

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## Banro Corporation (BAA)



**PETER COWLEY**, President and CEO of Banro Corporation, is a geologist with over 35 years' international experience in the minerals industry, mainly in Africa. He holds MSc and MBA degrees and is a Fellow of IMMM. Prior to joining Banro in June 2004, he was Managing Director of Ashanti Exploration, the exploration arm of Ashanti Goldfields Company Ltd., where he managed the company's exploration activities throughout Africa. Mr. Cowley played a major role in the discovery and development of the Geita mine in Tanzania, the largest open pit gold mine in East Africa.

### TWST: What is Banro?

**Mr. Cowley:** Banro is a Canadian-based junior gold exploration and development company. We are focused on one particular country — the Democratic Republic of the Congo in Central Africa or DRC. Banro has a number of major mining concessions within one of the last undeveloped goldfields in Africa, the Twangiza-Namoya gold belt, which historically was a prolific gold producer. However, the recent past saw very little mineral exploration due to the political, economic and social problems of the DRC. The situation in the DRC began to change dramatically for the better in 2002, a process which culminated last year in the country's first democratic elections in over 40 years. Consequently, there has been a big improvement in the social and economic climate of the country. We believe that the DRC now has the right political and economic climate to develop these major gold projects.

The company has already had great exploration success, having to date identified a very large mineral resource base with 4.08 million ounces of measured and indicated resources, and 7.36 million ounces of inferred resources. That is a very significant resource base for any junior company to have and we believe it has exceptional potential to grow with further exploration. These

resources are close to the surface, so we are talking about low-cost open pit mining operations. The company is listed on the TSX and the AMEX exchanges, our market cap is approximately US\$400 million and we have a head office in Toronto and a small office in the UK where I am based. The great majority of our employees though are on the ground in the DRC.

The immediate objective over the next few years is to take these exploration projects, which are just resources, and to move them toward mine development. We are currently doing preliminary assessment or scoping studies on two of our projects and plan to complete pre-feasibility studies and begin full feasibility studies later this year. We are looking to get a construction decision on these first two projects within the next couple of years.

You also have a situation in the gold market today that strongly favors gold producers and investors. Worldwide, demand is increasing but the supply of gold is diminishing and fewer new discoveries are being found. Meanwhile average gold production costs are increasing substantially. So obviously projects like Banro's, which consist of significant resources that can potentially be mined at very competitive costs, are on the radar screens of the major gold producers.

**TWST: What does the neighborhood look like as far as others that are in there? What does that say about some of the outcomes for BAA as you fix and grow these resources through your own efforts?**

**Mr. Cowley:** Banro became involved in the Twangiza-Namoya belt back in the mid-1990s, at a time when few exploration or mining companies were in the country. The DRC — or Zaire as it was then known — was the usual story of a post-independent African country with nationalized industry, a lack of foreign investment and economic development going nowhere. Many African nations had similar experiences. Today, though, you have countries like Ghana and Tanzania in West and East Africa respectively, which over the past couple of decades introduced progressive, investor-friendly mining codes and today are prolific gold producers with relatively open, dynamic economies. The DRC followed suit in 2003, introducing a progressive new Mining Code, with the help of the World Bank, to encourage investment. Obviously the democratic elections in the DRC last year have also helped to create a more investor friendly economy. So although Banro acquired our ground at a time when the DRC was not the best place in the world for exploration, our presence there has since proven very advantageous for shareholders.

Most of my experience has been in Africa, and I've long been familiar with Africa's two major undeveloped gold fields, both in the DRC. These haven't been developed because of the previous checkered history of the country. With this changing, these two belts are definitely going to be developed. Historically, the Twangiza-Namoya gold belt has produced just over 2.5 million ounces of gold, which is significant. I was involved in the discovery and development of the Geita mine in Tanzania, which is East Africa's largest open-pit gold mine. Historically, this area produced under 1 million ounces, much less than what has been produced in Twangiza-Namoya. Today, the current resource base in Geita is 18 million ounces, thanks to the application of modern-day exploration and mine development methods. That demonstrates the potential of modern-day exploration methods, which we are using on our projects in the DRC. Banro's resource base, which is over 11 million ounces, is going to grow much larger, we believe, but more significantly, we are going to be converting those resources into economic reserves, which we can develop and bring into production.

**TWST: What is Banro's timeline in terms of further geology and surveying as you move closer toward production? What are some of the key events along that timeline that investors should be focused on?**

**Mr. Cowley:** We began exploration at the end of 2004, so we actually haven't been on the ground that long. Obviously, with 11 million ounces of resources, we've done a lot in a short time. Going forward, we will continue exploration, which we are currently doing with six rigs drilling on our properties. Last year, we drilled 71 holes, which represents a very aggressive exploration program. Recently, we also completed an airborne magnetic and radiometric geophysical survey of all four of our projects — a total of 2600 square kilo-

meters — that will help us identify new gold targets. And in March 2007, we were awarded over 3,130 square kilometers of additional ground contiguous to our current properties, which creates a whole new set of exploration opportunities for the company.

However, as important as exploration is to Banro, we don't want to be just an exploration company, promising things tomorrow. We want to deliver results in the near term, so we are committed to bringing these projects to the development stage.

With our Namoya and Twangiza projects, we are at the scoping study stage, and we plan to release the results of these by the end of June/early July. These studies will put some tangible numbers on the size of the potential production base and give us potential reserves, potential capital, operating costs and production profiles as well as the potential economic profile. We then go straight from the scoping to the pre-feasibility studies and complete these later this year. Then we will take one or two of these projects to the full feasibility study. That takes about a year. Toward the end of 2008, we will make a decision for construction. So we expect to be looking for financing to develop a mine in the last quarter of 2008. We are probably looking at 12 months for mine development, depending on the infrastructure required. Our objective is to get at least one project into construction by the first half of 2010.

**TWST: What has been the funding history to date with Banro? Are there any funding issues to address on that timeline?**

**Mr. Cowley:** We are well funded, thanks to the support of some very large and loyal shareholders. Over 2005-2006, we raised about US\$78 million. We currently have about \$50 million in the treasury, which is more than sufficient to take our exploration and development projects forward. Once we get to the financing stage for mine construction, we will be looking at a combination of debt and equity. At that point, we expect to raise additional equity, probably 20% to 30% of the total capital required for development. At the moment, we are well funded to maintain our exploration program and take at least one project to the decision stage.

**TWST: Introduce us to two or three of they key individuals in your top-level management team.**

**Mr. Cowley:** I joined Banro in June 2004. Previously, I was Managing Director for Ashanti Exploration, the exploration arm of Ashanti Goldfields. Ashanti was taken over in 2004 by AngloGold to form the third largest gold company in the world. I spent nine years with Ashanti, which was focused solely on Africa, and during that time, I knew of the tremendous potential of the Twangiza-Namoya belt, but at that time, the country was not conducive for inward investment. Previously, I also worked for a British junior company called Cluff Resources. We were one of the pioneers in gold mining in West and East Africa, and developed a number of mines in Zimbabwe, Ghana and in the early days at Geita in Tanzania.

We have a very dynamic Executive Chairman named Simon Village, who was previously with the World Gold Council before joining Banro three years ago. He was directly involved in the creation of exchanged traded gold funds, which he helped to launch.

This has turned out to be a very successful investment tool whereby individuals can hold physical gold investments. So he certainly has had an impact on the gold industry with the World Gold Council. Previously, he was the Head of Global Mining for HSBC.

John Clarke, another one of our Directors, was previously an ex-colleague of mine at Ashanti. He is currently President and CEO of Nevsun, a Vancouver-based company, which is developing some pretty exciting projects in Mali and in Eritrea. John has a great deal of African experience. Both our Board of Directors as well as our exploration team on the ground, headed by our Vice President of Exploration, Michael Skead, have a great deal of African gold exploration experience.

The country has come along very well, which is not only important in itself, but also very encouraging to the investment community. You can see this in the tremendous increase in investment in the country. Last year, there was a tenfold increase in equity investment in the Congo, with over \$1 billion raised, mainly for mining projects.

The DRC is a country with abundant natural resources, including copper, cobalt, cassiterite and diamonds, as well as gold. In the southeastern province of Katanga, for example, you find the Congolese copper belt, which boasts huge undeveloped copper-cobalt projects. These are being developed by a number of major multinationals and junior companies, such as Phelps Dodge, BHP Billiton,

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**TWST: What historically has been the shareholder base with Banro? Has that base undergone any changes?**

**Mr. Cowley:** Yes, it has. Some of our major shareholders have come on board over the last two to three years. Of the total shares outstanding, roughly 80% is now held by major, global institutional investors. Retail is about 12% and management owns around 8% of the company. We have UK, European, US and Canadian investors, including the British and Canadian governments, which view investing in Banro as a way of investing in the economic and social development of the DRC.

**TWST: In your conversations and discussions with the investment community, are there any recurring questions or misperceptions? Is the Banro story understood?**

**Mr. Cowley:** The main concern for potential investors was whether the country was going to emerge successfully from its checkered past. Since I came on board in 2004, the DRC has been going through a dramatic period of change. Security was difficult up to about two to three years ago, but the country today has a major UN presence that is helping to support the transition to stability. The democratic elections took place last July throughout the country; it’s a very large country, about the size of Western Europe. However the elections were very successful and deemed to have been free by the international community. The President is Joseph Kabila, and there is a democratically elected parliament, a senate and autonomous provincial governors in place. It has all gone very well.

AngloGold Ashanti, Anvil and First Quantum. These companies are all active in the DRC, which demonstrates that the country has changed dramatically in a very positive way over the last few years.

**TWST: Do you have a base or a ceiling on the gold price that keeps Banro and these projects economic as far as your anticipated cost of production, your grade of gold ore and what it will cost for you to produce?**

**Mr. Cowley:** Our assets are very good and so are the gold grades — around the 3 grams per tonne mark. These resources are close to the surface, so this has the potential to be low-cost, open pit mining with low stripping ratios. You don’t need to extract much waste to get the ore itself. Obviously, the infrastructure is not great in that part of the world, but it is improving.

There are a number of aid programs underway in the DRC, including the construction of a new road that will traverse much of our gold belt. This is being financed by the World Bank and built by the Chinese. It should be built in the next couple of years, and will potentially save Banro about \$30 million in capital costs. There is also outstanding potential for new hydro-electric power in the region, which will be critical to our ability to drive down our production costs. So when you take into account the size of the resource, the gold grade, the closeness to surface, and the future low cost of power, we believe our cash costs will be in the \$200 to \$250 per ounce range, which is very competitive compared with the average cost of production around the \$400 per ounce range

In terms of the gold price, this has increased significantly over the last two to three years and we expect this to continue or at least stay the same. We currently have a gold price of \$650, which would give us significant operating margin. We'll have a much better feel for costs and margins once we have completed our two scoping studies, which we hope to do within the next month or so.

**TWST: As you look throughout the organization, are there particular areas or positions to add or augment? What's that timeline?**

**Mr. Cowley:** Banro has a great exploration team. Many of our people came with me from Ashanti Goldfields and already have discoveries under their belt with other companies. So we are essentially an exploration company that is well respected in the marketplace. But as we take these projects into development, we will require new skills and will be recruiting senior people who have track records in developing projects in Africa.

Obviously there is the alternative of merging or joint venturing with a production company that already has these skill sets. Already a number of major gold producers have visited our properties. During the latter half of the year, once our scoping/pre-feasibility studies are out, we will be looking at some of these strategic alternatives.

**TWST: The majors' problem is replacing reserves. Give us an idea of some of the majors that are nearby neighbors or that have experience in DRC that might be on that shortlist of strategic partners or investors.**

**Mr. Cowley:** AngloGold Ashanti and Goldfields already have gold projects in the DRC and nearby in Tanzania, just a short distance from our projects. Barrick Gold has some very large mines in Tanzania. Harmony is another major producer focused in Africa. These are all companies that know how to operate in our part of the world. As we all know, the gold supply is diminishing, so significant undeveloped assets such as ours are of considerable interest to the large gold producers.

**TWST: What would compel investors to include Banro as part of their current portfolios and their longer-term investment strategies?**

**Mr. Cowley:** As a growth story, Banro has one of the largest resource bases of any junior or even intermediate gold company. At the moment, we've only scratched the surface. We still have a lot more exploration to do, but at the same time we are taking these projects from the exploration toward the development stage through scoping, pre-feasibility and feasibility studies to demonstrate their sound economic potential. Over the next three to five years, our objective is to bring at least two to three of our projects into production.

**TWST: What have I overlooked?**

**Mr. Cowley:** I believe that Banro has one of the best corporate social responsibility programs in Africa. Among other things, we've established the Banro Foundation, which is a registered char-

ity committed to improving education, health and infrastructure in the communities where we have our operations. The Foundation has completed a number of valuable projects — building a new facility at a local hospital, improving medical clinics, providing educational equipment to schools and constructing much-needed roads and bridges and so on. We are now talking to leading NGOs that can partner with us to bring a whole new level of professionalism and progress to local social and economic development.

We have also been successful in creating jobs for almost 1,000 Congolese nationals. Early on, we put in place an advanced and intensive industry training program for our 32 young Congolese graduate geologists that is now bearing fruit. These are all initiatives that Banro and its people are very proud to be associated with.

In summarizing the Banro story, it's important to reiterate that we acquired our properties in the mid-1990s at a time when nobody else was interested in the DRC. That is how we were able to obtain such an outstanding land position on a major gold belt. This doesn't happen very often. Usually a large gold belt will host several junior explorers in the early days. Then gradually as the projects grow into sizeable projects, these juniors are taken out by the majors.

There are only two major undeveloped gold fields in Africa and we have a commanding position on one of them. In the past we had the assets, but not the political and economic stability. Now we have both — it's all coming together and that's what makes Banro's opportunity so unique.

**TWST: Thank you.**

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