BANRO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

(Expressed in U.S. dollars)

CONTENTS

Management's Report.................. 3-4

Reports of independent registered chartered accountants...5-6

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position..7

Consolidated Statements of Comprehensive Loss...8

Consolidated Statements of Changes in Equity...9

Consolidated Statements of Cash Flow..10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information 11
2. Basis of preparation 11
3. Summary of significant accounting policies 11
4. Subsidiaries 23
5. Cash and cash equivalents 23
6. Advances and accounts receivable 23
7. Related party transactions 23
8. Prepaid expenses and deposits 25
9. Inventories 25
10. Investment in associate 25
11. Property, plant and equipment 27
12. Exploration and evaluation assets 28
13. Mine under construction 29
14. Accounts payable and accrued liabilities 29
15. Line of credit 29
16. Employee retention allowance 30
17. Provision for closure and reclamation 30
18. Long-term debt 30
19. Share capital 31
20. Share-based payments 32
21. Commitments and contingencies 34
22. Segmented reporting 34
23. Production Costs 37
24. General and Administrative Expenses 37
25. Financial risk management objectives and policies 37
26. Non-cash transactions 41
27. Income Taxes 41
28. Events after the reporting period 42

Management's Responsibility for Financial Statements

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Banro Corporation. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgments of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review reporting issues.

The consolidated financial statements for the year ended December 31, 2012 have been audited by Deloitte LLP, independent registered chartered accountants and licensed public accountants, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

(Signed) *"John Clarke"*

____

John Clarke

Chief Executive Officer

(Signed) *"Donat K. Madilo"*

____

Donat K. Madilo

Chief Financial Officer

Toronto, Canada

March 26, 2013

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2012, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012 and no material weaknesses were discovered.

The effectiveness of the Company's internal controls over financial reporting as at December 31, 2012 has been audited by Deloitte LLP, Chartered Accountants, as stated in their report located on page 7 of the Annual Financial Statements.

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Banro Corporation

We have audited the accompanying consolidated financial statements of Banro Corporation and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive loss, statements of changes in equity, and statements of cash flow for each of the years in the two-year period ended December 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and 2011 and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte LLP

Independent Registered Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 26, 2013

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Banro Corporation

We have audited the internal control over financial reporting of Banro Corporation and subsidiaries (the "Company") as of December 31, 2012, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting in Form 40-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our report dated March 26, 2013 expressed an unqualified opinion on those financial statements.

/s/ Deloitte LLP

Independent Registered Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 26, 2013

Banro Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of U.S. dollars)

	Notes	December 31, 2012	December 31, 2011
		$	$
Assets			
Current Assets			
Cash and cash equivalents	5	27,049	9,696
Advances and accounts receivable	6	7,203	910
Due from related parties	7	97	166
Prepaid expenses and deposits	8	8,283	1,415
Inventories	9	17,999	-
Total Current Assets		**60,631**	**12,187**
Non-Current Assets			
Investment in associate	10	1,459	1,505
Property, plant and equipment	11	307,739	24,137
Exploration and evaluation	12	95,733	113,462
Mines under construction	13	170,225	277,850
Total Non-Current Assets		**575,156**	**416,954**
Total Assets		**635,787**	**429,141**
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	14	48,380	24,108
Accrued liabilities	14	6,424	8,223
Line of credit	15	-	5,625
Due to related parties	7	66	23
Employee retention allowance	16	2,170	1,385
Total Current Liabilities		**57,040**	**39,364**
Provision for closure and reclamation	17	777	767
Long-term debt	18	154,685	-
Total Liabilities		**212,502**	**40,131**
Shareholders' Equity			
Share capital	19	456,738	440,738
Warrants	18, 19	13,252	-
Contributed surplus	20	37,610	28,061
Accumulated other comprehensive (loss) income		8	(27)
Deficit		(84,323)	(79,762)
Total Shareholders' Equity		**423,285**	**389,010**
Total Liabilities and Shareholders' Equity		**635,787**	**429,141**
Commitments	21	-	-
Common shares (in thousands)			
Authorized		Unlimited	Unlimited
Issued and outstanding		201,882	197,076

The accompanying notes are an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on March 25, 2013.
Signed on behalf of the Board of Directors by:

/s/ John Clarke

John Clarke
Director

/s/ Arnold T. Kondrat

Arnold Kondrat
Director

Banro Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in thousands of U.S. dollars, except per share amounts)

		For the years ended	
	Notes	December 31, 2012	December 31, 2011
		$	$
Operating Revenue		42,631	-
Operating Expenses			
Production costs	23	(22,139)	-
Depletion and depreciation	9, 11	(8,057)	-
Total mine operating expenses		**(30,196)**	-
Earnings from mine operations		**12,435**	-
Other Expenses			
General and administrative	24	(6,568)	(7,988)
Share-based payments	20	(7,929)	(2,211)
Foreign exchange (loss)/gain		(143)	654
Interest and bank expenses	18	(2,306)	(46)
Interest income		318	235
Loss from operations		**(4,193)**	(9,356)
Share of loss from investment in associate	10	(130)	(60)
Dilution gain on investment in associate	10	49	156
Loss on disposition of property, plant & equipment		(287)	(65)
Loss for the year		**(4,561)**	(9,325)
Foreign currency translation differences of foreign associate	10	35	(125)
Total comprehensive loss for the year		**(4,526)**	(9,450)
Loss per share, basic	19c	(0.02)	(0.05)
Loss per share, diluted	19c	(0.02)	(0.05)
Weighted average number of common shares outstanding			
Basic	19c	200,607	190,015
Diluted	19c	200,607	190,015

The accompanying notes are an integral part of these consolidated financial statements.

Banro Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S dollars)

	Notes	Share capital				Currency		
		Number of shares (in thousands)	Amount $	Warrants $	Contributed Surplus $	Translation Adjustment $	Deficit $	Total Shareholder's Equity $
Balance at January 1, 2011		**173,062**	**373,945**	**-**	**21,689**	**98**	**(70,437)**	**325,295**
Net loss for the year		-	-	-		-	(9,325)	(9,325)
Issued share capital	19	17,500	52,307	-		-	-	52,307
Stock options exercised		493	1,391	-	(421)	-	-	970
Share-based compensation	20	-	-	-	5,604	-	-	5,604
Warrants issued		-	-	-	1,217	-	-	1,217
Warrants exercised		6,021	13,095	-	(28)	-	-	13,067
Foreign currency translation differences of foreign investment in associate	10	-	-	-		(125)	-	(125)
Balance at December 31, 2011		**197,076**	**440,738**	**-**	**28,061**	**(27)**	**(79,762)**	**389,010**
Net loss for the year		-	-	-		-	(4,561)	(4,561)
Share-based compensation	20	-	-	-	14,818	-	-	14,818
Stock options exercised		4,726	15,645	-	(5,176)	-	-	10,469
Warrants issued	19b	-	-	13,252	-	-	-	13,252
Warrants exercised	19b	80	355	-	(93)	-	-	262
Foreign currency translation differences of foreign investment in associate	10	-	-	-	-	35	-	35
Balance at December 31, 2012		**201,882**	**456,738**	**13,252**	**37,610**	**8**	**(84,323)**	**423,285**

The accompanying notes are an integral part of these consolidated financial statements.

Banro Corporation

CONSOLIDATED STATEMENTS OF CASH FLOW

(Expressed in thousands of U.S dollars)

		For the years ended	
	Notes	December 31, 2012	December 31, 2011
		$	$
Cash flows from operating activities			
Net loss for the year		(4,561)	(9,325)
Adjustments to reconcile loss to net cash provided by (used in) operating activities			
Depletion and depreciation	9, 11	8,096	39
Unrealized foreign exchange loss		97	56
Share of loss from investment in associate	10	130	60
Share based payments	20	7,929	2,272
Financing costs	18	2,135	-
Loss on disposal of property, plant, and equipment	11	287	65
Gain on dilution	10	(49)	(156)
Accretion on closure and reclamation	17	10	-
Interest paid	18	(1,070)	-
Retention allowance	16	(93)	-
Changes in non-cash working capital			
Advances and accounts receivable		(6,294)	(819)
Due from related parties		70	(55)
Prepaid expenses and deposits		(6,821)	1,795
Inventory		(1,805)	-
Accounts payable		3,850	140
Accrued liabilities		(7,730)	7,902
Employee retention allowance		275	143
Due to related parties		43	8
Net cash flows (used in) provided by operating activities		(5,501)	2,125
Cash flows from investing activities			
Acquisition of property, plant, and equipment		(32,081)	(2,986)
Disposition of property, plant, and equipment		10	54
Expenditures on exploration and evaluation		(31,481)	(25,841)
Expenditures on mines under construction, net of pre-production revenue	13	(76,057)	(112,982)
Interest paid	18	(7,704)	-
Short term investments		-	8,736
Advances from associate	10	-	(7)
Net cash used in investing activities		(147,313)	(133,026)
Cash flows from financing activities			
Proceeds from share issuance (net of issuance costs)		10,375	54,494
Proceeds from warrant exercise (net of issuance costs)		355	13,067
Proceeds from units (net of issuance costs)	18, 19b	165,014	-
Line of credit (repayment)/withdrawal	15	(5,625)	5,577
Net cash provided by financing activities		170,119	73,138
Effect of foreign exchange on cash held in foreign currency		48	(97)
Net increase/(decrease) in cash during the year		17,353	(57,860)
Cash and cash equivalents, beginning of the year		9,696	67,556
Cash and cash equivalents, end of the year		**27,049**	**9,696**
		-	
Cash paid for interest	18	8,774	48

Non-cash transactions (Note 26)

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Banro Corporation's business focus is the exploration, development and production of mineral properties in the Democratic Republic of the Congo (the "Congo"). Banro Corporation (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 as at and for the years ended December 31, 2012 and 2011 include the accounts of the Company and of its wholly-owned subsidiary incorporated in the United States, Banro American Resources Inc., as well as of its wholly-owned subsidiaries incorporated in the Congo, Banro Congo Mining SARL, Kamituga Mining SARL, Lugushwa Mining SARL, Namoya Mining SARL and Twangiza Mining SARL.

The Company is a publicly traded company whose outstanding common shares are listed for trading on the Toronto Stock Exchange and on the NYSE MKT LLC. The head office of the Company is located at 1 First Canadian Place, 100 King St. West, Suite 707O, Toronto, Ontario, M5X 1E3, Canada.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements as at and for the years ended December 31, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial information as of and for years ended December 31, 2012 and 2011, has been prepared in accordance with IFRS and IFRS Interpretation Committee ("IFRIC") interpretations issued and effective, or issued and early-adopted, at December 31, 2012.

The date the Company's Board of Directors approved these consolidated financial statements was March 25, 2013.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets which are presented at fair value, as explained in the accounting policies set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all group entities and for all periods presented in these consolidated financial statements.

a) Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This control is evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, revenues and expenses have been eliminated.

ii. Associate

Where the Company has the power to significantly influence but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Company's

share of the net assets of the associate, under the equity method of accounting. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of comprehensive loss, except that losses in excess of the Company's investment in the associate are not recognized unless there is a legal or constructive obligation to recognize such losses. If the associate subsequently reports profits, the Company's share of profits is recognized only after the Company's share of the profits equals the share of losses not recognized.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the Company's investment in an associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

iii. Transactions eliminated on consolidation

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

Estimates:

i. Provision for closure and reclamation

The Company's operation is subject to environmental regulations in the Congo. Upon establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are estimated by taking into consideration closure plans, known environmental impacts, and internal and external studies, which estimate the activities and costs that will be carried out to meet the decommissioning and environmental rehabilitation obligations. The Company records a liability and a corresponding asset for the present value of the estimated costs of legal and constructive obligations for future mine rehabilitation. During the mine rehabilitation process, there will be a probable outflow of resources required to settle the obligation and a reliable estimate can be made of those obligations. The present value is determined based on current market assessments using the risk-free rate of borrowing which is approximated by the yield of government bonds with a maturity similar to that of the mine life. The discounted liability is adjusted at the end of each period with the passage of time. The provision represents management's best estimate of the present value of the future mine rehabilitation costs, which may not be incurred for several years or decades, and, as such, actual expenditures may vary from the amount currently estimated. The decommissioning and environmental rehabilitation cost estimates could

change due to amendments in laws and regulations in the Congo. Additionally, actual estimated costs may differ from those projected as a result of an increase over time of actual remediation costs, a change in the timing for utilization of reserves and the potential for increasingly stringent environmental regulatory requirements.

ii. Impairment

Assets, including property, plant and equipment, exploration and evaluation and mine under construction, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts, which is the higher of fair value less cost to sell and value in use. The assessment of the recoverable amounts often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

iii. Mineral reserve and resource estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mineral properties. The Company estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body. This exercise requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, recognition of deferred tax assets, and expenses.

iv. Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20.

v. Depreciation of mining assets

The Company applies the units of production method for amortization of its mine assets in commercial production based on resource ore tons mined. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves, resources and the production capacity of the plants to be amortized under this method. Factors that are considered in determining reserves, resources and production capacity are the economic feasibility of the reserves, expected life of the project and proven and probable mineral reserves, the complexity of metallurgy, markets and future developments. Estimates of proven and probable reserves are prepared by experts in extraction, geology and reserve determination. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets. Componentization is not used in the depreciation of mining assets.

vi. Depreciation of property, plant and equipment

Each property, plant and equipment life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is located. For those assets depreciated on a straight-line basis, management estimates the useful life of the assets. These assessments require the use of estimates and assumptions including market conditions at the end of the assets useful life. Asset useful lives and residual values are re-evaluated annually. The nature of the property, plant and equipment did not require componentization.

Judgments:

i. Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of mines under construction and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use
- the ability to produce a saleable product
- the ability to sustain ongoing production at a steady or increasing level
- the mine has reached a level of pre-determined percentage of design capacity
- mineral recoveries are at or near the expected production level
- the completion of a reasonable period of testing of the mine plant and equipment

The results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that its Twangiza mine had reached the commercial production phase on September 1, 2012. When a mine development project moves into the production stage, the capitalization of certain mine development and construction costs ceases. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements, underground mine development or mineable reserve development are assessed to determine whether capitalization is appropriate.

ii. Provisions and contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

iii. Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. There are a few circumstances that would warrant a test for impairment, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the statement of comprehensive loss during the period the new information becomes available.

iv. Income taxes

The Company is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Company has recognized deferred tax assets relating to tax losses carried forward to the extent there is sufficient taxable income relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilized. However, future realization of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped, including current and future economic conditions, production rates and production costs.

v. Functional and presentation currency

Judgment is required to determine the functional currency of the parent and its subsidiaries. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

c) Foreign Currency Translation

i. Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("$"), which is the Company's and its subsidiaries' functional and presentation currency and all values are rounded to the nearest thousand, unless otherwise indicated.

ii. Foreign currency transactions

The functional currency for each of the Company's subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions entered into by the Company's subsidiaries and associates in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur except depreciation and amortization which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the consolidated statements of comprehensive loss. Foreign currency monetary assets and liabilities are translated at current rates of exchange with the resulting gain or losses recognized in the consolidated statements of comprehensive loss. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss. Non-monetary assets and liabilities are translated using the historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts.

e) Financial Assets

A financial asset is classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequently. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

i. Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as at FVTPL. A financial asset is classified as held for trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative

that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred.

ii. Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivable.

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of loans and receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statements of comprehensive loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified cash and cash equivalents, advances and accounts receivable and balances due from related parties as loans and receivables.

iii. HTM investments

HTM financial instruments, which include short-term investments and the related transaction costs, are initially measured at fair value. Subsequently, HTM financial assets are measured at amortized cost using the effective interest rate method, less any impairment losses.

iv. AFS financial assets

Non-derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive loss and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive loss is reclassified from the AFS reserve to profit or loss. The Company has not designated any of its financial assets as AFS.

v. Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective rate.

The carrying amount of all financial assets, excluding advances receivables and balances due from related parties, is directly reduced by the impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. A provision for impairment is made in relation to advances receivable, and an impairment loss is recognized in profit and loss when there is objective evidence that the Company will not be

able to collect all of the amounts due under the original terms. The carrying amount of the receivable is reduced through use of an allowance account.

With the exception of AFS equity instruments, if in a subsequent period the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized. Reversals for AFS equity instruments are not recognized in profit or loss.

vi. **Effective interest method**

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

f) Financial Liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

i. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables, accrued liabilities and amounts due to related parties.

ii. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive loss. The Company does not have any financial liabilities classified as FVTPL.

g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other costs are expensed.

h) Commercial Production

The Company assesses the stage of each mine under construction to determine when a mine has moved into the commercial production phase. Capitalization of costs, including certain mine development and construction costs, ceases when the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized and proceeds from sales during this period are offset against capitalized costs. During the production phase of a mine, costs incurred relating to mining asset additions or improvements, underground mine development or mineable reserve development are assessed to determine whether capitalization is appropriate.

i) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for gold sold in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of gold is recognized

when control of the gold and the significant risks and rewards of ownership are transferred to the customer, which is when title has passed to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured, and collection is reasonably assured.

j) Income (Loss) Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of stock options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used for the assumed proceeds upon the exercise of stock options and warrants that are used to purchase common shares at the average market price during the reporting period. As the Company is incurring losses, basic and diluted loss per share are the same since including the exercise of outstanding stock options and share purchase warrants in the diluted loss per share calculation would be anti-dilutive.

k) Inventories

Inventories include gold bullion, gold-in-process, stockpiled ore, and parts and supplies. Inventories are valued at the lower of cost or net realizable value. The cost of stockpiled ore is based on the weighted average cost per ton. The cost of gold bullion and gold-in-process is based on the average cost of production, which includes all costs attributable to the extraction and processing of ore. The costs of production include: i) materials, equipment, labor and contractor expenses directly attributable to the extraction and processing of ore; ii) depletion and depreciation of property, plant, and equipment used in the extraction and processing of ore; and iii) related production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

l) Property, Plant and Equipment (“PPE”)

i. Recognition and measurement

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Assets in the course of construction are capitalized in the capital construction in progress category and transferred to the appropriate category of PPE upon completion. When components of an asset have different useful lives, depreciation is calculated on each separate component.

ii. Subsequent costs

The cost of replacing part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and included in net loss. If the carrying amount of the replaced component is not known, it is estimated based on the cost of the new component less estimated depreciation. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value. PPE associated with mining operations are depreciated over the estimated useful lives of the assets on a unit of production basis which is measured by the portion of the mine’s economically recoverable and proven ore reserves produced during the period. All other

equipment is depreciated over the estimated useful life of the asset using the straight line method or declining balance method at a rate of 20% to 30% as appropriate.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate. Depreciation commences when an asset is available for use or in production. Changes in estimates are accounted for prospectively.

iv. Gains and losses

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of the PPE, and are recognized net within other income/expenses in profit or loss.

v. Repairs and maintenance

Repairs and maintenance costs are charged to expense as incurred, except major inspections or overhauls that are performed at regular intervals over the useful life of an asset are capitalized as part of PPE.

vi. Derecognition

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net earnings (loss) in the period the item is derecognized.

m) Exploration and Evaluation Assets

All direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as acquisition of rights to explore; sampling, trenching and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial viability of extracting a mineral resource.

A regular review of each property is undertaken to determine the appropriateness of continuing to carry forward costs in relation to exploration and evaluation of mineral properties. Should the carrying value of the expenditure not yet amortized exceed its estimated recoverable amount in any year, the excess is written off to the consolidated statements of comprehensive loss.

n) Mine Under Construction

Upon completion of a technical feasibility study determining the commercial viability of extracting a mineral resource, exploration and development expenditures are transferred to mine under construction. All subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mine under construction until the commencement of commercial production. Development expenditures are net of proceeds from sale of ore extracted during the development phase. After commercial production starts, all assets included in mine under construction are transferred to PPE. Capitalized development expenditures are not depreciated until the assets are ready for their intended use. Upon completion of construction, mining assets are amortized on a unit of production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves produced during the period. Impairment is tested in the same way as other non-financial assets.

o) Impairment of Non-financial Assets

The Company's PPE is assessed for indication of impairment at each consolidated statement of financial position date. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances

suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment in accordance with IAS 36 *Impairment of Assets*. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statements of comprehensive loss so as to reduce the carrying amount to its recoverable amount (i.e., the higher of fair value less cost to sell and value in use). Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

The Company has not recognized any impairment of its non-financial assets to date.

p) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

q) Share-Based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the

Company's estimate of share-based awards that will eventually vest. The number of forfeitures likely to occur is estimated on grant date and is revised as deemed necessary. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured on the date when the goods or services are received at the fair value of goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share-based payments, which is measured by use of a Black-Scholes valuation model, is used. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

r) Provisions and Contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events, can be reliably measured and is likely to result in a economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

s) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are in the normal course of business and have commercial substance.

t) Accounting Standards Issued But Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 7 Financial Instruments: disclosures ("IFRS 7") requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. An amendment to IFRS 7 was issued in December 2011 which requires an entity to disclose rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. IFRS 7 is effective for annual periods beginning on or after January 1, 2013. The Company does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow

characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidated – Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”) establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

IFRS 13 Fair Value Measurements (“IFRS 13”) defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

In June 2011, the IASB issued amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”) that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has evaluated the amendments to IAS 1 and determined that they will not have a material impact on the consolidated financial statements.

IAS 27, Separate financial statements (“IAS 27”) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The Company does not expect the standard to have a material impact on its consolidated financial statements.

IAS 28, Investments in associates and joint ventures (“IAS 28”) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The standard will not impact on the Company’s consolidated financial statements.

An amendment to IAS 32, Financial Instruments: presentation (“IAS 32”) was issued by the IASB in December 2011. The amendment clarifies the meaning of ‘currently has a legally enforceable right to set-off’. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company does not expect the standard to have a material impact its consolidated financial statements.

In October 2011, IFRIC published IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (“IFRIC 20”), effective for annual periods beginning on or after January 1, 2013. The interpretation clarifies the

requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. The Company does not expect the standard to have a material impact on its consolidated financial statements.

4. SUBSIDIARIES

The following table lists the Company's subsidiaries:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Twangiza Mining SARL	Democratic Republic of Congo	100%	Mining
Namoya Mining SARL	Democratic Republic of Congo	100%	Mining
Lugushwa Mining SARL	Democratic Republic of Congo	100%	Mining
Kamituga Mining SARL	Democratic Republic of Congo	100%	Mining
Banro Congo Mining SARL	Democratic Republic of Congo	100%	Mining
Banro American Resources Inc.	United States of America	100%	Holding Company

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company includes cash on hand, deposits held at financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts.

	December 31, 2012	December 31, 2011
Cash	$ 25,951	$ 5,922
Cash equivalents	$ 1,098	$ 3,774
	$ 27,049	$ 9,696

6. ADVANCES AND ACCOUNTS RECEIVABLE

Advances of the Company include receivables relating to value-added taxes ("VAT") in the amount of $6,773, as well as advances to employees. Accounts receivables include trade reeivables resulting from revenues generated by Twangiza Mining SARL. There is no allowance on the VAT receivables or advances to employees outstanding as at December 31, 2012, as all advances are expected to be recovered.

	December 31, 2012	December 31, 2011
Advances	$ 7,203	$ 326
Accounts receivable	-	584
	$ 7,203	$ 910

7. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, and are not disclosed in this note.

a) Key Management Remuneration

The Company's related parties include key management. Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO"), the Chief Financial Officer, and the Vice Presidents reporting directly to the CEO. The remuneration of the key management of the Company as defined above, during the years ended December 31, 2012 and 2011 was as follows:

	Years Ended December 31,	
	2012	**2011**
	$	$
Short-term employee benefits	6,263	4,808
Other benefits	108	72
Employee retention allowance	242	191
Share-based payments	9,042	359
	15,655	5,430

During the year ended December 31 2012, directors fees of $271 (year ended December 31, 2011 - $225) were paid to non-executive directors of the Company.

b) Other Related Parties

During the year ended December 31, 2012, legal fees of $812, (year ended December 31, 2010 - $364), incurred in connection with the Company's debt financing as well as general corporate matters, were paid to a law firm of which one partner is a director of the Company. As at December 31, 2012, the balance of $66 (December 31, 2011 - $23) owing to this legal firm was included in accounts payable.

During the year ended December 31, 2012, the Company incurred common expenses of $385 (year ended December 31, 2011 - $239) in the Congo together with Loncor Resources Inc. ("Loncor"), a corporation with common directors. As at December 31, 2012, an amount of $94 (December 31, 2011 – $166) owing from Loncor was included in due from related parties in the consolidated statements of financial position.

During the year ended December 31, 2012, the Company incurred common expenses of $395 (year ended December 31, 2011 - $113) with Gentor Resources Inc. ("Gentor"), a corporation with common directors. As at December 31, 2012, an amount of $3 (December 31, 2011 - $nil) owing from Gentor was included in due from related parties in the consolidated statements of financial position.

During the year ended December 31, 2012, $11 was repaid by Delrand Resources Limited ("Delrand") with respect to the Company's share of common expenses in the Congo. As at December 31, 2012, an amount of $nil (December 31, 2011 - $7) was due to Delrand. Amounts due to Delrand are included in Investment in Associate.

	December 31, 2012	**December 31, 2011**
	$	$
Due from related parties	97	166
Due to related party	66	23

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

8. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits comprise mainly of $1,869 (December 31, 2011 - $668) of advances to suppliers of Twangiza Mining SARL and $3,944 (December 31, 2011 - $nil) of prepayments for various earthmoving equipment and supplies for Namoya Mining SARL.

9. INVENTORIES

	December 31, 2012	December 31, 2011
	$	$
Gold bullion	2,853	-
Gold-in-process	1,075	-
Stockpile ore	663	-
Parts and supplies inventory	13,408	-
	17,999	-

The Company transferred $16,194 from mines under construction to inventories upon the declaration of commercial production at the Company's Twangiza mine effective September 1, 2012. During the year ended December 31, 2012 the Company recognized $10,744 (year ended December 31, 2011 - $nil) of inventories as an expense.

10. INVESTMENT IN ASSOCIATE

The Company's investment in Delrand, which meets the definition of an associate of the Company, is summarized as follows:

Delrand Resources Limited	December 31, 2012	December 31, 2011
Percentage of ownership interest	33.60%	35.64%
Common shares held	17,717	17,717
Total investment	$ 1,459	$ 1,505

Delrand is a publicly listed entity on the Toronto Stock Exchange and the JSE Limited in South Africa, involved in the acquisition and exploration of mineral properties in the Congo. It has an annual reporting date of June 30 (previously December 31). The Company's investment in Delrand is accounted for in the consolidated financial statements using the equity method. The fair value of the Company's investment in Delrand, based on the closing price of Delrand's shares on the Toronto Stock Exchange as at December 31, 2012, is $3,561 (December 31, 2011 - $4,616). For the year ended December 31, 2012, the Company's share of loss in the results of Delrand was $130 (year ended December 31 2011 –$60).

In June 2012, there were Delrand warrant exercises for gross proceeds of $400, which resulted in the reduction of the Company's ownership interest in Delrand from 35.64% to 33.6% and therefore the Company recorded a dilution gain of $49 for the year ended December 31, 2012.

Delrand's summarized statements of financial position as at December 31, 2012 and December 31, 2011 converted to U.S. dollars at the period-end rates of exchange are as follows:

	December 31, 2012	December 31, 2011
	$	$
Current assets	65	150
Exploration and evaluation	5,250	5,036
	5,315	5,186
Liabilities	(713)	(694)
Net equity	4,602	4,492

Delrand's summarized statements of comprehensive loss for the years ended December 31, 2012 and 2011 converted to U.S. dollars at the yearly average exchange rate are set out below. The Company's share of Delrand's expenses and losses are converted at the average exchange rate at each reporting period or at each change in ownership period.

	Years ended December 31,	
	2012	**2011**
Expenses and loss	**(372)**	(125)
Banro's share of Delrand's expenses and loss	**(130)**	(60)

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

Balance at December 31, 2010	$1,527
Share of loss	(60)
Dilution gain	156
Amount due to Delrand	7
Cumulative translation adjustment	(125)
Balance at December 31, 2011	1,505
Share of loss	(130)
Dilution gain	49
Cumulative translation adjustment	35
Balance at December 31, 2012	**$1,459**

11. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment are summarized as follows:

	Mining assets	Plant and equipment	**Total**
	$	$	$
Cost			
Balance at January 1, 2011	**-**	**30,995**	**30,995**
Additions	-	3,760	3,760
Disposals	-	(759)	(759)
Balance at December 31, 2011	**-**	**33,996**	**33,996**
Additions	8,880	23,203	32,083
Transfers	54,771	211,305	266,076
Disposals	-	(1,628)	(1,628)
Balance at December 31, 2012	**63,651**	**266,876**	**330,527**
Accumulated Depreciation			
Balance at January 1, 2011	**-**	**5,818**	**5,818**
Depreciation for the year	-	4,621	4,621
Disposals	-	(580)	(580)
Balance at December 31, 2011	**-**	**9,859**	**9,859**
Depreciation for the year	-	10,272	10,272
Depletion for the year	3,942	-	3,942
Disposals	-	(1,285)	(1,285)
Balance at December 31, 2012	**3,942**	**18,846**	**22,788**
Carrying amounts			
Balance at December 31, 2011	**-**	**24,137**	**24,137**
Balance at December 31, 2012	**59,709**	**248,030**	**307,739**

During the year ended December 31, 2012, the Company removed from its accounting records assets with a total cost of $229 (December 31, 2011 - $529) that were fully depreciated and no longer in use. During the year ended December 31, 2012, the Company removed assets which were damaged and could no longer be used. This resulted in a loss of $19 (December 31, 2011 - $30), which is reflected in Mine under Construction, and $287 (December 31, 2011 - $65), which is reflected in the consolidated statement of comprehensive loss. The Company's property, plant and equipment in the Congo are pledged as security as part of the Company's debt offering issued in March 2012.

12. EXPLORATION AND EVALUATION ASSETS

The following table summarizes the Company's tangible exploration and evaluation expenditures with respect to its five properties in the Congo:

	Twangiza	Namoya	Luguswha	Kamituga	Banro Congo Mining	Total
Cost	$	$	$	$	$	$
Balance as at December 31, 2010	9,342	40,696	29,305	2,377	2,530	84,250
Additions	6,924	11,225	6,709	4,269	65	29,192
Balance as at December 31, 2011	16,266	51,921	36,014	6,646	2,595	113,442
Additions	6,413	10,021	8,834	8,825	99	34,192
Transfer to mines under construction	-	(51,921)	-	-	-	(51,921)
Balance as at December 31, 2012	22,679	10,021	44,848	15,471	2,694	95,713

There is approximately $20 of intangible exploration and evaluation expenditures as at December 31, 2012. The intangible exploration and evaluation expenditures, representing mineral rights held by Banro Congo Mining, have not been included in the table above.

a. Twangiza

The 1,156 square kilometre Twangiza property is located in the South Kivu Province of the Congo, approximately 45 kilometres south of the town of Bukavu, the provincial capital. The Twangiza property consists of six exploitation permits held by Twangiza Mining SARL, a wholly owned Congo registered subsidiary of the Company. Exploration and evaluation expenditures indicated in the table above are with respect to targets and prospects outside the Twangiza Main and Twangiza North deposits.

b. Namoya

The Namoya property consists of one exploitation permit covering an area of 172 square kilometres and is located in the Maniema province in the east of the Congo, approximately 225 kilometres southwest of the Town of Bukavu. Namoya Mining SARL, which is registered in the Congo and wholly owned by the Company, has a 100% interest in the said permit.

c. Lugushwa

The Lugushwa property consists of three exploitation permits covering an area of 641 square kilometres and is located approximately 150 kilometres southwest of the town of Bukavu in the South Kivu province in the east of the Congo. The Company's wholly owned Congo registered subsidiary, Lugushwa Mining SARL, has a 100% interest in the said permits.

d. Kamituga

The Kamituga property consists of three exploitation permits covering an area of 643 square kilometres and is located approximately 100 kilometres southwest of the town of Bukavu in the South Kivu province in the east of the Congo. The Company's wholly owned Congo registered subsidiary, Kamituga Mining SARL, has a 100% interest in the said permits.

e. Banro Congo Mining
The Company's wholly-owned Congo subsidiary, Banro Congo Mining SARL, holds 14 exploration permits covering an aggregate of 2,638 square kilometres of ground located between and contiguous to the Company's Twangiza, Kamituga and Lugushwa properties and northwest of Namoya.

13. MINE UNDER CONSTRUCTION

Development expenditures with respect to the construction of the Company's Twangiza mine and Namoya project are as follows:

	Twangiza Mine	Namoya Mine	Total
Cost	$	$	$
Balance as at December 31, 2010	146,688	-	146,688
Additions	135,750	-	135,750
Pre-production commercial revenue	(4,588)	-	(4,588)
Balance as at December 31, 2011	277,850	-	277,850
Additions	72,532	118,304	190,836
Pre-production commercial revenue	(68,112)	-	(68,112)
Transfers	(282,270)	51,921	(230,349)
Balance as at December 31, 2012	-	170,225	170,225

Mines under construction are not amortized until construction is completed. This is signified by the formal commissioning of a mine for production. Effective September 1, 2012, the Company declared commercial production at its Twangiza mine. All capitalized costs related to the Twangiza mine prior to September 1, 2012 have been transferred to Property, Plant, and Equipment in the amount of $266,076 and to Inventories in the amount of 16,194.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are mainly comprised of amounts outstanding for purchases relating to exploration and development activities and amounts payable for professional services. The credit period for purchases typically ranges from 30 to 90 days.

15. LINE OF CREDIT

	$
Balance at December 31, 2010	-
Withdrawals	5,577
Interest	48
Balance at December 31, 2011	5,625
Withdrawals	9,375
Interest	182
Repayments	(15,182)
Balance at December 31, 2012	-

In December 2011, Twangiza Mining SARL ("Twangiza"), one of the Company's wholly-owned Congolese subsidiaries, established a line of credit facility with a bank in the Congo (the "Line of Credit"). The Line of Credit was a nine month line of credit facility with a maximum drawdown available of $15 million. The Line of Credit bore interest at 8.5% per annum and was secured by certain mining assets of Twangiza. The Line of Credit was used by Twangiza as part of its working capital

management. As at December 31, 2012, Twangiza had fully repaid the Line of Credit of $15,000 and recognized interest expense of $182 for the year ended December 31, 2012.

16. EMPLOYEE RETENTION ALLOWANCE

The Company has an incentive employee retention plan under which an amount equal to one-month salary per year of service is accrued to each qualified employee up to a maximum of 10 months (or 10 years of service with the Company). To qualify for this retention allowance, an employee must complete two years of service with the Company. The full amount of retention allowance accumulated by a particular employee is paid out when the employee is no longer employed with the Company, unless there is a termination due to misconduct, in which case the retention allowance is forfeited. There is uncertainty about the timing of these outflows but with the information available and assumption that eligible employees will not be terminated due to misconduct, as at December 31, 2012, the Company had accrued a liability of $2,170 (December 31, 2011 - $1,385).

The following table summarizes information about changes to the Company's employee retention allowance during the year ended December 31, 2012.

	$
Balance at December 31, 2010	761
Additions	637
Payments to employees	(13)
Balance at December 31, 2011	1,385
Additions	878
Payments to employees	(93)
Balance at December 31, 2012	2,170

17. PROVISION FOR CLOSURE AND RECLAMATION

It is the Company's intention to protect the land on which it operates in accordance with best practices of the mining industry and to comply with all applicable laws governing protection of the environment. As such, the Company recognizes a provision related to its constructive and legal obligation in the Congo to restore its properties. The cost of this obligation is determined based on the expected future level of activity and costs related to decommissioning the mines and restoring the properties. The provision is calculated at the net present value of the future expected cash outflows using the prevailing interest rate in the Congo of 20%, a mine life of 12 years, and estimated future cash costs of $6,566. As at December 31, 2012, the Company recorded a provision for mine rehabilitation of $777 (December 31, 2011 - $767).

	$
Balance at December 31, 2010	-
Additions	767
Balance at December 31, 2011	767
Accretion	10
Balance at December 31, 2012	777

18. LONG-TERM DEBT

On March 2, 2012, the Company closed a debt offering for gross proceeds of $175,000 (the ''Offering''). A total of 175,000 units (the ''Units'') of the Company were issued. Each Unit consisted of $1 principal amount of notes ("the Notes") and 48 common share purchase warrants ("the Warrants") of the Company. The Notes will mature March 1, 2017 and bear interest at a rate of 10%, accruing and payable semi-annually in arrears on March 1 and September 1 of each year. The first interest payment date was September 1, 2012 and consisted of interest accrued from and including March 2, 2012 until September 1, 2012. Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of $6.65 for a period of five years, expiring March 1, 2017.

The Company has recognized the long-term debt portion of the Units, at its fair value of $160,959 less transaction costs of $9,197, in its consolidated statement of financial position. The residual value of $14,041 less $789 in transaction costs has been attributed to the Warrants. As a portion of the proceeds from the Offering is attributable to the construction of the Namoya mine, the Company will capitalize the related portion of all borrowing costs calculated using a capitalization rate of 88%. As at December 31, 2012, the fair value of the long-term debt is $148,372 (December 31, 2011 - $nil). For the year ended December 31, 2012, the Company capitalized borrowing costs of $15,363 (December 31, 2011 – nil) to Mines under Construction and recognized $2,135 (December 31, 2011 - $nil) of borrowing costs under interest expense in its consolidated statement of comprehensive loss. The Company has accrued interest on the long-term debt of $5,801 (December 31, 2011 - $nil) under accrued liabilities in its consolidated statement of financial position.

	Payments due by period				
	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	$ 175,000	$ -	$ -	$ 175,000	$ -
Long-term debt interest	$ 78,750	$ 17,500	$ 52,500	$ 8,750	$ -

19. SHARE CAPITAL

a) Authorized

The authorized share capital of the Company consists of unlimited number of common shares and unlimited number of preference shares, issuable in series, with no par value. All share, option and warrant amounts are presented in thousands.

The holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of shareholders of the Company, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Subject to the prior rights of the holders of the preference shares or any other share ranking senior to the common shares, the holders of the common shares are entitled to (a) receive any dividend as and when declared by the board of directors, out of the assets of the Company properly applicable to payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding up of the Company.

The Company may issue preference shares at any time and from time to time in one or more series with designation, rights, privileges, restrictions and conditions fixed by the board of directors. The preference shares of each series are ranked on parity with the preference shares of every series and are entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares, with respect to priority in payment of dividends and the return of capital and the distribution of assets of the Company in the event of liquidation, dissolution or winding up of the Company.

During the year ended December 31, 2012, the Company issued a total of 4,726 common shares as a result of stock option exercises at various exercise prices ranging from Cdn$1.10 to Cdn$3.25 per share.

As of December 31, 2012, the Company had 201,882 common shares issued and outstanding (December 31, 2011 – 196,076) and no preference shares issued and outstanding.

	Number of shares	Amount
Balance at December 31, 2010	**173,062**	**$ 373,945**
Shares issued for:		
Cash	17,500	52,307
Exercise of stock options	493	1,391
Exercise of warrants	6,021	13,095
Balance at December 31, 2011	**197,076**	**$ 440,738**
Shares issued for:		
Exercise of stock options	4,726	$ 15,645
Exercise of warrants	80	355
Balance at December 31, 2012	**201,882**	**$ 456,738**

b) Share purchase warrants (in thousands)

As part of the Offering disclosed in Note 18, the Company issued to the investors 8,400 Warrants, each of which is exercisable to acquire one common share of the Company at a price of $6.65 until March 1, 2017. The outstanding Warrants have a carrying value of $13,252, which is based on the residual value from the Offering as described in Note 18 less the related transaction costs.

During the year ended December 31, 2012, a total of 80 (December 31, 2011 – 25) of 1,050 broker warrants originally issued in February 2011 were exercised into common shares, resulting in 945 broker warrants outstanding as at December 31, 2012.

c) 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, 2012, amounting to 200,607 (December 31, 2011 – 190,015) common shares. Diluted loss per share was calculated using the treasury stock method. The diluted weighted average number of common shares outstanding for the year ended December 31, 2012 is 200,607 common shares (December 31, 2011 – 193,137 common shares). As at December 31, 2012, 2,694 potential common shares related to stock options and warrants that would dilute basic EPS have not been included as they were anti-dilutive

20. SHARE-BASED PAYMENTS

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. No amounts are paid or payable by the recipient on receipt of the option, and the exercise of the options granted are not dependent on any performance-based criteria. In accordance with these programs, options are exercisable at the closing market price of the shares on the day prior to the grant date.

Under this Stock Option Plan, 75% of options granted to each optionee 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. All options granted have an contractual life of five years from the date of grant.

The following tables summarize information about stock options:

For the year ended December 31, 2012

Exercise Price Range (Cdn$)	Opening Balance	During the Year				Closing Balance	Weighted average remaining contractual life (years)	Vested & Exercisable	Unvested
		Granted	Exercised	Forfeiture	Expired				
1.10 - 2.35	8,044	-	(4,041)	-	-	4,003	1.97	4,003	-
2.40 - 4.75	3,099	9,028	(685)	(826)	-	10,616	2.94	1,788	8,828
12.00 - 15.00	335	-	-	-	(335)	-	-	-	-
	11,478	9,028	(4,726)	(826)	(335)	14,619	3.51	5,791	8,828
Weighted Average Exercise Price (Cdn$)	2.83	4.61	2.32	4.31	12.31	3.79	-	2.38	4.27
Weighted Average Share Price (Cdn$) at exercise			4.78						

For the year ended December 31, 2011

Exercise Price Range (Cdn$)	Opening Balance	During the Year				Closing Balance	Weighted average remaining contractual life (years)	Vested & Exercisable	Unvested
		Granted	Exercised	Forfeited	Expired				
1.10 - 2.35	8,558	-	(418)	(96)	-	8,044	3.02	7,121	923
2.40 - 4.60	543	2,632	(75)	-	-	3,099	4.16	420	2,679
12.00 - 15.00	2,116	-	-	-	(1,781)	335	0.61	335	-
	11,217	2,632	(493)	(96)	(1,781)	11,478	3.25	7,876	3,602
Weighted Average Exercise Price (Cdn$)	4.33	3.75	1.92	2.43	13.24	2.83	-	2.61	3.31
Weighted Average Share Price (Cdn$) at exercise			3.71						

The assessed fair value, using the Black-Scholes option pricing model, at grant date of stock options granted during the year ended December 31, 2012 was a weighted average Cdn$2.04 per stock option (December 31, 2011 - Cdn$2.01).

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price based on the historic share price movement, the term of the stock option, the expected life based on past experience, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate as per the Bank of Canada for the term of the stock option.

The model inputs for stock options granted during the years ended December 31, 2012 and December 31, 2011 included:

Years ended	December 31, 2012	December 31, 2011
Risk free interest rate	0.98% - 1.91%	1.03% - 2.31%
Expected life	3 years	3 years
Annualized volatility	58.77% - 73.46%	76.26% - 92.12%
Dividend yield	0.00%	0.00%
Forfeiture rate	2.00%	2.00%
Grant date fair value	$1.24 - $2.32	$1.19 - $2.55

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

During the year ended December 31, 2012, the Company recognized in the consolidated statement of comprehensive loss an expense of $7,929 (year ended December 31, 2011 –$2,211) 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. In addition, an amount of $7,351 for the year ended December 31, 2012 (year ended December 31, 2011 – $3,331) related to stock options issued to employees of the Company's subsidiaries in the Congo was capitalized to the exploration and evaluation asset and to mine under construction.

These amounts were credited accordingly to contributed surplus in the consolidated statements of financial position.

21. COMMITMENTS AND CONTINGENCIES

The Company has entered into a number of leases for buildings with renewal terms whereby the lease agreements can be extended based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

The Company's future minimum operating lease commitments for office premises as at December 31, 2012 are as follows:

2013	$ 119
2014	102
2015	68
	$ 289

The Company is committed to the payment of surface fees and taxes. The surface fees and taxes are required to be paid annually under the DRC Mining Code in order to keep exploration permits in good standing.

In addition to the above matters, the Company and its subsidiaries are also subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material effect on its consolidated losses, cash flow or financial position.

22. SEGMENTED REPORTING

The Company has three operating segments: mining operations and the exploration and development of precious metal projects in the Congo. The operations of the Company are located in two geographic locations: Canada and the Congo. The Company's corporate head office is located in Canada and is not an operating segment. All of the Company's operating revenues are earned from production in the Congo and its mining and exploration and development projects are located in the Congo. All of the Company's revenues from the sale of gold bullion in the Congo are to a single customer.

For the year ended December 31, 2012					
	Mining Operations	Exploration	Development	Corporate	Total
	$	$		$	$
Revenue	42,631	-	-	-	42,631
Operating expenses	(30,196)	-	-	-	(30,196)
Earnings from mine operations	12,435	-	-	-	12,435
Other expenses	(386)	-	-	(6,325)	(6,711)
Share-based payments	(1,195)	-	-	(6,734)	(7,929)
Interest expense	(106)	-	-	(1,882)	(1,988)
Loss from operations	10,748	-	-	(14,941)	(4,193)
Share of loss from investment in associate	-	-	-	(130)	(130)
Dilution gain on investment in associate	-	-	-	49	49
Loss on disposition of capital asset	(287)	-	-	-	(287)
Earnings (loss) for the year	10,461	-	-	(15,022)	(4,561)
Capital Expenditures	81,412	34,192	118,304	130	234,038

For the year ended December 31, 2011					
	Mining Operations	Exploration	Development	Corporate	Total
	$	$	$	$	$
Revenue	-	-	-	-	-
Operating expenses	-	-	-	-	-
Earnings from mine operations	-	-	-	-	-
Other expenses	-	-	-	(7,380)	(7,380)
Share-based payments	-	-	-	(2,211)	(2,211)
Interest income	-	-	-	235	235
Loss from operations	-	-	-	(9,356)	(9,356)
Share of loss from investment in associate	-	-	-	(60)	(60)
Dilution gain on investment in associate	-	-	-	156	156
Loss on disposition of capital asset	-	-	-	(65)	(65)
Loss for the year	-	-	-	(9,325)	(9,325)

Certain items from the Company's statements of financial position are as follows:

December 31, 2012					
	Mining Operations	Exploration	Development	Corporate	Total
	$	$		$	$
Total non-current assets	286,516	97,945	189,116	1,579	575,156
Total assets	325,976	102,397	196,394	11,020	635,787
Provision for closure and reclamation	777	-	-	-	777
Long-term debt	-	-	-	154,685	154,685
December 31, 2011					
	Mining Operations	Exploration	Development	Corporate	Total
Total non-current assets	277,850	85,643	51,921	1,540	416,954
Provision for closure and reclamation	767	-	-	-	767

Effective September 1, 2012, the Company declared the commencement of commercial production at the Twangiza mine. All capitalized costs related to the Twangiza mine prior to September 1, 2012 have been transferred to Property, Plant, and Equipment in the amount of $266,076 and to Inventories in the amount of 16,194. As at January 1, 2012, costs previously capitalized to the Exploration and Evaluation asset for the Namoya project were transferred to the Mine Under Construction asset.

Geographic segmentation of non-current assets is as follows:

December 31, 2012					
	Property, plant and equipment	Mines under construction	Exploration and evaluation	Investment in Associate	Total
	$	$	$	$	$
Congo	307,619	170,225	95,733	-	573,577
Canada	120	-	-	1,459	1,579
	307,739	170,225	95,733	1,459	575,156
December 31, 2011					
	Property, plant and equipment	Mines under construction	Exploration and evaluation	Investment in Associate	Total
Congo	24,102	277,850	113,462	-	415,414
Canada	35	-	-	1,505	1,540
	24,137	277,850	113,462	1,505	416,954

23. PRODUCTION COSTS

The Company commenced commercial production effective September 1, 2012. The related production costs for the year ended December 31, 2012 and 2011 are as follows:

	Years Ended December 31,	
	2012	**2011**
	$	$
Raw materials and consumables	(10,744)	-
Salaries	(4,516)	-
Contractors	(3,398)	-
Other	(3,481)	-
	(22,139)	-

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended December 31,	
	2012	**2011**
	$	$
Salaries and employee benefits	(2,491)	(3,707)
Consulting, management, and professional fees	(1,043)	(1,719)
Office and sundry	(1,082)	(1,056)
Depreciation	(44)	(39)
Other	(1,908)	(1,467)
	(6,568)	(7,988)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Fair value of financial assets and liabilities

The consolidated statements of financial position carrying amounts for cash and cash equivalents, advances and accounts receivable, balances due from related parties, and accounts payable, accrued liabilities, and due to related parties approximate fair value due to their short-term nature.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and liabilities carried at amortized cost are approximated by their carrying values.

b) Risk Management Policies

The Company is sensitive to changes in commodity prices and foreign-exchange. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contacts, it currently does not enter into such arrangements.

c) Foreign Currency Risk

Foreign currency 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 are denominated in Canadian dollars, Congolese francs and South African rand. 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 comprehensive loss. The Company does not use derivative 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, 2012. 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, 2012.

	Canadian Dollar	South African Rand	Congolese Franc	British Pound
	CDN$	ZAR	CDF	£
Cash and cash equivalents	1,969	59	969	-
Prepaid expenses	134	12,190	-	10
Accounts payable	(427)	(72,465)	-	-
Retention allowance	(524)	-	-	-
Total foreign currency financial assets and liabilities	1,152	(60,216)	969	10
Foreign exchange rate at December 31, 2012	1.0051	0.1179	0.0011	1.6161
Total foreign currency financial assets and liabilities in US $	1,158	(7,099)	1	16
Impact of a 10% strengthening of the US $ on net loss	116	(710)	0	2

d) Credit Risk

Financial instruments, which are potentially subject to credit risk for the Company, consist primarily of cash and cash equivalents and advances and accounts receivable. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. Cash and cash equivalents are held in Canada, the Congo and South Africa. The sale of goods exposes the Company to the risk of non-payment by customers. Banro manages this risk by monitoring the creditworthiness of its customers. 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 (the highest rating) 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 on operations.

The carrying amount of financial assets represents the maximum credit exposure. The Company's gross credit exposure at December 31, 2012 and December 31, 2011 is as follows:

	December 31, 2012	December 31, 2011
	$	$
Cash and cash equivalents	27,049	9,696
Advances and accounts receivable	7,203	910
	34,252	10,606

e) 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 attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. 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. The Company's liquidity requirements are met through a variety of sources, including cash and cash equivalents, existing credit facilities and equity capital markets. Excluding long-term debt, all other financial obligations of the Company including accounts payable of $48,380, accrued liabilities of $6,425, and due to related parties of $66 are due within one year.

f) Mineral Property Risk

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. 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.

g) Market Risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign-exchange rates, commodity prices, interest rate and share based payment costs.

h) Commodity price risk

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. To date the Company has not adopted specific strategies for controlling the impact of fluctuations in the price of gold.

	For the years ended	
	December 31, 2012	December 31, 2011
Net Income/(loss)	(4,561)	(9,325)
Impact of a 10% strengthening of the spot price of gold	4,263	-
Net Income/(loss) after impact	(298)	(9,325)

The Company does not have any financial derivatives to manage commodity price risk.

i) Title risk

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral licenses, the Company cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mineral properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

j) Capital Management

The Company manages its common shares, warrants and stock options as capital. The Company's policy is to maintain a 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.

	December 31, 2012	December 31, 2011
	$	$
Share capital	456,738	440,738
Warrants	13,252	-
Contributed surplus	37,610	28,061
Deficit	(84,323)	(79,762)
	423,277	389,037

26. NON-CASH TRANSACTIONS

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

		For the years ended December 31,	
	Note	2012	2011
		$	$
Depreciation included in exploration and evaluation assets	12	**683**	481
Depreciation included in mines under construction	13	**2,352**	4,124
Stock-based compensation included in exploration and evaluation assets	12	**1,565**	749
Stock-based compensation included in mines under construction assets	13	**2,089**	2,581
Employee retention allowance	16	**878**	637
Additions to property, plant, and equipment		-	7
Loss on disposal included in mine under construction assets	11	19	30
Issuance cost related to broker warrants		-	1,217

27. INCOME TAXES

The following table reconciles the income taxes calculated at statutory rates with the income tax expense in the consolidated statement of comprehensive loss:

	Years Ended December 31,	
	2012	2011
	$	$
Net loss for the year	(4,561)	(9,325)
Combined federal and provincial income tax rates	26.50%	28.25%
Income tax recovery at Canadian federal and provincial statutory rates	(1,209)	(2,634)
Foreign exchange on revaluation	(466)	(260)
Non deductible amounts expensed	1,744	650
Unrecognized benefit of deductible temporary differences and others	(69)	2,244
	-	-

The change in the Canadian statutory rate over the prior year is the result of a reduction in the federal tax rate. The Company has deductible temporary differences of $87,355 (December 31, 2011 - $87,919) for which no deferred tax asset is recognized.

	Years Ended December 31,	
	2012	**2011**
	$	$
Non-capital losses	47,956	52,658
Capital losses	22,357	21,873
Financing costs	16,213	12,375
Investments	778	740
Fixed assets	51	273
	87,355	87,919

A deferred tax asset of approximately $3,000 has been recognized on a portion of non-capital losses to offset the deferred tax liability related to compound financial instrument issued in the year.

The Company also has deductible temporary differences of approximately $8,000 in relation to its operations in Congo for which no deferred tax asset has been recognized.

As at December 31, 2012, the Company has available non-capital losses in Canada of $59,074 that if not utilized will expire as follows:

	$
2015	4,444
2027	4,301
2028	7,775
2029	11,115
2030	13,377
2031	12,798
2032	5,264
	59,074

In the Congo, the Company is subject to a mining convention signed with the Congolese government that provides the Company with a 10-year tax holiday from the date of commercial production. The tax holiday enables the Company to earn income in the Congo that is exempt from corporate income tax during this period of the tax holiday.

28. EVENTS AFTER THE REPORTING PERIOD

In February 2013, the Company announced the arrangement of two credit facilities. The credit facilities for $30 million were completed with two commercial banks in the Democratic Republic of the Congo, Rawbank and Ecobank, each for $15 million, and at rates of 9% and 8.5% interest respectively. The Rawbank facility (including accrued interest) is repayable in six equal installments, starting in October of 2013 while the Ecobank facility is repayable on a quarterly basis from March 31, 2014.

The Company has also entered into an engagement letter for a financing package to raise $100 million (the “Financing”). The Financing is proposed to comprise of (1) the issue of preferred shares to the value of US$30 million to BlackRock World Mining Trust plc by way of a private placement; (2) the issue of preferred shares to the value of US$30 - US$50 million by way of a marketed best efforts offering pursuant to a preliminary short form prospectus filed in Canada and by way of private placement in other jurisdictions in accordance with applicable laws; and (3) the issue of common shares in the capital of the Company to the value of US$20 – US$40 million by way of a marketed best efforts offering pursuant to a preliminary short form prospectus filed in Canada and by way of private placement in other jurisdictions in accordance with applicable laws.