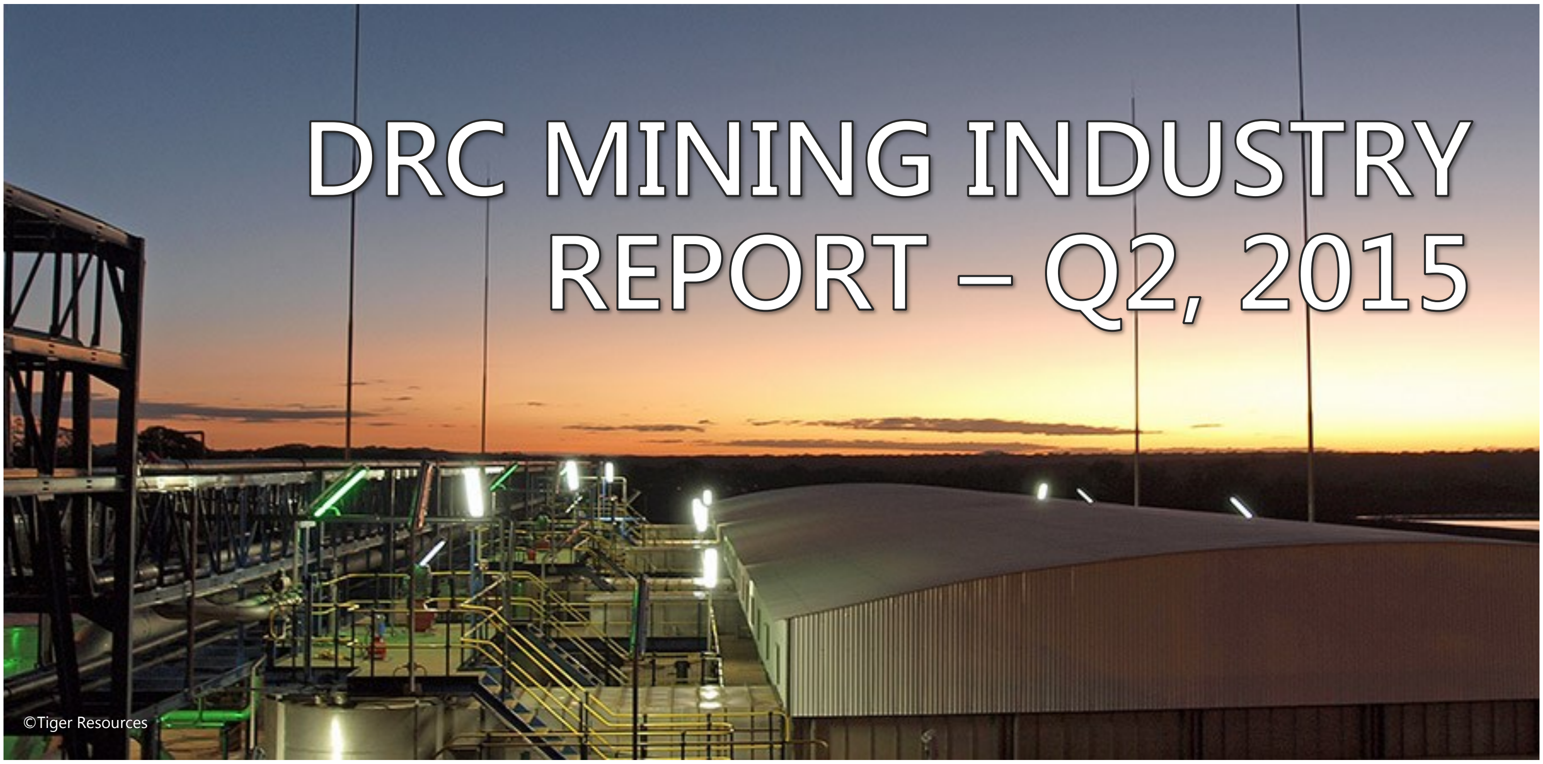
CHAMBRE DES MINES

FEDERATION DES ENTREPRISES DU CONGO



PRODUCTION

		Production Data			Estimation		
Metal	Unity	1st Semester 2015	1st Semester 2014	2015 / 2014	Estimated 2015	2014	Trends
Copper	Tonne	512 212	492 882	3,9%	1 024 424	1 037 441	↔
Cobalt	Tonne	32 845	30 205	8,7%	65 690	66 319	↔
Gold	Kg	13 097	8 330	57,2%	26 194	19 627	↑
Diamond	1000 cts	7 450	8 375	-11,0%	14 901	16 658	↓
Coltan	Tonne	693	696	-0,4%	1 386	1 410	↔
Zinc	Tonne	7 232	7 600	-4,8%	14 464	14 584	↔
Cassiterite	Tonne	4 546	6 142	-26,0%	9 092	10 756	↓
Wolframite	Tonne	34	12	183,3%	68	24	↑

A 57.2% increase in gold production, a new copper record production and the fall of metal prices were the highlights of the first semester.

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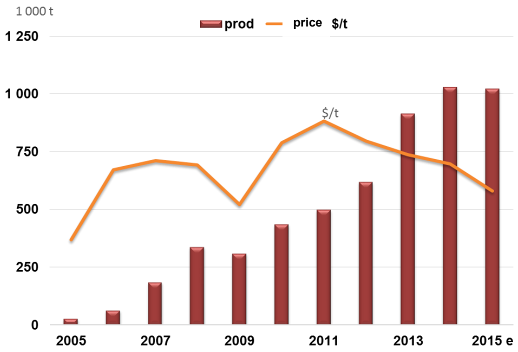
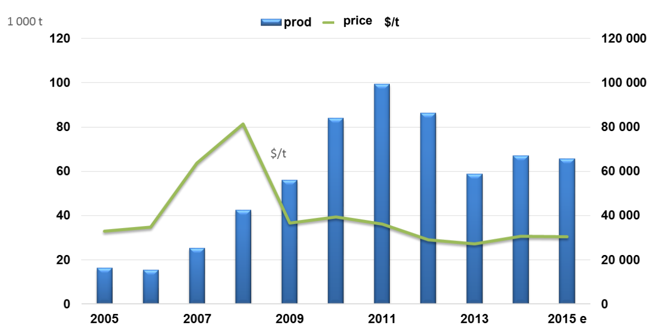


	Cu Cathodes	Cu total
2013	684 653	914 631
2014	866 595	1 029 800
2015 Q2	459 891	512 211

In the first six months of 2015, DRC copper production grew by 3.9%, compared to 2014, to exceed half a million tonnes – a new record. Annual production is projected to fall just short of that of 2014. This estimated small decline is attributable to expected poor electricity supply.
Lower copper prices are not projected to adversely impact industrial copper production this year.

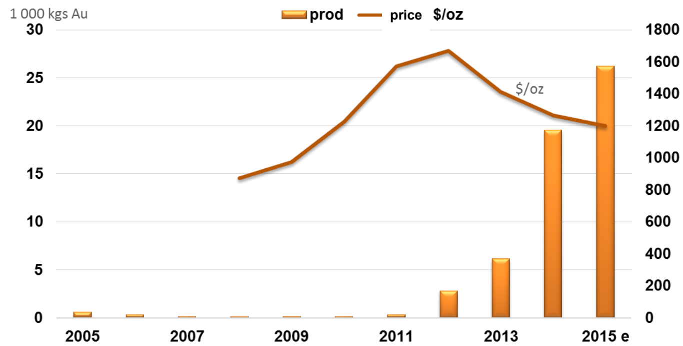
COBALT



	Co electro	Co total
2013	2 828	58 357
2014	2 935	66 915
2015 Q1	1 922,5	32 845

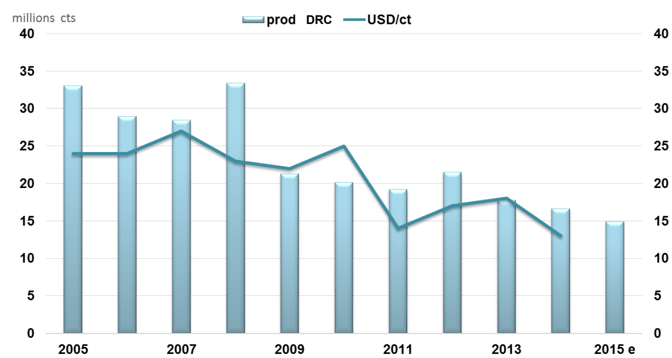
First semester cobalt production of 32,845 tonnes was up 8.7%. Annual production is forecast at just below that of 2014.

GOLD



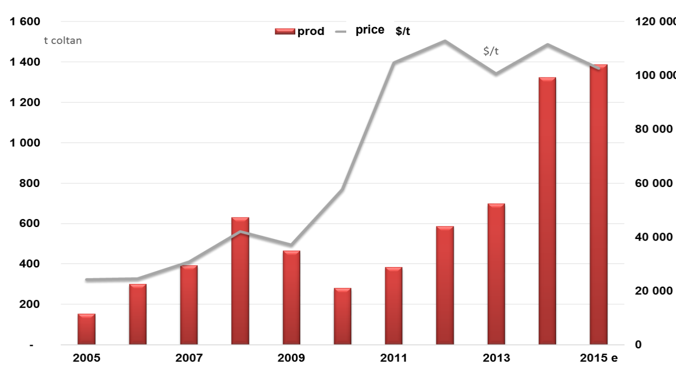
Strong first-half growth of 57.2% for gold underlines that new production came on stream and the fact that, in spite of a weaker price, gold miners have better control over power costs because they are independent of the national electricity supplier. Gold production is expected to exceed 26 tonnes for the year, a growth of 33.5%.

DIAMOND



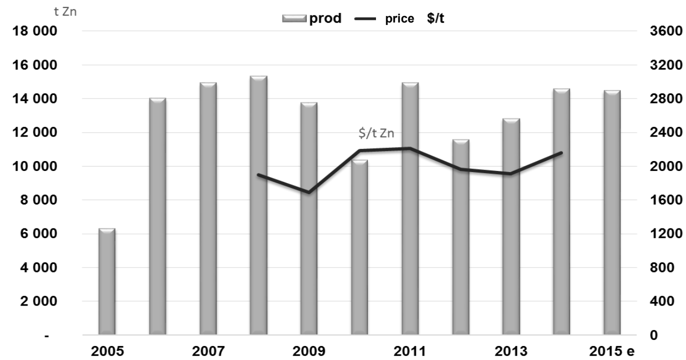
Diamond production of 7.4 million carats was 11% below that of first semester 2014, which was 8.3 million carats. Annual production is expected to fall by more than 10%.

COLTAN



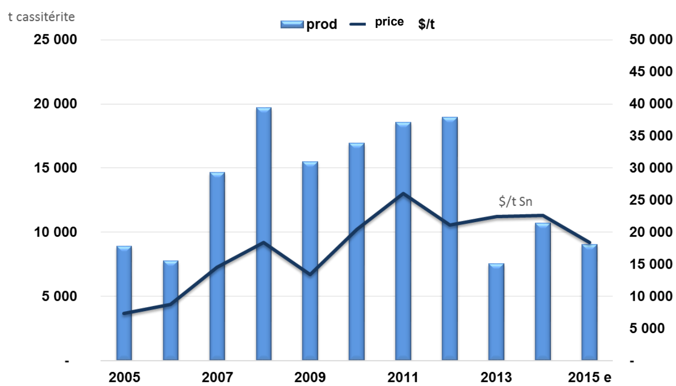
Coltan production held steady at 693 tonnes, which is slightly less than first semester 2014. In North Kivu Province, 21 of 30 validated sites were producing coltan. Annual production should match last year.

ZINC



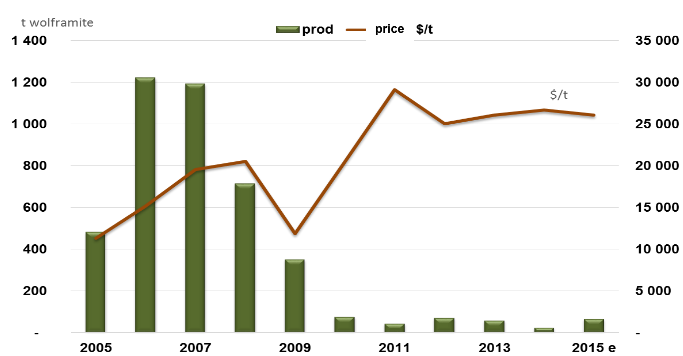
Zinc production of 7,232 tonnes was down 368 tonnes compared to first semester 2014. Annual production is expected to be about 5% below last year.

CASSITERITE



Cassiterite production was only 74% of that of first semester 2014. There are now seven qualifying sites in Walikale producing cassiterite and building batches for export. In addition, traceability became effective from these sites on April 7. However, 2015 production is expected to be 15% lower than 2014.

WOLFRAMITE



During May, Wolframite production resumed at two verified sites, Masisi and Lubero. Production was 34 tonnes for the semester, up from 12 tonnes in first half 2014. Producers report a weak market because end consumers don't want materials from the Great Lakes region, including the DRC.

COMMODITY PRICES FALL

Mining revenue was hit hard by the widespread decline in metal prices, particularly copper, which at $5,798 per tonne averaged 15% below the price of Q2 2014 and hit a six-year low of 5,000 per tonne in August .
The gold price averaged $1,296 per ounce – some $26 per ounce behind Q2 2014. Gold then fell to below $1,100 per ounce before a small uptick in August.

A World Bank report forecasts that all main commodity price indices will decline in 2015, owing to "abundant supplies and, in the case of industrial commodities, weak demand." The July Commodity Markets Outlook projects metals prices to decline by 17% in 2015 as a result of capacity increases and slowing Chinese demand. Goldman Sachs expects the copper price to reach $4,800 a tonne in the next six months.
In summary, almost every major commodity dealer and mining company is forecasting lower metal prices.

TRENDS

Mining makes up around 20% of the DRC's gross domestic product (GDP). The International Monetary Fund expects the mining sector to contribute to economic growth, forecast at 9.2% in 2015, for the second consecutive year. This is one of the fastest growth rates in the world.
However, some mining companies have announced plans to reduce costs, through asset sales and decreases in staff in order to improve operating efficiency. This is likely to result in both direct and indirect job losses as suppliers and contractors are impacted. As a result, the State's tax revenue will inevitably be affected.

THE MINING CODE REVIEW

The review of the 2002 Mining Code and the subsequent release of a draft revised Mining Code by the Ministry of Mines to Parliament sparked a healthy and robust public debate. The Chamber of Mines reiterated the same concerns it has voiced over the last year, through comparative analysis with other African mining countries.

The Chamber of Mines pointed out that the 2002 Mining Code provides benefits to the country while still attracting investors. The Chamber of Mines believes that the 2002 Mining Code should therefore should not be changed, but rather strengthened.

The recent fall in commodity prices underlines the position of the Chamber of Mines that extreme caution should be applied when dealing with the Mining Code, since all the impressive gains of the previous decade run the risk of being reversed. Proposed fiscal arrangements such as thin capitalization and tax on "super-profits" would unfairly favor the State and deny investors a return on their investments. Also of the utmost importance is to maintain the stability under which mining and exploration companies have invested in the country, and that such stability be enshrined in a future mining framework.

The Chamber has again tabled its comments to the government on the draft Mining Code submitted to Parliament for legislative debate.

Mr. Simon Tuma-Waku, Vice President of FEC (Congolese Employers' Federation) in charge of Mining, said: "The Chamber pledges its commitment to work with government to draft amendments to the 2002 Mining Code that will be a win-win formula for both the State and the industry".

To maintain and encourage investors, it would be appropriate that the revision of the mining code could finish quickly without changes in tax code provisions enacted in 2002. Investors aspire to legal stability.

ENERGY SHORTAGE

The Chamber of Mines continues to lobby for an independent operator for the high-voltage grid from which mines are supplied with power. SNEL has faced challenges with regards to power delivery on four counts: delivery of electrical power contracts, unclear allocation of power, signing of new contracts despite delivery challenges and an extended force majeure situation on generating power at the Nseke and Nzilo stations.

A Chamber of Mines report states that copper production will drop because of the shortage of power. Direct "lost production" is already of the order 50,000 tpa, and production costs are $1,000 per tonne higher using diesel-generated power – perhaps a total of $100 million per year.

The Chamber of Mines has drafted a framework of proposals for the way forward.

BUSINESS CLIMATE: ADDITIONAL FEAR

In addition to routine demands from national or provincial bodies for unscheduled payments, to the seizure of company assets or the freezing of bank accounts, mining companies face a new challenge: the division or decoupage of the provinces from 11 to 26.

The division as such is not questioned, but the lack of resources has the potential to create additional challenges, such as the creation of additional taxes by the new administrations in order to finance themselves.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EITI - Extractive Industry Transparence Initiative

The Chamber of Mines of the DRC received the EITI delegation, led by Ms Clare Short, Chairwomen of the EITI Board, for three days in April.
Discussions covered accountability, the reconciliation of amounts declared in taxes by mining companies with the amounts declared received by organs of the State, and distribution of receipts by the State.
In preparing the 2013 EITI report, every mining company responded to the request for data on payments made two years earlier.
In 2013, 105 DRC mining companies declared direct payments of more than one billion USD ($1,001,949,000) to the State – a decrease of 8.5% in the amount paid in 2012 by only 92 companies.
The drop in tax payments is due to falling turnover on account of much low metal prices. Many companies are not in a position to pay income tax this year.
Chamber of Mines delegates also participated in an educational exchange on EITI initiatives at a conference in Lusaka. Nine countries from central Africa and the Great Lakes region attended, and learned about DRC's experience. The event was organized by the German Cooperation (GIZ) and the International Conference on the Great Lakes Region (ICGLR).

CORPORATE SOCIAL RESPONSIBILITY (CSR)


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The Chamber of Mines' CSR commission is preparing an industry guide based on the ISO 26000 reference standard, to which the DRC is a signatory. Several workshops were held within the framework of sustainable investment in Katanga (IDAK), and included participation from provincial government, civil society and mining companies.

INTERNATIONAL EVENTS

* **Mining Industry Association of Southern Africa (Miasa)**
  The Chamber of Mines was approached to take the presidency of Miasa for a period of two years. The main objectives of this association are: the promotion and defense of the interests of the mining sector in the SADC region. The Chambers of Mines of seven SADC countries participate.

* **Australia Down Under 2015**
  Simon Tuma-Waku, Vice President of FEC (Congolese Employers' Federation) in charge of Mining, has been invited to Australia Down Under, an annual mining conference which will be held in Perth in September.

* **IPAD DRC 2015**
  Members of the Chamber of Mines will participate at iPAD, the DRC's Mining & Infrastructure Indaba, on October 15 and 16. This international event brings together local and international investors, government stakeholders and suppliers with the same objective: to stimulate the mining industry in the DRC.

* **Katanga Mining Week**
  On October 20 and 21, members of the Chamber will take part in Katanga Mining Week, which focuses on local issues in the province (taxation, energy), CSR and workforce training.

For further information, please contact:

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