5,734,295	1,167,062
Travel	557,466	685,306	451,291
Shareholder relations and promotion	454,533	554,805	833,212
Directors fees	115,000	90,000	30,000
Interest and bank charges	25,038	21,398	17,377
Amortization	32,106	24,362	21,520
Foreign exchange loss (gain)	709,115	(3,276,337)	597,605
	<b>(7,005,133)</b>	<b>(7,043,703)</b>	<b>(6,144,037)</b>
<b>Interest income</b>	<b>433,560</b>	<b>2,007,426</b>	<b>1,987,420</b>
<b>Loss from operations</b>	<b>(6,571,573)</b>	<b>(5,036,277)</b>	<b>(4,156,617)</b>
Share of equity loss of BRC DiamondCore Ltd. (Note 3a)	<b>(14,256)</b>	<b>(480,271)</b>	<b>(416,720)</b>
Gain on dilution of interest in BRC DiamondCore Ltd. (Note 3a)	<b>11,363,090</b>	<b>1,124,779</b>	<b>1,514,962</b>
Reduction in value of investment in BRC other than temporary (Note 3a)	<b>(13,247,753)</b>	-	-
Gain on sale of investment in NBI (Note 3(c))	-	9,412	-
Effect of deconsolidation of Loncor (Note 3(b))	-	66,552	-
<b>Net loss for the year</b>	<b>(8,470,492)</b>	<b>(4,315,805)</b>	<b>(3,058,375)</b>
Fair value adjustment on investment available- for-sale	<b>(13,247,753)</b>	-	-
Reduction in value of investment in BRC other than temporary (Note 3a)	<b>13,247,753</b>	-	-
Translation of equity investment with Canadian dollar functional currency to U.S. dollar reporting currency	-	496,286	(16,165)
<b>Net loss and other comprehensive loss for the year</b>	<b>\$(8,470,492)</b>	<b>\$ (3,819,519)</b>	<b>\$ (3,074,540)</b>
<b>Deficit, beginning of the year</b>	<b>\$(53,839,331)</b>	<b>\$(49,523,526)</b>	<b>\$(46,465,151)</b>
Net loss for the year	<b>(8,470,492)</b>	<b>(4,315,805)</b>	<b>(3,058,375)</b>
<b>Deficit, end of year</b>	<b>\$(62,309,823)</b>	<b>\$(53,839,331)</b>	<b>\$(49,523,526)</b>
<b>Loss per share (Note 6(e))</b>	<b>\$ (0.19)</b>	<b>\$ (0.11)</b>	<b>\$ (0.08)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Banro Corporation**

**Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in U.S. dollars)**

	Number of Shares	(Note 6) Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit
December 31, 2005	32,711,688	\$ 77,725,794	\$ 5,407,283	\$ 23,449	\$ (46,465,151)
Share of BRC contributed surplus	-	-	179,759	-	-
Issuance of stock options	-	-	3,228,511	-	-
Options exercised	1,512,949	5,521,674	(1,941,702)	-	-
Issued during the year	4,376,000	46,934,352	-	-	-
Translation of equity investment	-	-	-	(16,165)	-
Net loss for the year	-	-	-	-	(3,058,375)
December 31, 2006	38,600,637	\$ 130,181,820	\$ 6,873,851	\$ 7,284	\$ (49,523,526)
Fair value adjustment on investment available-for-sale on January 1, 2007	-	-	-	(18,825)	-
Share of BRC contributed surplus (Note 3(a))	-	-	333,270	-	-
Issuance of stock options	-	-	9,751,397	-	-
Options exercised	1,259,500	6,411,671	(2,957,844)	-	-
Reversal of fair value upon disposition of investment available-for-sale	-	-	-	18,825	-
Translation of equity investment	-	-	-	496,286	-
Net loss for the year	-	-	-	-	(4,315,805)
December 31, 2007	<b>39,860,137</b>	<b>\$ 136,593,491</b>	<b>\$ 14,000,674</b>	<b>\$ 503,570</b>	<b>\$ (53,839,331)</b>
<b>Transfer to investment for BRC upon loss of significant influence (Note 3a)</b>	-	-	<b>(333,270)</b>	<b>(503,570)</b>	-
<b>Issuance of stock options</b>	-	-	<b>1,924,641</b>	-	-
<b>Options exercised</b>	<b>622,801</b>	<b>3,734,757</b>	<b>(830,911)</b>	-	-
<b>Fair value adjustment on investment available-for-sale</b>	-	-	-	<b>(13,247,753)</b>	-
<b>Reduction in value of investment other than temporary (Note 3a)</b>	-	-	-	<b>13,247,753</b>	-
<b>Issued share capital</b>	<b>12,000,000</b>	<b>21,000,000</b>	-	-	-
<b>Financing costs</b>	-	<b>(2,800,622)</b>	-	-	-
<b>Net loss for the year</b>	-	-	-	-	<b>(8,470,492)</b>
December 31, 2008	<b>52,482,938</b>	<b>\$ 158,527,626</b>	<b>\$ 14,761,134</b>	<b>\$ -</b>	<b>\$ (62,309,823)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

<b>For the years ended December 31</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net loss for the year	<b>\$ (8,470,492)</b>	\$ (4,315,805)	\$ (3,058,375)
Adjustments to reconcile loss to net cash provided by operating activities			
Unrealized foreign exchange loss (gain)	<b>466,550</b>	(6,050,315)	644,293
Share of equity loss	<b>14,256</b>	480,271	416,720
Gain on dilution of interest	<b>(11,363,090)</b>	(1,124,779)	(1,514,962)
Reduction in value of BRC	<b>13,247,753</b>	-	-
Value of options issued (Note 6(d))	<b>1,429,438</b>	5,087,460	1,167,062
Amortization	<b>32,106</b>	24,362	21,520
Gain on disposition of investment in NBI	-	(9,412)	-
Gain on disposition of investment in Loncor	-	(66,552)	-
Changes in non-cash working capital			
Accounts receivable and prepaid expenses	<b>28,097</b>	(135,123)	(148,953)
Accrued interest on short term investments	<b>566,327</b>	172,624	(558,576)
Accounts payable	<b>780,522</b>	738,999	1,437,386
	<b>(3,268,533)</b>	(5,198,270)	(1,593,885)
<b>Investing activities</b>			
Acquisition of property, plant and equipment	<b>(461,182)</b>	(213,108)	(529,722)
Short term investments	<b>25,690,243</b>	13,313,313	(23,949,849)
Change in restricted cash	<b>(2,024,914)</b>	3,049,500	-
Investment and advances to BRC	<b>8,057</b>	(3,739)	387,310
Proceeds on sale of NBI	-	160,013	-
Proceeds on sale and advances (paid) to Loncor	-	413,156	(55,000)
Deferred exploration expenditures (Note 5)	<b>(40,782,093)</b>	(26,027,624)	(19,806,006)
	<b>(17,569,889)</b>	(9,308,489)	(43,953,267)
<b>Financing activities</b>			
Common shares issued and exercise of stock options for cash (net)	<b>21,103,225</b>	4,671,648	50,757,431
<b>Effect of foreign exchange on cash held in foreign currency</b>	<b>(78,216)</b>	6,039,131	(899,223)
<b>Net increase (decrease) in cash during the year</b>	<b>186,587</b>	(3,795,980)	4,311,056
<b>Cash, beginning of year</b>	<b>2,167,013</b>	5,962,993	1,651,937
<b>Cash, end of year</b>	<b>\$2,353,600</b>	\$ 2,167,013	\$ 5,962,993

**Non-cash transactions (Note 11)**

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

**December 31, 2008, 2007 and 2006**

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**Nature of Business**

Banro Corporation's (the "Company") business focus is the exploration of mineral properties in the Democratic Republic of the Congo (the "Congo"). The Company was continued under the *Canada Business Corporations Act* on April 2, 2004. The Company was previously governed by the Ontario *Business Corporations Act*.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated revenues from operations. As such, the Company's ability to continue as a going concern depends on its ability to successfully raise additional financing. Although the Company has been successful in the past in obtaining financing and subsequently raised financing (Note 16), there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

**Principles of Consolidation**

These 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 in the Congo, Banro Congo Mining SARL, Kamituga Mining SARL, Lugushwa Mining SARL, Namoya Mining SARL and Twangiza Mining SARL. All inter-company transactions and balances have been eliminated on consolidation.

**Investments**

Investments in companies subject to significant influence are accounted for using the equity method. Investments in companies where significant influence cannot be exerted are designated as available-for-sale. See Financial Instruments – recognition and measurement for further discussion.

**Property, Plant and Equipment**

Property, plant and equipment is recorded at cost less accumulated amortization. Amortization is recorded as follows:

Furniture and fixtures	- 20% declining balance basis
Office equipment	- Straight line over four years
Vehicles	- Straight line over four years
Communication equipment	- Straight line over four years
Field camps	- Straight line over four years
Surveying equipment	- Straight line over four years
Geochemistry	- Straight line over four years
Field equipment	- Straight line over four years
Leasehold improvements	- Straight line over five years

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

**December 31, 2008, 2007 and 2006**

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**Asset Impairment**

The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value. No impairment losses were warranted or recorded for the years ended December 31, 2008 and 2007.

**Foreign Currency Translation**

These consolidated financial statements are expressed in the functional currency of the Company, United States dollars ("U.S.\$"). The Company's foreign operations are all considered integrated operations and are translated as follows: 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 are translated at average rates of exchange in effect during the year, except for amortization which is translated at its corresponding historical rate. Realized exchange gains and losses are included in the consolidated statements of operations and other comprehensive loss.

**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 written off to operations.

**Stock Options**

The Company has a stock option plan, which is described in Note 6(d). The Company uses the fair value method of accounting for stock options granted to directors, officers and employees whereby the 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 measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. Any consideration paid by directors, officers, employees and consultants on exercise of stock options or purchase of shares is credited to share capital. Shares are issued from treasury upon the exercise of stock options.

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

**December 31, 2008, 2007 and 2006**

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**Asset Retirement Obligations**

The fair value of the liability of an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. The Company has no asset retirement obligations recorded on its balance sheet as at December 31, 2008 and 2007.

**Financial Instruments – recognition and measurement**

Held-for-trading financial instruments which include cash and cash equivalents are initially measured at fair value and changes in fair value are recognized in net income for the period.

Loans and receivables, held-to-maturity financial instruments and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation and impairment write-downs are recognized in net income for the period. The Company's short term investments are classified as held-to maturity. Accounts receivable are classified as loans and receivables while accounts payable are classified as other financial liabilities.

Available-for-sale financial assets, which include the Company's investment in BRC DiamondCore Ltd., are recorded at fair value, with unrealized changes in fair value recorded in other comprehensive income (loss) except for losses in value that are considered other than temporary. Impairment losses that are considered other than temporary were recorded in the statement of operations in the year the impairment occurs.

**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 substantially 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 substantive enactment date. Net future income tax assets are offset by valuation allowances to the extent that they are not more likely not to be realized.

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

**December 31, 2008, 2007 and 2006**

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**Loss per Share**

Loss per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings per share is calculated using the treasury method. The treasury method, which assumes that outstanding stock options with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period.

**Use of Estimates**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require 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. Significant estimates and assumptions include those related to the recoverability of deferred exploration expenditures and assessment of other than temporary declines in investments.

**Variable Interest Entities**

Variable Interest Entities ("VIE's") are consolidated by the Company when it is determined that it will, as the primary beneficiary, absorb the majority of the VIE's expected losses or expected residual returns. The Company currently does not have any VIE's.

**Future Accounting Standards**

*International Financial Reporting Standards ("IFRS")*

In February 2008, the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants ("CICA") confirmed that Canadian Generally Accepted Accounting Principles ("Canadian GAAP") for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 "Inventories" and IAS 38 "Intangible Assets", thus mitigating the impact of adopting IFRS at the mandatory transition date. The Company will monitor changes arising from this convergence and as required by CSA Staff Notice 52-320.

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

**December 31, 2008, 2007 and 2006**

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*Goodwill and intangible assets*

In February 2008, the CICA issued accounting standard Section 3064, *Goodwill and intangible assets*, replacing Section 3062 *Goodwill and intangible assets* and Section 3450, *Research and development costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The Company does not anticipate the adoption of this standard to have a significant impact on its consolidated financial statements.

**Accounting Changes**

*Capital Disclosures*

In February 2007, the CICA issued accounting standard Section 1535, *Capital Disclosures* which is effective for fiscal years beginning on or after October 1, 2007. Section 1535 requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Company adopted this standard commencing in the 2008 fiscal year. See Note 14 for additional details.

*Financial Instruments – Disclosure and Presentation*

In February 2007, the CICA issued accounting standards Section 3862, *Financial Instruments – Disclosure* and Section 3863, *Financial Instruments – Presentation*, which are effective for fiscal years beginning on or after October 1, 2007. Section 3862 requires financial statement disclosure to enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and at the balance sheet date and how the Company is managing those risks. Also, Section 3863's purpose is to enhance the financial statement's users understanding of the significance of the financial instruments to the Company's financial position, performance and cash flows. The Company adopted this standard in the 2008 fiscal year. See Note 13 for additional details.

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

**December 31, 2008, 2007 and 2006**

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**1. Interest in Congolese Subsidiaries**

The Company operates primarily in one operating segment and its assets located in the Congo, including its interests in gold 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.

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**2. Short Term Investments**

The Company has invested in a Canadian dollar ("Cdn\$") discount note with an interest rate of 1.59%, maturity of January 20, 2009 and a market value of \$1,996,620 (Cdn\$ 2,431,937) (2007 - \$11,275,006, Cdn\$11,176,652). In 2008, the Company had investments in U.S.\$ commercial paper and discount notes of \$nil (2007 - \$18,486,429). An amount of \$1,995,757 (2007 - \$3,049,500) outstanding in short-term investments has been reclassified to restricted cash in the balance sheet (see Note 12).

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**3. Investments**

(a) Investment in BRC DiamondCore Ltd. (formerly BRC Diamond Corporation)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
BRC DiamondCore Ltd.	<u>\$ 764,145</u>	<u>\$ 3,507,960</u>

The Company owns 3,744,032 common shares, representing a 14.35% (December 31, 2007 – 27.43%) equity interest, in BRC DiamondCore Ltd. ("BRC") with a quoted market value of \$768,463 (December 31, 2007 - \$26,438,856). In addition, an amount of \$4,317 was payable to BRC with respect to the Company's share of common expenses in the Congo. The principal business of BRC is the acquisition and exploration of diamond properties. As at December 31, 2008, the Company recognized an unrealized loss of \$13,247,753 to other comprehensive income to adjust the Company's investment in BRC to its fair market value of \$768,463. During the fourth quarter of 2008, the global economic down-turn, the credit crisis and the lack of available financing in the market, collectively resulted in a significant decline in the price of many products and commodities, including rough diamonds. BRC as well as many junior mining companies, particularly in the diamond sector, were severely impacted by the decline in price of commodities which in turn resulted in a significant decline in their stock market values during 2008, including BRC's. As a result, the Company recorded an impairment loss of \$13,247,753 and transferred the full unrealized loss from other comprehensive income to net loss to reflect an other than temporary decline in value.

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

**December 31, 2008, 2007 and 2006**

**3. Investments (continued)**

(a) Investment in BRC DiamondCore Ltd. (formerly BRC Diamond Corporation) (continued)

On February 11, 2008, BRC completed the acquisition of all of the outstanding shares of Diamond Core Resources Limited ("Diamond Core"), a South African diamond exploration company. As the consideration for this acquisition, BRC issued to Diamond Core shareholders one common share of BRC for every 24.5 Diamond Core shares held (subject to the rounding of fractional shares), such that immediately following the completion of the acquisition, BRC had outstanding approximately 25.74 million shares and former Diamond Core shareholders held approximately 47% of BRC's outstanding shares.

As a result of this transaction, the Company's equity interest in BRC was reduced to approximately 14.55% and a dilution gain of \$11,363,090 was recorded. The Company no longer exercises significant influence over the operations of BRC and therefore has reclassified this equity investment as available-for-sale.

Prior to February 11, 2008, the assets and liabilities of BRC are translated into U.S. \$ at the year end rate of exchange for the purpose of incorporation into the Company's consolidated financial statements, using the equity method. Accumulated exchange gains and losses arising from such translation are reported in the consolidated balance sheets under accumulated other comprehensive loss as a separate component of shareholders' equity. As of December 31, 2007, the carrying value of the investment was \$3,504,221. In addition, as at December 31, 2007, an amount of \$3,739 was due from BRC with respect to the Company's share of common expenses in the Congo.

In March 2007, BRC issued, by way of private placement, 1,000,000 of its common shares at a price of Cdn\$5.00 per share for gross proceeds of Cdn\$5,000,000. In addition, during 2007, BRC issued 227,600 common shares, on the exercise of broker warrants and stock options, for gross proceeds of Cdn\$472,560. The Company did not participate in these financings and therefore its equity interest in BRC was reduced to 27.43%. This reduction in equity interest resulted in a dilution gain of \$1,124,779.

In March 2006, BRC issued, by way of private placement, 1,900,000 of its common shares at a price of Cdn\$3.50 per share for gross proceeds of Cdn\$6,650,000. In April 2006, BRC issued 60,000 common shares, on the exercise of broker warrants, at a price of Cdn\$2.50 per share for gross proceeds of Cdn\$150,000. The Company did not participate in these financings and therefore its equity interest in BRC was reduced to 30.14%. This reduction in equity interest resulted in a dilution gain of \$1,514,962.

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

	<u>December 31, 2007</u>
Equity investment, beginning of year	\$ 2,022,873
Share of loss	(480,271)
Gain on dilution of interest	1,124,779
Share of contributed surplus	333,270
Cumulative translation adjustment	<u>503,570</u>
Equity investment, end of year	\$ 3,504,221
Amount due to BRC	<u>3,739</u>
	<u>\$ 3,507,960</u>

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

**December 31, 2008, 2007 and 2006**

**3. Investments (continued)**

(a) Investment in BRC DiamondCore Ltd. (formerly BRC Diamond Corporation) (continued)

BRC's summarized consolidated balance sheet as at December 31, 2007 and income statements for the years ended December 31, 2007 and 2006, converted to U.S. \$ at the year end rate of exchange, are as follows:

	<b>2007</b>
<b>Assets</b>	
Current assets	\$ 1,346,209
Investment	-
Deferred charges	2,052,110
Mineral properties	14,313,184
Property, plant and equipment	598,877
	<b>18,310,380</b>
<b>Liabilities</b>	<b>(5,535,542)</b>
<b>Net Equity</b>	<b>\$ 12,774,838</b>

	<b>2007</b>	<b>2006</b>
<b>Income Statement</b>		
Interest income	\$ -	\$ 336
Expenses	(1,848,313)	(887,642)
Loss on disposition of investment	(15,597)	-
Write-off of mineral claims	(16,440)	(355,531)
<b>Net Loss</b>	<b>\$ (1,880,350)</b>	<b>\$ (1,242,837)</b>

(b) Investment in Loncor Resources Inc.

As at December 31, 2006, the Company owned 2,584,300 common shares, representing a 48.76% equity interest in Loncor Resources Inc. ("Loncor"), a mineral exploration company. On December 21, 2007, the Company sold back to Loncor all of its common shares of Loncor at fair value of Cdn\$258,430. The Company received all amounts due from Loncor in the amount of \$ 413,156.

On March 30, 2006, the Board of Directors of the Company approved the issue of common shares of the then wholly-owned subsidiary, Loncor, to an officer and director of the Company for cash consideration of Cdn\$271,570. This resulted in the Company's equity interest in Loncor being reduced from 100% to 48.76% and the Company no longer controlling this entity. As the Company continued to exercise significant influence over Loncor's operations until its disposal in the current year, it changed the method of accounting for its investment in Loncor from the consolidation method to the equity method.

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

**December 31, 2008, 2007 and 2006**

**3. Investments (continued)**

(b) Investment in Loncor Resources Inc.(continued)

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

	<u>December 31, 2007</u>
Equity investment, beginning of year	\$ 185,705
Share of loss	<u>(100,356)</u>
	85,349
Disposition of investment	<u>(256,156)</u>
Gain on disposition of investment	<u>170,807</u>
Equity investment, end of year	-
Amount due from Loncor	-
	<u>\$ -</u>

Loncor's summarized consolidated balance sheet as at December 31, 2007 and income statement for the years ended December 31, 2007 and 2006 are as follows:

	<u>December 31, 2007</u>
<b>Assets</b>	
Current assets	\$ 57,067
Mineral properties	2,088,177
Property, plant and equipment	<u>1,737</u>
	<u>2,146,981</u>
<b>Liabilities</b>	<u>(2,176,348)</u>
<b>Net Deficiency</b>	<u>\$ (29,367)</u>

	<u>December 31,</u>	<u>December 31,</u>
	<u>2007</u>	<u>2006</u>
<b>Income Statement</b>		
Interest income	\$ -	\$ 18
Expenses	<u>(1,497,283)</u>	<u>(363,528)</u>
Charges capitalized to mineral properties	<u>1,291,467</u>	<u>303,447</u>
<b>Net Loss</b>	<u>\$ (205,816)</u>	<u>\$ (60,063)</u>

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

**December 31, 2008, 2007 and 2006**

**3. Investments (continued)**

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

As at December 31, 2006, the investment in Nevada Bob's International Inc. ("NBI"), a licensor of certain golf equipment and apparel trademarks, represented 4.67% of the outstanding common shares of NBI and was accounted for under the cost method and was written down only when there was an other than temporary loss in value.

On January 1, 2007, the Company designated this investment as available-for-sale and was therefore re-valued at fair value of \$160,013, resulting in the recognition of an unrealized loss on adoption of \$18,825.

During 2007, this investment was sold for \$160,013 which resulted in a realized gain of \$9,412 and moved out of accumulated other comprehensive loss.

**4. Property, Plant and Equipment**

<b>December 31, 2008</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Furniture and fixtures	\$ 202,882	\$ 80,114	\$122,768
Office equipment	541,397	402,590	138,807
Vehicles	951,011	718,744	232,267
Communication equipment	93,343	56,337	37,006
Field camps	600,544	411,117	189,427
Surveying equipment	106,780	79,303	27,477
Geochemistry	186,856	136,778	50,078
Field equipment	32,011	19,813	12,198
Leasehold improvement	154,259	135,943	18,316
	<b>\$ 2,869,083</b>	<b>\$ 2,040,739</b>	<b>\$828,344</b>

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 167,656	\$ 52,781	\$ 114,875
Office equipment	474,300	317,463	156,837
Vehicles	772,716	519,335	253,381
Communication equipment	59,417	36,756	22,661
Field camps	488,104	278,880	209,224
Surveying equipment	90,057	55,663	34,394
Geochemistry	171,170	92,627	78,543
Field equipment	32,011	11,810	20,201
Leasehold improvement	152,470	125,706	26,764
	<b>\$ 2,407,901</b>	<b>\$ 1,491,021</b>	<b>\$ 916,880</b>

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

**December 31, 2008, 2007 and 2006**

**5. Deferred Exploration Expenditures**

**a) Deferred Exploration Expenditures**

	Year ended December 31, 2008	Year ended December 31, 2007	Cumulative from inception in April 1994 to December 31, 2008
Exploration costs	\$40,791,660	\$ 26,027,624	\$ 113,693,270
Stock option compensation expense	495,203	3,446,115	6,927,529
Amortization of plant and equipment	517,612	481,495	1,772,078
Deconsolidation of Loncor	-	-	(332,127)
Net expenditures	41,804,475	29,955,234	122,060,750
Effect of exchange rate change	-	-	2,511
	41,804,475	29,955,234	122,063,261
Write-off	-	-	(16,191,442)
	<b>\$41,804,475</b>	<b>\$ 29,955,234</b>	<b>\$ 105,871,819</b>

**b) Mineral Rights**

	Year ended December 31, 2008	Year ended December 31, 2007	Cumulative from inception in April 1994 to December 31, 2008
Mineral rights	\$ -	\$ -	\$ 9,701,194
Write-off	-	-	(9,681,194)
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,000</b>

Mineral rights and deferred exploration expenditures, capitalized prior to fiscal year 2000, were written off in 2000.

Total deferred exploration expenditures, December 31, 2008 **\$ 105,891,819**

Total deferred exploration expenditures, December 31, 2007 **\$ 64,087,344**

Included in total deferred exploration expenditures is a total cost of \$935,452 (2007 - \$213,898) paid by the Company to maintain the Banro Foundation, a charitable organization that promotes social responsibilities of the Company.

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

**December 31, 2008, 2007 and 2006**

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**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

On September 17, 2008, the Company completed a financing involving the issuance of 11,000,000 units of the Company at a price of \$1.75 per unit for gross proceeds of \$19,250,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant (a "Warrant") entitles the holder to purchase one common share of the Company for \$2.20 until September 17, 2011. The underwriters who conducted the financing were RBC Capital Markets as lead manager, CIBC World Markets Inc., UBS Securities Canada Inc. and Raymond James Ltd. In addition, the Company granted to the underwriters an option, exercisable until October 17, 2008, to purchase up to an additional 1,000,000 common shares and 500,000 Warrants at a price of \$1.75 per unit. This option was exercised in full, resulting in the issuance of 1,000,000 common shares and 500,000 Warrants of the Company on September 26, 2008 for gross proceeds of \$1,750,000.

On May 4, 2006, the Company completed a financing involving the issuance of 3,925,000 common shares of the Company at a price of Cdn\$12.80 per share for total gross proceeds of Cdn\$50,240,000. The underwriters who conducted the financing were RBC Capital Markets as lead manager, Raymond James Ltd. and MGI Securities Inc. In addition, the Company granted to the underwriters an option, exercisable for a period of 30 days after the date of closing, to purchase up to 451,000 in additional common shares of the Company at a price of Cdn\$12.80 per share. This option was exercised in full, resulting in the issuance of 451,000 common shares of the Company on May 15, 2006.

(c) Share Purchase Warrants

As at December 31, 2008, the Company had outstanding Warrants to purchase 6,000,000 common shares of the Company at a price of \$2.20 per share until September 17, 2011.

(d) Stock Options

The Company has 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 or any of its subsidiaries.

Under this Stock Option Plan, for options granted prior to January 16, 2006, the options vest 25% immediately at grant date and 25% on each of the three consecutive six-month periods subsequent to the issuance. For options granted after January 16, 2006, 75% vest on the 12 month anniversary of their grant date and the remaining 25% of the options vest on the 18 month anniversary of their grant date. As at December 31, 2008, the Company had 3,524,750 stock options outstanding to acquire common shares at a weighted-average price of Cdn\$9.74 per share, expiring at various dates between February 2009 and October 2013.

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

**December 31, 2008, 2007 and 2006**

**6. Share Capital - (continued)**

(d) Stock Options - (continued)

The following table summarizes information about stock options during the year:

	Number of Options	Weighted average exercise price Cdn\$
Outstanding at December 31, 2005	4,297,000	3.70
Exercised	(1,512,949)	(2.90)
Forfeited	(90,000)	(7.61)
Granted	2,117,000	13.90
Outstanding at December 31, 2006	4,811,051	8.36
Exercised	(1,259,500)	(4.21)
Forfeited	(224,000)	(14.63)
Granted	363,000	12.52
Outstanding at December 31, 2007	3,690,551	9.81
Exercised	<b>(622,801)</b>	<b>(4.70)</b>
Forfeited	<b>(22,500)</b>	<b>(2.00)</b>
Granted	<b>479,500</b>	<b>2.35</b>
Outstanding at December 31, 2008	<b>3,524,750</b>	<b>\$9.74</b>

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

<b>Options outstanding and exercisable</b>				
Date of grant	Number outstanding at 12/31/08	Options Exercisable at 12/31/08	Exercise price Cdn\$	Expiry date
02/03/04	100,000	100,000	3.00	02/03/09
03/16/04	350,000	350,000	4.10	03/16/09
06/24/04	28,000	28,000	4.00	06/22/09
10/06/04	10,000	10,000	4.00	10/06/09
12/14/04	5,000	5,000	4.50	12/14/09
01/21/04	200,000	200,000	3.00	01/21/10
02/11/05	90,000	90,000	4.70	02/10/10
07/19/05	3,750	3,750	5.25	07/19/10
08/31/05	45,000	45,000	6.60	08/31/10
09/09/05	52,500	52,500	6.68	09/09/10
01/25/06	250,000	250,000	11.25	01/25/11
02/06/06	20,000	20,000	11.25	02/06/11
10/24/06	596,000	596,000	13.52	10/24/11
12/18/06	960,000	960,000	15.00	12/18/11
3/29/07	35,000	35,000	15.00	3/29/12
8/24/07	300,000	225,000	12.00	8/24/12
9/26/08	299,500	-	3.10	9/26/13
10/30/08	180,000	-	1.10	10/30/13
	<b>3,524,750</b>	<b>2,970,250</b>		

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

**December 31, 2008, 2007 and 2006**

**6. Share Capital - (continued)**

(d) Stock Options - (continued)

During 2008, the Company recognized in the statement of operations as an expense \$1,429,438 (2007 - \$5,734,295; 2006 - \$1,167,062) representing the fair value at the date of grant of stock options previously granted to employees, directors and officers under the Company's Stock Option Plan. The Company extended by one year to January 21, 2010, the expiry date of 200,000 stock options previously granted to a director of the Company. These options were fully vested as of July 2005. An additional expense of \$36,329 with respect to this modification of the terms of a stock option was calculated in accordance with CICA section 3870.55 and is included in the amount recognized in the statement of operations. The expense reflects the incremental fair value of the options calculated as the difference between the value of the modified options and the value of the old options immediately before their terms were modified. In addition, an amount of \$495,203 (2007 - \$3,446,115; 2006 - \$2,076,385) related to stock options issued to employees of the Company's subsidiaries in the Congo was capitalised as deferred exploration expenditures. These amounts were credited accordingly to contributed surplus in the balance sheet.

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

- (i) risk-free interest rate: 2.02% to 2.83% (2007 - 3.83% to 4.23%; 2006 - 3.83% to 4.08%)
- (ii) expected volatility: 72.22% to 79.84% (2007 - 51.63% to 52.51%; 2006 - 42.91% to 50.92%)
- (iii) expected life: 3 years (2007 - 5 years; 2006 - 3 to 5 years)
- (iv) expected dividends: \$Nil (2007 - \$Nil; 2006 - \$Nil)

A summary of the status of the Company's non-vested options as at December 31, 2008 and changes during the year is presented below:

<b>Non-vested options</b>	<b>Number of Options</b>	<b>Weighted average grant date fair value (Cdn\$)</b>
Non-vested at December 31, 2007	724,000	\$ 6.09
Granted	<b>479,500</b>	<b>1.03</b>
Vested	<b>(649,000)</b>	<b>(6.21)</b>
Non-vested at December 31, 2008	<b>554,500</b>	<b>\$ 1.58</b>

As of December 31, 2008, the Company had authorized 3,728,750 common shares to be issued as stock options, of which 3,524,750 are issued and outstanding.

As of December 31, 2008, there was \$368,118 of unrecognized stock-based compensation cost related to 554,500 non-vested stock options. The cost is expected to be recognized over a weighted average period of approximately 14.4 months.

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

**December 31, 2008, 2007 and 2006**

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**6. Share Capital - (continued)**

(d) Stock Options - (continued)

The total intrinsic value of options exercised in 2008, 2007 and 2006 was \$2,596,828, \$10,298,549 and \$12,215,951, respectively. The aggregate intrinsic value of outstanding and exercisable stock options was negative at December 31, 2008 as the majority of stock options had an exercise price that was greater than their market value, except for 180,000 outstanding options which had an intrinsic value of \$22,167.

The weighted-average-grant date fair value of stock options granted was Cdn\$1.03, Cdn\$5.17 and Cdn\$6.33 as at December 31, 2008, 2007 and 2006, respectively.

The total fair value of shares vested during the years ended December 31, 2008, 2007, 2006 was \$4,032,750, \$8,692,493, and \$843,140, respectively.

Cash received on exercise of stock options during the years ended December 31, 2008, 2007 and 2006 was \$2,903,846, \$5,302,495 and \$4,387,552, respectively.

The number of outstanding options excluded from the diluted loss per share calculation as these would be anti-dilutive, for the years ending December 31, 2008, 2007 and 2006 was 3,524,750, 3,690,551 and 4,811,051, respectively.

(e) Loss per Share

Loss per share was calculated on the basis of the weighted average number of common shares outstanding for the year ended December 31, 2008, amounting to 43,770,280 (2007 – 39,678,835; 2006 – 36,760,302) common shares.

Diluted loss per share has not been presented since the exercise of the stock options and Warrants would be anti-dilutive.

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**7. Related Party Transactions**

Directors fees of \$115,000 (2007 - \$90,000; 2006 – \$30,000) were accrued to non-executive directors of the Company.

Legal fees of \$765,780 (2007 - \$435,942; 2006 – \$608,238), incurred in connection with the Company's financings as well as general corporate matters, were paid to a law firm of which one partner is a director of the Company and another partner is an officer of the Company. At December 31, 2008, \$87,195 (2007 - \$9,551; 2006 – \$20,054) owing to this legal firm was included in accounts payable.

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

The Company acts as a guarantor of a Cdn\$6,000,000 line of credit that RBC Dominion Securities has provided to BRC (see Note 12 for additional information regarding this arrangement).

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

**December 31, 2008, 2007 and 2006**

**8. Lease Commitments**

Rent expense for the years ended December 31, 2008, 2007 and 2006 was \$509,139, \$347,740 and \$51,714, respectively.

The Company's future minimum lease commitments for office premises as at December 31, 2008 for the following two years are as follows:

2009	\$ 291,796
2010	82,972
	<u>\$ 374,768</u>

**9. Segmented Reporting**

The Company has one operating segment: the acquisition, exploration and development of precious metal projects located in the Democratic Republic of the Congo. Geographic segmentation of capital assets and deferred exploration costs is as follows:

	<b>December 31, 2008</b>	December 31, 2007
Democratic Republic of the Congo – deferred exploration costs	<b>\$105,891,819</b>	\$ 64,087,344
Democratic Republic of the Congo – capital assets	<b>753,453</b>	871,577
Canada – capital assets	<b>74,891</b>	45,303
	<b><u>\$106,720,163</u></b>	<b><u>\$ 65,004,224</u></b>

**10. Income Taxes**

The Company's income tax provisions (recovery) for the years ended December 31, 2008, 2007 and 2006 have been calculated as follows:

	<b>2008</b>	2007	2006
Net loss for the year	<b>\$8,470,492</b>	\$ 4,315,805	\$ 3,058,375
Combined federal and provincial income tax rates	<b>33.5%</b>	36.12%	36.12%
Income tax recovery at Canadian federal and provincial statutory rates	<b>\$ (2,837,615)</b>	\$ (1,558,869)	\$ (1,104,685)
Share issue costs	<b>46,013</b>	(285,136)	(262,972)
Foreign tax difference	-	216,172	-
Non deductible amounts expensed	<b>491,455</b>	1,101,166	483,375
Losses expired	<b>1,793,078</b>	323,265	-
Gain on dilution	<b>(3,707,650)</b>	(436,234)	548,078
Change in tax rate	<b>1,457,037</b>	665,476	-
Change in valuation allowance	<b>2,757,682</b>	(25,840)	336,204
	<b>\$ -</b>	\$ -	\$ -

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

**December 31, 2008, 2007 and 2006**

**10. Income Taxes – (continued)**

The nature and tax effect of the temporary differences giving rise to the future income tax assets and liabilities at December 31, 2008 and 2007 are summarized as follows:

	<b>2008</b>	<b>2007</b>
Property, plant and equipment	<b>\$ 46,020</b>	\$ 33,222
Investments	<b>1,900,665</b>	-
Foreign exchange	<b>(915,751)</b>	(2,185,374)
Share issue cost	<b>1,166,196</b>	744,308
Non-capital losses carried forward	<b>4,673,348</b>	5,520,640
	<b>6,870,478</b>	4,112,796
Net future tax asset before valuation allowance		
Valuation allowance	<b>(6,870,478)</b>	(4,112,796)
	<b>\$ -</b>	\$ -
Net future tax asset		

As at December 31, 2008, the Company had estimated net capital losses for Canadian tax purposes of \$38,660,070. These losses do not expire and may be utilized to reduce future taxable capital gains, if any.

As at December 31, 2008, the Company has estimated non-capital losses for Canadian income tax purpose that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below. These tax losses will expire as follows:

2014	290,000
2015	6,400,000
2027	6,100,000
2028	3,200,000
	<b>\$ 15,990,000</b>

A valuation allowance has been recorded to offset the potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences in these consolidated financial statements as the realization thereof is not considered more likely than not.

Banro's subsidiaries in the Congo have no taxable income and will benefit from a 10 year tax holiday from the date of commencement of production. Under U.S. GAAP, exploration expenditures are deducted from income; and they will be deductible for tax purposes in future periods. Based on the expected rate of 30%, the deferred tax assets of approximately \$31,768,000, \$19,226,000 and \$10,240,000 for 2008, 2007 and 2006 respectively have been reduced to \$nil by a corresponding valuation allowance.

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

**December 31, 2008, 2007 and 2006**

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**11. Significant Non-cash Transactions**

During the periods indicated the Company undertook the following significant non-cash transactions:

	<b>Year ended December 31, 2008</b>	Year ended December 31, 2007	Year ended December 31, 2006
Amortization included in deferred exploration expenditures	<b>\$517,612</b>	\$ 481,495	\$ 419,708
Stock option compensation included in deferred exploration expenditures	<b>495,203</b>	3,446,115	2,076,385

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**12. Commitments and Guarantees**

RBC Dominion Securities Inc. (the "Lender") has provided BRC a Cdn\$6,000,000 line of credit (the "Facility"). The Facility was first made available to BRC in October 2007 originally in the amount of Cdn\$3,000,000 and subsequently increased to Cdn\$6,000,000 in February 2008. The Company agreed to act as guarantor of the Facility. The said guarantee is secured by way of a pledge of the Company's investments with the Lender. In connection with the guarantee, the Company and BRC entered into an agreement dated as of October 29, 2007 pursuant to which BRC agreed to repay all amounts outstanding under the Facility and to terminate the Facility by July 28, 2008. BRC has not repaid all amounts outstanding under the Facility. There is currently outstanding under the Facility principal in the amount of Cdn\$5,850,000 (US\$4,802,850) and accrued interest in the amount of Cdn\$330,772 (US\$271,564). BRC is responsible for making interest payments under the Facility. The Company has not assumed these obligations. Although BRC has advised the board of directors of the Company that BRC continues to actively seek to raise the capital and fully expects to repay the Facility, there can be no assurance that BRC will be able to repay the Facility. Until such time as BRC repays the Facility in full and the Facility is terminated, the Company will not be able to use the portion of the investments pledged to the Lender required to fully secure the Facility to fund the Company's operations. An amount of \$5,074,414 (2007 - \$3,049,500) with respect to this guarantee has been classified as restricted cash in the balance sheet. In addition, if BRC is unable to repay the Facility when requested by the Lender and the Company's guarantee is called, the Company will be obligated to pay the amount outstanding under the Facility, which will adversely affect the Company's liquidity and capital resources.

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**13. Financial Instruments and Risk Management**

Fair Value of Financial Instruments

The balance sheet carrying amounts for cash, accounts receivable, short-term investments, restricted cash and accounts payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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

**December 31, 2008, 2007 and 2006**

**13. Financial instruments and risk management (continued)**

Foreign Exchange Risk

Foreign exchange risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions is denominated in Canadian dollars and in Congolese francs. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of operations and other comprehensive loss. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at December 31, 2008. The table below also provides a sensitivity analysis of a 10 percent strengthening of the US dollar against foreign currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10 percent weakening of the US dollar against the same foreign currencies would have had the equal but opposite effect as at December 31, 2008.

	Canadian dollars	Congolese francs	South African rand	British pounds
Cash	407,453	401,889	381,832	-
Short-term investments	2,439,916	-	-	-
Accounts receivable and prepaid expenses	131,395	-	54,177	-
Accounts payable	(659,634)	-	(1,291,586)	(51,023)
<b>Total foreign currency net working capital</b>	<b>2,319,130</b>	<b>401,889</b>	<b>(855,577)</b>	<b>(51,023)</b>
US\$ exchange rate	0.8210	0.0016	0.1059	1.4556
<b>Total foreign currency net working capital in US\$</b>	<b>\$1,904,006</b>	<b>\$643</b>	<b>\$(90,606)</b>	<b>\$(74,269)</b>
Impact of a 10% strengthening of the US\$ on net loss	<b>\$190,401</b>	<b>\$64</b>	<b>\$(9,061)</b>	<b>\$(7,427)</b>
Impact of a 10% strengthening of the US\$ on other comprehensive income	\$ -	\$ -	\$ -	\$ -

Credit Risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and short-term investments. Cash as well as short-term investments are maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

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

**December 31, 2008, 2007 and 2006**

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**13. Financial Instruments and Risk Management (continued)**

Credit Risk (continued)

The Company limits its exposure to credit risk on investments by investing only in securities rated R1 by credit rating agencies such as the DBRS (Dominion Bond Rating Service). Management continuously monitors the fair value of its investments to determine potential credit exposures.

Short-term excess cash is invested in R1 rated investments including money market funds, bankers' acceptances and other highly rated short-term investment instruments. Any credit risk exposure on cash balances is considered negligible as the Company places deposits only with major established banks in the countries in which it carries operations.

The carrying amount of financial assets represents the maximum credit exposure. The Company's gross credit exposure at December 31, 2008 and December 31, 2007 is as follows:

	<b>December 31, 2008</b>	December 31, 2007
Cash	<b>\$2,353,600</b>	\$ 2,167,013
Short-term investments	-	26,713,091
Vendor advances receivable	<b>93,083</b>	90,180
Restricted cash	<b>5,074,414</b>	3,049,500
	<b>\$7,521,097</b>	\$ 32,019,784

Currency Risk

The Company is exposed to currency risk on its financial assets and liabilities denominated on currencies other than the United States dollar. The Company incurs in Canada a significant amount of its operating costs in Canada in Canadian dollars.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient cash to meet its liabilities when they are due. Temporary surplus funds of the Company are invested in short term investments. The Company arranges the portfolio so that securities mature approximately when funds are needed. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

As discussed in note 12, the guarantee provided for BRC will have an impact on the Company's liquidity risk if BRC is unable to meet its obligations with the Lender.

Mineral Property Risks

The Company's operations in the Congo are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's assets.

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

**December 31, 2008, 2007 and 2006**

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**14. Capital Management**

The Company manages its cash, common shares, Warrants and stock options as capital. The Company's policy is to maintain sufficient capital base in order to meet its short term obligations and at the same time preserve investors' confidence required to sustain future development of the business. The Company has deliberately minimized the dilution of shareholder value to date by carefully controlling the issuance of shares and by attracting shareholders who understand the long term value of the business being developed. The Company intends to maintain this approach throughout the development stage of the Company.

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**15. Comparative Figures**

The prior period figures have been reclassified to conform to the current presentation.

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**16. Subsequent Events**

On February 19, 2009, the Company announced that it had closed the issuance and sale of 10,000,000 common shares of the Company at a price of \$1.40 per share for gross proceeds of \$14,000,000 (the "Offering").

The Company intends to use the proceeds of the Offering to further advance the Company's projects in the Congo and for general corporate purposes.

On March 26, 2009, the Company granted 3,175,000 stock options under the Company's Stock Option Plan. The stock options have an exercise price of Cdn\$2.15 and expire on March 26, 2014.

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

**December 31, 2008, 2007 and 2006**

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**17. Generally Accepted Accounting Principles in Canada and the United States**

The Company's accounting policies do not differ materially from accounting principles generally accepted in the United States ("U.S. GAAP") except for the following:

(a) Deferred Exploration Expenditures

U.S. GAAP requires that deferred exploration expenditures pertaining to mineral properties with no proven reserves be reflected as an expense in the period incurred.

(b) Marketable Securities

Prior to 2007, under accounting principles generally accepted in Canada, gains (losses) in shares of public companies are not recognized until investments are sold unless there is deemed to be an impairment of value which is other than temporary. Under U.S. GAAP, such investments are recorded at market value and the unrealized gains and losses are recognized in other comprehensive income unless there is deemed to be an impairment which is other than temporary. Under FAS 115, the Company accounted for the marketable security as available for sale. In 2007 after the adoption of Section 3855 of the CICA Handbook, this investment was also designated as available for sale and no difference remains in the securities.

(c) Investment in BRC

Under U.S. GAAP, the investment in BRC is classified as an equity investment. For U.S. GAAP purposes the equity loss from the investee must be increased by the costs pertaining to mineral properties with no proven reserves. In addition, as the investee is a self sustaining operation, account needs to be made of the cumulative translation adjustment relating to the conversion of the assets and liabilities of the investee into US dollars.

Under Canadian GAAP, if an investor holds less than 20% of the voting interest in an investee, it is presumed that the investor does not have the ability to exercise significant influence, unless such influence is clearly demonstrated. Subsequent to the dilution of the Company's investment in BRC from 27.3% to 14.35%, under Canadian GAAP continued influence could not be clearly demonstrated. Under U.S. GAAP, the SEC staff position does not begin with the presumption that the investor does not have the ability to exercise significant influence and requires all forms of investment to be evaluated in the determination of the degree of influence. In particular, the SEC would consider the guarantee provided to an investee in the early stages of operations to be an indication of the investor effectively funding the investee's losses. Therefore, under U.S. GAAP, taking into consideration SEC staff positions, it was concluded that the Company had not lost significant influence and would continue to account for the investment using the equity method. This investment has been accounted for as an available-for-sale investment under Canadian GAAP subsequent to the loss of significant influence.

Since the loss of significant influence, the information with respect to the Company's share of BRC's loss from operations is reflected on a one quarter lag, and as such the three months ended December 31, 2008 is not available.

Under Canadian GAAP, the dilution gains are recorded in income. Under U.S. GAAP, per SAB Topic 5-H (SEC 4940) because the investee is in the exploration stage, the dilution gains must be included in capital.

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

**December 31, 2008, 2007 and 2006**

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**17. Generally Accepted Accounting Principles in Canada and the United States (continued)**

(d) Financial Instruments and Other Comprehensive Income

Effective January 1, 2007, the Company adopted CICA accounting standards related to Comprehensive Income and Financial Instruments. These accounting statements have been adopted on a prospective basis and prior periods have not been restated. The adoption of these standards in Canada eliminated previous U.S. GAAP reconciliations with respect to the recognition and measurement of financial instruments.

(e) Recently issued United States Accounting Standards

In May 2008, the FASB issued SFAS No. 162, *"The hierarchy of Generally Accepted Accounting Principles"*. This statement identifies the sources of accounting principles and the framework selecting the principles to be used in the preparation of financial statements of non-governmental entities that are presented in conformity with U.S. GAAP. This statement was effective 60 days following the SEC's approval of the PCAOB amendment to AU section 411 "the meaning of Present Fairly in Conformity with GAAP", which occurred in September 2008. The adoption of SFAS No. 162 did not have a material impact on the Company's financial statements.

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, *"Disclosure about Derivative Instruments and Hedging Activities, an amendment to Statement No. 133"*. This statement changes the disclosure requirements for derivatives and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivatives instruments and related hedge items are accounted for under Statement 133 and its related interpretations, and (c) how derivatives instruments and related hedge items affect an entity's financial position, financial performance and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. This statement encourages but does not require comparative disclosures for earlier periods at initial adoption. The Company does not expect the adoption of SFAS 161 to have a material impact on its financial conditions or its results of operations.

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

**December 31, 2008, 2007 and 2006**

The impact of the foregoing on the financial statements is as follows:

Consolidated Statements of Operations and Other Comprehensive Loss

<b>For the years ended December 31</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net loss for the year per Canadian GAAP</b>	<b>\$ (8,470,492)</b>	<b>\$ (4,315,805)</b>	<b>\$ (3,058,375)</b>
Deferred exploration expenditures (a)	<b>(41,804,475)</b>	(29,955,234)	(21,949,979)
Adjustment for marketable securities sold	-	18,825	-
Additional share of equity loss under U.S. GAAP (c)	<b>(4,413,230)</b>	(1,719,437)	(1,250,890)
Removal of dilution gain under Canadian GAAP (c)	<b>(11,363,090)</b>	(1,124,780)	(1,514,963)
Impairment adjustment	<b>6,767,500</b>	-	-
Loss per U.S. GAAP	<b>(59,283,787)</b>	(37,096,431)	(27,774,207)
Other comprehensive gain(loss) – Cumulative translation adjustment	<b>(1,685,139)</b>	61,669	42,574
Other comprehensive gain (loss) – Adjustment for marketable securities available for sale	-	(18,825)	56,476
<b>Total comprehensive loss per U.S. GAAP</b>	<b>\$(60,968,926)</b>	<b>\$(37,053,587)</b>	<b>\$(27,675,157)</b>
<b>Loss per share (basic and diluted)</b>	<b>\$ (1.35)</b>	<b>\$ (0.94)</b>	<b>\$ (0.76)</b>

Consolidated Balance Sheets

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Total assets per Canadian GAAP	<b>\$ 115,274,121</b>	\$ 100,856,360
Equity investment	-	(3,504,220)
Deferred exploration expenditures (a)	<b>(105,891,819)</b>	(64,087,344)
<b>Total assets per U.S. GAAP</b>	<b>\$9,382,302</b>	<b>\$ 33,264,796</b>
Total liabilities per Canadian GAAP	<b>\$ 4,295,184</b>	\$ 3,597,956
Equity Investment	-	422,182
<b>Total liabilities per U.S. GAAP</b>	<b>\$ 4,295,184</b>	<b>\$ 4,020,138</b>
Shareholders' equity per Canadian GAAP	<b>\$ 110,978,937</b>	\$ 97,258,404
Equity investment adjustments (c)	-	(3,926,402)
Deferred exploration expenditures (a)	<b>(105,891,819)</b>	(64,087,344)
<b>Total shareholders' equity per U.S. GAAP</b>	<b>\$ 5,087,118</b>	<b>\$ 29,244,658</b>
Total liabilities and shareholders' equity per U.S. GAAP	<b>\$ 9,382,302</b>	<b>\$ 33,264,796</b>

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

**December 31, 2008, 2007 and 2006**

Consolidated Statements of Cash Flows

For the year ended December 31, 2008	2008	2007	2006
Cash flow provided by (used in)			
<b>Operating activities</b> per Canadian GAAP	<b>\$ (3,268,533)</b>	<b>\$ (5,198,270)</b>	<b>\$ (1,593,885)</b>
Deferred exploration expenditures (a)	<b>(40,782,093)</b>	<b>(26,027,624)</b>	<b>(19,806,006)</b>
<b>Operating activities</b> per U.S. GAAP	<b>(44,050,626)</b>	<b>(31,225,894)</b>	<b>(21,399,891)</b>
<b>Investing activities</b> per Canadian GAAP	<b>(17,569,889)</b>	<b>(9,308,489)</b>	<b>(43,953,267)</b>
Deferred exploration expenditures (a)	<b>40,782,093</b>	<b>26,027,624</b>	<b>19,806,006</b>
<b>Investing activities</b> per U.S. GAAP	<b>23,212,204</b>	<b>16,719,135</b>	<b>(24,147,261)</b>
<b>Financing activities</b> per Canadian & U.S. GAAP	<b>21,103,225</b>	<b>4,671,648</b>	<b>50,757,431</b>
<b>Effect of foreign exchange on cash</b>	<b>(78,216)</b>	<b>6,039,131</b>	<b>(899,223)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>186,587</b>	<b>(3,795,980)</b>	<b>4,311,056</b>
<b>Cash, beginning of year</b>	<b>2,167,013</b>	<b>5,962,993</b>	<b>1,651,937</b>
<b>Cash, end of year</b>	<b>\$ 2,353,600</b>	<b>\$ 2,167,013</b>	<b>\$ 5,962,993</b>

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

**December 31, 2008, 2007 and 2006**

- (f) Revisions to note 17 include additional information required under Item 18 of Form 20-F.

**1. Exploration Stage Company**

The Company meets the definition of a development stage enterprise under Statement of Financial Accounting Standards No. 7, Accounting and Reporting by Development Stage Enterprises. As such, the following disclosure of the consolidated summarized statements of loss and deficit and cash flows since inception of the Company are required under U.S. GAAP:

**Consolidated summarized statement of loss and deficit – U.S. GAAP**  
**For the period from inception to December 31, 2008**

Exploration expenses	\$ (131,764,455)
General and administrative expenses	(41,231,956)
Interest income	5,792,761
Other	(17,083,056)
<b>Net loss from inception to December 31, 2008, being the deficit accumulated during the exploration stage</b>	<b>\$ (184,286,706)</b>

**Consolidated summarized statement of cash flows – U.S. GAAP**  
**For the period from inception to December 31, 2008**

Cash flows used in operating activities	\$ (162,525,878)
Cash flows provided from investing activities	20,998,038
Cash flows provided by financing activities	136,894,016
Effect of exchange rates on cash	6,987,424
<b>Cumulative increase in cash from inception being Cash, December 31, 2008</b>	<b>\$ 2,353,600</b>

**2. Current Assets**

*Balance Sheet*

For Canadian GAAP purposes, the Company combines all accounts receivables and prepaid expenses on the consolidated balance sheet. The form and content of financial statements as presented in Regulation S-X, Rule 5-02 requires segregation of current assets based on their nature and materiality, and requires that prepaid expenses be presented separately on the balance sheet. The presentation of receivables and other current assets as required by U.S. GAAP at December 31, 2008 and December 31, 2007 are as follows:

	<b>December 31, 2008</b>	December 31, 2007
Vendor advances receivable	<b>\$93,083</b>	\$ 90,180
Prepaid expenses	<b>268,716</b>	324,392
<b>Total accounts receivable and prepaid expenses</b>	<b>\$361,799</b>	<b>\$ 414,572</b>

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

**December 31, 2008, 2007 and 2006**

*Statement of Cash Flows*

Cash flows from receivables and other current assets are included in aggregate in the consolidated statement of cash flows as a component of changes in operating working capital. The detailed cash flows are as follows:

	<b>December 31, 2008</b>	December 31, 2007	December 31, 2006
(Increase)/decrease in vendor advances receivable	<b>\$(2,903)</b>	\$ (53,001)	\$ 31,288
Decrease/(increase) in prepaid expenses	<b>31,000</b>	(82,122)	(180,241)
	<b>\$28,097</b>	\$ (135,123)	\$ (148,953)

**3. Current Liabilities**

*Balance Sheet*

For Canadian GAAP purposes, the Company combines accounts payable and accrued liabilities on the consolidated balance sheet. The form and content of financial statements as presented in Regulation S-X, Rule 5-02 requires segregation of payables and other current liabilities based on their nature and materiality. The presentation of current payables and other current liabilities as required by U.S. GAAP at December 31, 2008 and December 31, 2007 is as follows:

	<b>December 31, 2008</b>	December 31, 2007
Other payables	<b>\$3,465,331</b>	\$ 3,544,994
Accrued liabilities	<b>829,853</b>	52,962
Total accounts payables and accrued liabilities	<b>\$4,295,184</b>	\$ 3,597,956

*Statement of Cash Flows*

Cash flows from payables and accrued liabilities and other current liabilities are included in aggregate in the consolidated statement of cash flows as a component of changes in operating working capital. The detailed cash flows are as follows:

	<b>December 31, 2008</b>	December 31, 2007	December 31, 2006
(Decrease)/increase in other payables	<b>\$(19,086)</b>	\$ 743,530	\$ 1,430,492
Increase/(decrease) in accrued liabilities	<b>779,608</b>	(4,531)	6,894
	<b>\$780,522</b>	\$ 738,999	\$ 1,437,386

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

**December 31, 2008, 2007 and 2006**

**4. Fair Value Measurements**

The Company's consolidated balance sheets include the following financial instruments: cash, short term investments, accounts receivables, restricted cash, investments and accounts payable. The carrying amounts of current assets and liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization.

The Company adopted FAS 157 for its financial assets and financial liabilities as of January 1, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value instruments. The fair value hierarchy is as follows:

*Level 1* – Quoted (unadjusted) prices for identical assets or liabilities in active markets.

*Level 2* – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- Inputs other than quoted prices that are observable for the asset/liability (e.g. interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* – Unobservable inputs that cannot be corroborated by observable market data.

The Company's assets are measured as follows:

*Cash* – The carrying value of cash approximates fair value as maturities are less than three months.

*Short term investments* – The estimated fair values of the short term investments are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices.

*Restricted cash* – The carrying value of restricted cash approximates fair value as maturities are less than three months.

*Investments* – The estimated fair values of the investments are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices.

**Fair Value Measurements at Reporting Date Using:**

<b>Assets:</b>	<b>December 31, 2008</b>	<b>Quoted Prices in Active Markets for Identical Level Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash	\$ 2,353,600	\$ 2,353,600	-	-
Short term investments	-	-	-	-
Restricted cash	\$ 5,074,414	\$ 5,074,414	-	-
Investments	\$ 764,145	\$ 764,145	-	-

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

**December 31, 2008, 2007 and 2006**

**5. Valuation Accounts**

<b>Deferred tax asset valuation allowance</b>	<b>Balance at beginning of period</b>	<b>Charged to costs and expenses</b>	<b>Charged to other accounts</b>	<b>Deductions</b>	<b>Balance at end of period</b>
<b>December 31, 2008</b>	<b>\$4,112,796</b>	-	<b>2,757,682</b>	-	<b>\$6,870,478</b>
December 31, 2007	\$4,138,636	-	344,660	(370,500) (a)	\$4,112,796
December 31, 2006	\$3,802,432	-	336,204	-	\$4,138,636

(a) The amount represents changes in future years income tax rates which were enacted and decreased the deferred tax assets previously recorded.



BANRO CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008**

The following management's discussion and analysis ("**MD&A**"), which is dated as of March 31, 2009, provides a review of the activities, results of operations and financial condition of Banro Corporation (the "**Company**") as at and for the financial year of the Company ended December 31, 2008 ("**fiscal 2008**") in comparison with those as at and for the financial year of the Company ended December 31, 2007 ("**fiscal 2007**"), as well as future prospects of the Company. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for fiscal 2008 and fiscal 2007. As the Company's consolidated financial statements are prepared in United States dollars, all dollar amounts in this MD&A are expressed in United States dollars unless otherwise specified. Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

### **Forward-Looking Statements**

The following MD&A contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of capital costs, mineral resource and mineral reserve estimates, potential mineralization, exploration results and future plans and objectives of the Company) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, uncertainties relating to the availability and costs of financing needed in the future, uncertainty of estimates of capital and operating costs, production estimates and estimated economic return, the possibility that actual circumstances will differ from the estimates and assumptions used in the economic studies of the Company's projects, failure to establish estimated mineral resources or mineral reserves (the Company's mineral resource and mineral reserve figures are estimates and no assurances can be given that the indicated levels of gold will be produced), the possibility that future exploration results will not be consistent with the Company's expectations, changes in world gold markets and equity markets, political developments in the Democratic Republic of the Congo (the "**DRC**"), fluctuations in currency exchange rates, inflation, changes to regulations affecting the Company's activities, the uncertainties involved in interpreting drilling results and other geological data and the other risks involved in the gold exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

## General

The Company is engaged in the acquisition and exploration of gold properties. The Company's main exploration focus is in the South Kivu and Maniema Provinces of the DRC where the Company holds, through four wholly-owned DRC subsidiaries, a 100% interest in four gold projects, Twangiza, Namoya, Lugushwa and Kamituga. As well, the Company's wholly-owned DRC subsidiary, Banro Congo Mining SARL, holds title to 14 exploration permits (the "**Banro Congo PRs**") covering ground located between and contiguous to the Company's Twangiza, Kamituga and Lugushwa projects, covering an area of 2,711 square kilometers.

During fiscal 2008 and up to the date of this MD&A, the Company continued its exploration activities at Twangiza, Namoya and Lugushwa. Exploration activities at all three projects consisted of core drilling as well as gridding, soil sampling, trenching and rock sampling and geological mapping. The Company has to date completed the planned pre-feasibility drilling program at Namoya as well as the full feasibility drilling program at Twangiza. With the completion of the two drilling programs, the Company has postponed all drilling activities and is focusing its exploration efforts on the delineation of several new mineral prospects which have been identified at its Twangiza, Lugushwa and Namoya projects and within its 14 exploration permit areas. This low-cost exploration program consists of gridding, mapping, and soil, stream and rock sampling. These new targets were identified through the LIDAR, airborne magnetic and radiometric surveys completed in 2007 and 2008. The Company has completed the feasibility study of the Twangiza project and is focusing on the completion of the pre-feasibility study of the Namoya project.

There are currently significant uncertainties regarding commodities prices, including the price of gold, and the availability of equity financing for the purposes of mineral exploration and development. Over the past several months commodity prices have significantly dropped and financial markets have deteriorated to the extent that it has become extremely difficult to raise new capital. It is expected that current financial market conditions are likely to remain volatile for fiscal 2009 and probably until fiscal 2010 due to the weakening global economy and slower economic growth prospects. As a result, the Company may have difficulties raising equity financing for the purposes of exploration and project development without further diluting present shareholders of the Company. In response to continuing deterioration of global economic conditions and problems in the credit markets, the Company is scaling back its operations by postponing drilling activities as noted above and implementing cost-saving measures in every area of its business in order to meet near-term challenges while working on long term strategies for project development, including strategic partnerships. The Company believes that the Twangiza–Namoya gold belt, where the Company's projects are located, is one of the largest undeveloped gold districts in Africa with a substantial resource base and tremendous exploration potentials.

On September 17, 2008, the Company completed a financing involving the issuance of 11,000,000 units of the Company at a price of \$1.75 per unit for gross proceeds of \$19,250,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant (a "**Warrant**") entitles the holder to purchase one common share of the Company for \$2.20 until September 17, 2011. The underwriters who conducted the financing were RBC Capital Markets as lead manager, CIBC World Markets Inc., UBS Securities Canada Inc. and Raymond James Ltd. In addition, the Company granted to the underwriters an option, exercisable until October 17, 2008, to purchase up to an additional 1,000,000 common shares and 500,000 Warrants at a price of \$1.75 per unit. This option was

exercised in full, resulting in the issuance of 1,000,000 common shares and 500,000 Warrants of the Company on September 26, 2008 for gross proceeds of \$1,750,000.

On February 19, 2009, the Company announced that it had closed the issuance and sale of 10,000,000 common shares of the Company at a price of \$1.40 per share for gross proceeds of \$14,000,000 (the "Offering"). The Offering, which was non-brokered, was made under a second prospectus supplement (the "Prospectus Supplement") to the Company's base shelf prospectus dated September 11, 2008 (the "Shelf Prospectus"). The Company has filed the Shelf Prospectus and the Prospectus Supplement with certain Canadian securities regulatory authorities. The Company has also filed a registration statement (which includes the Shelf Prospectus) and the Prospectus Supplement with the United States Securities and Exchange Commission (the "SEC"). These documents and other documents filed by the Company and referred to therein are available on the SEC website at [www.sec.gov](http://www.sec.gov) and on SEDAR at [www.sedar.com](http://www.sedar.com).

In February 2009, the Company announced that following discussions it has received official confirmation from the DRC government that all aspects of the Company's Mining Convention and its mining licenses respecting the Company's projects in the DRC are in accordance with Congolese law.

#### Twangiza Project

During 2008, the Company drilled 132 core holes totaling 27,284 metres of drilling at the Twangiza project. Drilling was focused on the Twangiza Main and Twangiza North deposits. In total, the Company has completed 323 core holes totaling 70,733 metres of drilling at Twangiza during the last three fiscal years.

In January 2008, the Company announced updated mineral resource estimates for the Twangiza project.

In April, May, July and October of 2008, the Company announced further results from the in-fill drilling program at Twangiza.

In July 2008, the Company announced the results of the pre-feasibility study of the Twangiza project. The pre-feasibility study was prepared by a number of independent consulting companies, including SRK Consulting, Cardiff (mineral reserve/resource), SRK Consulting, Johannesburg (mining, environmental and social), SGS Lakefield, Johannesburg (metallurgical testwork), Knight Piésold Ltd., Vancouver (power), AMEC, UK (tailings dam) and SENET, Johannesburg (processing and infrastructure). SENET also undertook the pre-feasibility economic valuation and report compilation.

In January 2009, the Company announced updated independent mineral resource estimates for the Twangiza project. SRK Consulting (UK) Limited ("**SRK (UK)**") prepared these estimates for Twangiza, which are set out in Table I below. Martin Pittuck, C.Eng, who is an employee of SRK (UK), was the "qualified person" (as such term is defined in National Instrument 43-101) for the purpose of these estimates.

The current mineral resource estimates for Twangiza are summarized as follows:

**Table I**

<b>Mineral resource category</b>	<b>Tonnes (million)</b>	<b>Grade (g/t Au)</b>	<b>Ounces (million)</b>
<b>Measured</b>	17.20	2.40	1.32
<b>Indicated</b>	90.30	1.50	4.28
<b>Measured &amp; Indicated</b>	107.50	1.60	5.60
<b>Inferred</b> (Using a 0.5 g/t Au cut-off).	8.20	1.70	0.40

Also in January 2009, the Company announced the results of the feasibility study of the Twangiza project. The feasibility study was prepared with input from a number of independent consultants including SRK Consulting (United Kingdom) - (Mineral Resource), SRK Consulting (South Africa) - (Mining, Mineral Reserves, Environmental and Social), SGS Lakefield (South Africa) - (Metallurgical testwork), Mintek (South Africa) – (Metallurgical test work), Knight Piésold (Canada) - (Hydro Power), AMEC Earth & Environmental (United Kingdom) - (Tailings and Water facilities) and SENET (South Africa) - (Processing Plant and Infrastructure). SENET also undertook the economic valuation and report compilation for the study.

As part of the feasibility study, and based on the mineral resource estimates set out above in Table I, SRK Consulting (South Africa) (Pty) Ltd (“**SRK (SA)**”) prepared updated mineral reserve estimates for Twangiza, which are set out in Table II below. Wally Waldeck, who is an employee of SRK (SA), was the “qualified person” (as such term is defined in National Instrument 43-101) for the purpose of these mineral reserve estimates.

The current mineral reserve estimates for Twangiza are summarized as follows:

**Table II**

<b>Mineral reserve category</b>	<b>Tonnes (million)</b>	<b>Grade (g/t Au)</b>	<b>Ounces (million)</b>
<b>Proven</b>	14.46	2.45	1.14
<b>Probable</b>	46.42	1.69	2.53
<b>Total proven and probable</b>	60.88	1.87	3.67

Full details with respect to the Twangiza feasibility study, as well as additional information with respect to the Twangiza project, are contained in the technical report of SENET dated February 27, 2009 and entitled “Updated Resource Statement & Feasibility Study NI 43-101 Technical Report, Twangiza Gold Project, South Kivu Province, Democratic Republic of Congo”. A copy of this report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

### Namoya Project

During 2008, the Company drilled 88 core holes totaling 13,880 metres of drilling at the Namoya project. In total, the Company has completed 210 core holes totaling 34,512 metres of drilling at Namoya since the commencement of drilling in August 2005.

In a press release of the Company dated March 11, 2009 (a copy of which can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov)), the Company announced updated

independent mineral resource estimates for Namoya (with an effective date of March 11, 2009), which are set forth in the table below, using a 0.4 g/t Au cut-off grade. SRK (UK) prepared these estimates for Namoya. Martin Pittuck, C.Eng, who is an employee of SRK (UK), was the “qualified person” (as such term is defined in National Instrument 43-101) for the purpose of these estimates.

The current mineral resource estimates for Namoya are summarized as follows:

<b>Mineral resource category</b>	<b>Tonnes (million)</b>	<b>Grade (g/t Au)</b>	<b>Ounces (million)</b>
<b>Measured</b>	4.68	2.50	0.37
<b>Indicated</b>	12.76	1.80	0.75
<b>Inferred</b>	8.46	1.50	0.41

During 2008, the Company completed its planned pre-feasibility in-fill core drilling program at its Namoya project. The Company is currently working toward the completion of the pre-feasibility study, which is being undertaken by SENET, as well as a number of other independent consultants. The results of this study, which were originally expected to be released in December 2008, are now expected to be announced during the second quarter of 2009. The Company is considering a number of additional options with respect to the development of Namoya, including the heap leach option as opposed to the conventional CIL option.

Additional information with respect to the Namoya project is contained in the technical report dated August 17, 2007 and entitled "Preliminary Assessment NI 43-101 Technical Report, Namoya Gold Project, Maniema Province, Democratic Republic of Congo". A copy of this report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

#### Lugushwa Project

During 2008, the Company drilled 32 core holes totalling 5,518 metres of drilling at the Lugushwa project. In total, the Company has completed 97 core holes totalling 16,333 metres of drilling at Lugushwa since the commencement of drilling in 2006. Additional core drilling is required in order to complete a preliminary economic assessment (i.e. a “scoping study”) of the Lugushwa project. The scoping study for Lugushwa, which was originally planned to be completed by the end of the second quarter of 2009, is now being delayed until additional financing is secured to resume a drilling program at Lugushwa.

In November 2008, the Company announced further results from the core drilling program at Lugushwa. Assay results were received for an additional 26 core holes completed at the D18 prospect.

Additional information with respect to the Lugushwa project, including the current mineral resource estimates, is contained in the technical report of Michael B. Skead dated March 30, 2007 and entitled "Third NI 43-101 Technical Report, Lugushwa Project, South Kivu Province, Democratic Republic of the Congo". A copy of this report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

#### Other Projects

In June 2008, the Company undertook airborne magnetic and radiometric surveys over the 12 Banro Congo PRs located between Twangiza and Kamituga. A total of 23,680 line kilometres

were flown by the end of the third quarter, representing 100% of the total area covered by the said Banro Congo PRs. A LIDAR topographic survey also commenced in June 2008 over the same area, with 24% of the survey completed by the end of 2008. The results of these surveys will be used for target generation and ground follow-up.

### Principal Exploration Objectives for 2009

For fiscal 2009, the Company will focus on increasing its resource base by the delineation of several new mineral prospects which have been identified at Twangiza, Lugushwa, and Namoya and within the Banro Congo PRs. The Company also intends to further optimize the Twangiza feasibility study to reflect changes in input parameters, results of metallurgical test work and additional ounces added, including oxide/transition (non-refractory). In addition, the Company will continue to define target infill drilling in order to secure additional recoverable ounces for the heap leach option at Namoya while working toward the completion of the pre-feasibility and full feasibility studies for the Namoya project during fiscal 2009

### Qualified Person

Daniel K. Bansah, the Company's Vice President, Exploration and a "qualified person" as such term is defined in National Instrument 43-101, has reviewed and approved the technical information in this MD&A.

### Cautionary Note to U.S. Investors

The United States Securities and Exchange Commission (the "**SEC**") permits U.S. mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. Certain terms are used in this MD&A, such as "measured", "indicated", and "inferred" "resources", that the SEC guidelines strictly prohibit U.S. registered companies from including in their filings with the SEC. U.S. Investors are urged to consider closely the disclosure in the Company's Form 40-F Registration Statement, File No. 001-32399, which may be secured from the Company, or from the SEC's website at <http://www.sec.gov/edgar.shtml>.

### **Selected Annual Information**

As the Company is in the mineral exploration business and has not commenced mining operations, the Company has not generated any operating revenues to date. There is also no expectation of revenues from the Company's activities in the foreseeable future. The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's consolidated financial statements for each of the three most recently completed financial years.

	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Net loss	\$8,470,492	\$ 4,315,805	\$ 3,058,375
Net loss per share	\$0.19	\$ 0.11	\$ 0.08
Deferred exploration expenditures	\$105,891,819	\$ 64,087,344	\$ 34,132,109
Total assets	\$115,274,121	\$100,856,360	\$ 90,398,386

For fiscal 2008, the Company's net loss increased by approximately 96% compared to the net loss reported for fiscal 2007. This loss during fiscal 2008 was significantly impacted by: (a)

decreased interest income (\$433,560 during fiscal 2008 compared to \$2,007,426 during fiscal 2007); (b) increased salary expenses (\$2,101,014 during fiscal 2008 compared to \$1,653,228 during fiscal 2007); (c) decreased stock-based compensation issued to employees and directors of the Company (\$1,429,438 during fiscal 2008 compared to \$5,734,295 during fiscal 2007); and (d) a foreign exchange loss of \$709,115 during fiscal 2008 compared to a foreign exchange gain of \$3,276,337 incurred during fiscal 2007. In addition, the Company recorded a gain on dilution of interest of \$11,363,090 and an impairment loss of \$13,247,753 in connection with the Company's investment in BRC DiamondCore Ltd ("**BRC**"), a diamond exploration company active in the DRC and in South Africa.

For fiscal 2007, the Company's net loss increased by approximately 41% compared to the net loss reported for fiscal 2006. The Company's net loss for fiscal 2007 was significantly impacted by increased stock option compensation expense of \$5,734,295 (compared to \$1,167,062 recorded in the prior year) and a foreign exchange gain of \$3,276,337 (compared to a foreign exchange loss of \$597,605 incurred during fiscal 2006).

## **Results of Operations**

The Company's operations in fiscal 2008 ended with a net loss of \$8,470,492, or \$0.19 per share, compared to a net loss of \$4,315,805, or \$0.11 per share, incurred in fiscal 2007. During fiscal 2008, significant changes in operating expenses occurred in the expense categories described below as compared to fiscal 2007:

### *Professional fees*

Professional fees, which included mainly legal, audit and accounting fees, slightly increased by \$59,390 from \$626,859 in fiscal 2007 to \$686,249 in fiscal 2008. Legal fees were incurred in connection with the Company's general corporate activities and compliance with securities regulatory requirements. During fiscal 2008, the Company incurred additional legal fees with respect to work related to the Company's financing.

### *Consulting fees*

Consulting fees decreased to \$651 in fiscal 2008 from \$43,380 in fiscal 2007, as many of the consulting agreements in force during 2007 expired and were not renewed in 2008.

### *Salaries*

Salary expenses increased by 27% to \$2,101,014 during fiscal 2008 from \$1,653,228 recorded during fiscal 2007, due mainly to a general increase in employee annual salary and bonus amounts as well as due to an increased number of employees.

### *Employee stock-based compensation*

The fair value of employee stock-based compensation accrued during fiscal 2008 decreased to \$1,429,438 from \$5,734,295 accrued during fiscal 2007, as there were fewer stock option grants during fiscal 2008 as compared to fiscal 2007.

### *Travel*

Travel expenses decreased by 19% from \$685,306 in fiscal 2007 to \$557,466 in fiscal 2008 reflecting decreased visits to the Company's projects in the DRC.

### *Shareholder relations and promotion*

Expenses related to shareholder relations and promotion for fiscal 2008 decreased by 18% compared to fiscal 2007 mainly due to fewer promotional and investor relations activities

undertaken during fiscal 2008 as compared to fiscal 2007. In addition, many of the agreements with respect to shareholder relations and promotion in force during 2007 were not renewed during fiscal 2008.

*Foreign exchange gain/loss*

The Company recorded a foreign exchange loss of \$709,115 in fiscal 2008, compared to a foreign exchange gain of \$3,276,337 in fiscal 2007, due to fluctuations in the value of the United States dollar relative to the Canadian dollar.

*Interest income*

The Company's idle cash is invested in US\$ and Cdn\$ commercial papers and discount notes. During fiscal 2008, these short term investments generated interest revenue of \$433,560 compared to \$2,007,426 generated in fiscal 2007. Interest revenue recorded decreased significantly from fiscal 2007 to fiscal 2008 as the total short-term investment amounts decreased during the same period.

*Exploration expenditures*

During the year ended December 31, 2008, the Company incurred exploration expenditures of \$41,804,475 capitalized as deferred exploration expenditures in the Company's consolidated balance sheet. The allocation of such exploration expenditures by project was as follows:

Twangiza project	\$20,968,882
Namoya project	13,087,470
Lugushwa project	7,175,813
Kamituga project	297,017
Banro Congo Mining SARL	275,293
<b>Total</b>	<b>\$41,804,475</b>

**Summary of Quarterly Results**

The following table sets out certain unaudited consolidated financial information of the Company for each of the quarters of fiscal 2008 and fiscal 2007. This financial information has been prepared in accordance with Canadian generally accepted accounting principles.

	2008			
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Net (loss) income	\$(7,020,263)	\$(1,499,979)	\$(9,555,016)	\$ 9,604,766
Net (loss) income per share	\$ (0.16)	\$ (0.04)	\$ (0.24)	\$ 0.24
	2007			
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Net loss	\$(2,440,694)	\$(725,777)	\$(93,980)	\$(1,055,354)
Net loss per share	\$ (0.06)	\$ (0.02)	\$ (0.00)	\$ (0.03)

During the fourth quarter of 2008, the Company recorded a net loss of \$7,020,263 compared to a net loss of \$1,499,979 incurred during the third quarter of 2008. The results in the fourth quarter were significantly impacted by a \$5,106,373 write down of the Company's equity investment in BRC. During the third quarter of 2008, the Company recorded a net loss of

\$1,499,979 compared to a net loss of \$9,555,016 reported in the second quarter of 2008. During the second quarter of 2008, the Company recorded a net loss of \$9,555,016 compared to net income of \$9,604,766 reported for the first quarter of 2008. The Company's results in the second quarter of 2008 were significantly impacted by the write down of its investment in BRC by \$8,141,380 due to a decline in value which was considered to be other than temporary. In addition, during the second quarter of 2008, the Company recorded foreign exchange gain of \$121,543 compared to foreign exchange loss of \$381,115 recorded during the first quarter of 2008. The income recorded in the first quarter of 2008 was mainly the result of the recognition by the Company of a gain on dilution of equity interest in of BRC of \$11,363,090, as a result of the reduction of the Company's equity interest in BRC from 27.43% to 14.55%. In addition, the Company's first quarter of 2008 results were also impacted by a significant decrease in salary and stock-based compensation expenses compared to the fourth quarter of 2007. The increase in the net loss recorded in the fourth quarter of 2007 as compared to the third quarter of 2007 was most significantly impacted by the recording during the fourth quarter of 2007 of stock-based compensation expense of \$1,585,328. In addition, the Company recorded during the fourth quarter of 2007 a significant increase in salary expense due to the year end bonuses paid to employees. During the third quarter of 2007, the net loss increased to \$725,777 compared to a net loss of \$93,980 incurred in the second quarter of 2007, mostly due to employee stock option compensation of \$1,230,127. The net loss during the third quarter of 2007 was also significantly impacted by foreign exchange gain of \$1,245,021 as well as by the Company's share of equity loss (\$307,087) of BRC. During the second quarter of 2007, the Company's net loss decreased to \$93,980 compared to a net loss of \$1,055,354 reported for the first quarter of 2007. The Company's results in the second quarter of 2007 were significantly impacted by the recognition of stock-based compensation expense of \$1,166,602 (which amount was a significant decrease from the amount recorded during the first quarter of 2007) and a recorded foreign exchange gain of \$1,716,754. The Company's results in the first quarter of 2007 were significantly impacted by the recognition of a gain on dilution of equity interest in BRC of \$1,116,561, as well as by the recognition of stock-based compensation expense of \$1,752,239.

### **Liquidity and Capital Resources**

As at December 31, 2008, the Company had cash and short term investments of \$2,353,600 compared to cash and short term investments of \$28,880,104 as at December 31, 2007. The Company received \$18,199,379 in financing from a public offering in September 2008. The Company received an additional \$2,903,846 during fiscal 2008 from the exercise of 622,801 stock options under the Company's stock option plan.

During fiscal 2008, the Company spent \$40,782,093 in exploration expenditures and \$461,182 on capital assets to carry on its DRC projects (compared to \$26,027,624 in exploration expenditures and \$213,108 on capital assets spent during fiscal 2007). During fiscal 2008, the Company's exploration activities at Twangiza, Lugushwa and Namoya consisted of drilling, gridding, soil sampling, trenching and rock sampling with geological mapping. The Company also conducted LIDAR, aeromagnetic and radiometric surveys over all four of its projects, as well as aeromagnetic and radiometric surveys over two of the Banro Congo PRs located between Kamituga and Lugushwa.

The Company has a proposed exploration and general and administrative budget for 2009 of approximately \$15.858 million in the aggregate, allocated as follows:

	<b>(\$ 000's)</b>
Twangiza project	\$4,085
Namoya project	3,264
Lugushwa project	3,219
Kamituga project	25
Banro Congo Mining SARL	381
Administration and office support	4,884
<b>Total</b>	<b>\$15,858</b>

The actual expenditures incurred during 2009 at each project will be dependent on the exploration results achieved during 2009.

The Company's estimated capital costs for the Twangiza project, as outlined in the Twangiza feasibility study, are summarized as follows:

<b>Capex Summary</b>	<b>(\$ million)</b>
Mining	\$ 76
Process Plant	175
Infrastructure	54
Management Costs	65
	<b>\$ 370</b>
Contingency	39
<b>Total Capital Costs</b>	<b>\$ 409</b>
Hydro Power Costs	67
	<b>\$ 476</b>

The Company will need to raise additional funds to complete the exploration programs proposed for 2009. The Company will also require significant financing in order to carry out plans to develop its projects. The Company has no revenues and is wholly reliant upon external financing to fund such plans. There is no assurance that such financing will be available on acceptable terms, if at all.

In February 2009, the Company announced that it had closed the issuance and sale of 10,000,000 common shares of the Company at a price of \$1.40 per share for gross proceeds of \$14,000,000. The Company intends to use the proceeds of this financing to further advance the Company's projects in the DRC and for general corporate purposes.

## Contractual Obligations

Currently, the Company has no significant long term contractual obligations and no long term debt, other than as described in the following table:

Contractual Obligations	Payments due by period				
	Total	Less than one year	One to three years	Four to five years	After five years
Operating leases	\$ 374,768	\$ 291,796	\$ 82,972	\$ -	\$ -

## **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the Company's financial statements include estimates related to the recoverability of deferred exploration expenditures and the assessment of other than temporary declines in investments. In addition, other critical estimates include the assumptions used in the calculation of the fair value of stock-based compensation. The Company used the Black-Scholes option pricing model to determine the fair value of stock options granted during the year. This model requires the Company to make reasonable assumptions in order to derive parameters such as expected volatility of the Company's shares, the expected life of the option and interest rates, all of which are based on historical information. Future behaviors of these parameters are beyond the Company's control, and thus, may be significantly different from the Company's estimates.

The values of all stock options granted during fiscal 2008 were estimated, using the Black-Scholes option-pricing model, based on the following factors:

- risk-free interest rate: 2.02% to 2.83% (2007 – 3.83% to 4.23%);
- expected volatility: 72.22% to 79.84% (2007 – 51.63% to 52.51%);
- expected life: 3 years (2007 – 5 years);
- expected dividends: \$Nil (2007 - \$Nil).

## **Recent Accounting Pronouncements**

### *International Financial Reporting Standards ("IFRS")*

In February 2008, the CICA Accounting Standards Board ("**AcSB**"), confirmed that the changeover to IFRS from Canadian generally accepted accounting principles ("**GAAP**") will be required for publicly accountable enterprises' interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial results.

In addition, the International Accounting Standards Board has projects underway that are expected to result in new pronouncements that continue to evolve IFRS and, as a result, IFRS as at the transition date is expected to differ from its current form.

### Preliminary Impact Assessment

Management of the Company has completed an initial evaluation of the impact of potential significant differences between current IFRS and Canadian GAAP as they apply to the Company. The evaluation focused on a preliminary analysis of all Canadian GAAP to IFRS differences.

### IFRS Transition Plan

During 2009, a formal IFRS transition plan will be established which will include:

- A formal project structure including project governance
- An estimate of required resources (combination of internal and/or external)
- A detailed timeline for fiscal 2009 and 2010
- A proposed training program
- A comprehensive analysis of all Canadian GAAP to IFRS differences
- A comprehensive analysis and selection of all IFRS 1 elections
- Assessment of impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements

### IFRS Transition Disclosures

As the Company executes its IFRS transition plan and moves from Canadian GAAP to IFRS, the Company's disclosure on accounting differences is expected to increase. The Company will continue to present its results for fiscal 2010 using Canadian GAAP while also presenting supplementary disclosure for fiscal 2010 according to IFRS. To accomplish this, in 2010 the Company will effectively maintain two parallel books of account.

### *Goodwill and Intangible Assets*

In February 2008, the CICA issued accounting standard Section 3064, Goodwill and intangible assets, replacing Section 3062 Goodwill and intangible assets and Section 3450, Research and development costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The Company does not anticipate the adoption of this standard to have a significant impact on its consolidated financial statements.

## **Accounting Changes**

### *Capital Disclosures*

In February 2007, the CICA issued accounting standard Section 1535, Capital Disclosures which is effective for fiscal years beginning on or after October 1, 2007. Section 1535 requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Company adopted this standard commencing in the 2008 fiscal year. See Note 14 of the audited consolidated financial statements of the Company for fiscal 2008 (the "**Annual Financial Statements**") for additional details.

### *Financial Instruments – Disclosure and Presentation*

In February 2007, the CICA issued accounting standards Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation, which are effective for fiscal years beginning on or after October 1, 2007. Section 3862 requires financial statement disclosure to enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and at the balance sheet date and how the Company is managing those risks. Also, Section 3862's purpose is to enhance the financial statement's users understanding of the significance of the financial instruments to the Company's financial position, performance and cash flows. The Company adopted this standard in the 2008 fiscal year. See Note 13 of the Annual Financial Statements for additional details.

## **Financial Instruments**

### Fair Value of Financial Instruments

The balance sheet carrying amounts for cash, accounts receivable, short-term investments, restricted cash and accounts payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### Foreign Exchange Risk

Foreign exchange risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions is denominated in Canadian dollars and in Congolese francs. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of operations and other comprehensive loss. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. See Note 13 of the Annual Financial Statements for additional details.

### Credit Risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and short-term investments. Cash as well as short-term investments are

maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

The Company limits its exposure to credit risk on investments by investing only in securities rated R1 by credit rating agencies such as the DBRS (Dominion Bond Rating Service). Management continuously monitors the fair value of its investments to determine potential credit exposures.

Short-term excess cash is invested in R1 rated investments including money market funds, bankers' acceptances and other highly rated short-term investment instruments. Any credit risk exposure on cash balances is considered negligible as the Company places deposits only with major established banks in the countries in which it carries operations. See Note 13 of the Annual Financial Statements for additional details.

#### Currency Risk

The Company is exposed to currency risk on its financial assets and liabilities denominated on currencies other than the United States dollar. The Company incurs in Canada a significant amount of its operating costs in Canadian dollars.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient cash to meet its liabilities when they are due. Temporary surplus funds of the Company are invested in short term investments. The Company arranges the portfolio so that securities mature approximately when funds are needed. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

As discussed in Note 12 of the Annual Financial Statements, the guarantee provided for BRC will have an impact on the Company's liquidity risk if BRC is unable to meet its obligations with the lender.

#### Mineral Property Risks

The Company's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's assets.

#### **Outstanding Share Data**

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at March 31, 2009, the Company had outstanding 62,482,938 common shares, Warrants to purchase an aggregate of 6,000,000 common shares and stock options to purchase an aggregate of 6,382,750 common shares.

## **Related Party Transactions**

During fiscal 2008, directors fees of \$115,000 (2007 - \$90,000) were paid to non-executive directors of the Company. During fiscal 2008, legal fees of \$765,780 (2007 - \$435,942), incurred in connection with the Company's financings as well as general corporate matters, were paid to a law firm of which one partner is a director of the Company and another partner is an officer of the Company. At December 31, 2008, \$87,195 (2007 - \$9,551) owing to this legal firm was included in accounts payable.

These related party transactions occurred in the normal course of operations and were measured at the exchange value.

As at December 31, 2008, an amount of \$4,317 was payable to BRC with respect to the Company's share of common expenses in the DRC. In addition, RBC Dominion Securities Inc. (the "**Lender**") has provided BRC a Cdn\$6,000,000 line of credit (the "**Facility**"). The Facility was first made available to BRC in October 2007 originally in the amount of Cdn\$3,000,000 and subsequently increased to Cdn\$6,000,000 in February 2008. Having regard to the Company's investment in BRC, the Company agreed to act as guarantor of the Facility. The said guarantee is secured by way of a pledge of the Company's investments with the Lender. In connection with the guarantee, the Company and BRC entered into an agreement dated as of October 29, 2007 pursuant to which BRC agreed to repay all amounts outstanding under the Facility and to terminate the Facility by July 28, 2008. As at the date of this MD&A, BRC has not repaid all amounts outstanding under the Facility. There is currently outstanding under the Facility principal in the amount of Cdn\$5,850,000 and accrued interest in the amount of Cdn\$330,772. BRC is not in default under the Facility. BRC is responsible for making interest payments under the Facility. The Company has not assumed these obligations. Although BRC has advised the board of directors of the Company that BRC continues to actively seek to raise the capital and fully expects to repay the Facility, there can be no assurance that BRC will be able to repay the Facility. Until such time as BRC repays the Facility in full and the Facility is terminated, the Company will not be able to use the portion of the investments pledged to the Lender required to fully secure the Facility to fund the Company's operations. In addition, if BRC is unable to repay the Facility when requested by the Lender and the Company's guarantee is called, the Company will be obligated to pay the amount outstanding under the Facility, which will adversely affect the Company's liquidity and capital resources.

## **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties that could significantly impact its operations and future prospects. The following discussion pertains to certain principal risks and uncertainties but is not, by its nature, all inclusive.

The Company's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's assets. In recent years, the DRC has experienced two wars and significant political unrest. Operating in the DRC may make it more difficult for the Company to obtain any required financing because of the perceived investment risk.

The only sources of future funds for further exploration programs, or if such exploration programs are successful, for the development of economic ore bodies and the placing of them

into commercial production, which are presently available to the Company are the sale of equity capital, or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. There is no assurance that such sources of financing will be available on acceptable terms, if at all. The Company does not have the financial resources at this time to bring a mine into production.

All of the Company's properties are in the exploration stage only. The Company currently operates at a loss and does not generate any revenue from operations. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures are required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the Company's exploration programs will result in a profitable commercial mining operation.

The Company's mineral resources and mineral reserves are estimates and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource and reserve estimates for its properties are well established, by their nature resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Company's exploration and, if such exploration is successful, development of its properties is subject to all of the hazards and risks normally incident to gold exploration and development, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

The price of gold has fluctuated widely. The future direction of the price of gold will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of gold, and therefore on the economic viability of the Company's properties, cannot accurately be predicted. As the Company is only at the exploration stage, it is not yet possible for the Company to adopt specific strategies for controlling the impact of fluctuations in the price of gold.

The Company uses the United States dollar as its functional currency. Fluctuations in the value of the United States dollar relative to the Canadian dollar could have a material impact on the Company's consolidated financial statements by creating gains or losses. During fiscal 2008 and fiscal 2007, the Company recorded a foreign exchange loss of \$709,115 and a foreign exchange gain of \$3,276,337, respectively, due to the variation in the value of the United States dollar relative to the Canadian dollar. No currency hedge policies are in place or are presently contemplated.

Reference is made to the Company's annual report on U.S. Form 20-F for fiscal 2008 for additional risk factor disclosure (a copy of such document can be obtained from EDGAR at [www.sec.gov](http://www.sec.gov) and SEDAR at [www.sedar.com](http://www.sedar.com)).

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2008, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### **Internal Control Over Financial Reporting**

Internal controls have been designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with Canadian GAAP. As at December 31, 2008, the Company's Chief Executive Officer and Chief Financial Officer evaluated or caused to be evaluated under their supervision the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements together with the other financial information for external purposes in accordance with Canadian GAAP.

The Company is required under Canadian securities laws to disclose herein any change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No changes were identified in the Company's internal control over financial reporting during the quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objective of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.