



Annual Due Diligence Report

24 February 2021

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1. Company Information and Policy Overview

Ngororero Mining Company Ltd is a Rwanda Registered mining company, TIN: 103391666 with its office at Gatumba Sector, Ngororero District, Western Province. The company entered into contracts negotiations with the Government of Rwanda in 2015 and was granted two large scale (2800ha) mining licences in 2016. These licences correspond to two mining blocks, Nyamisa and Nyabisindu and are valid for renewable 15 years. The licences grant mining rights to the company to undertake mining and exploration activities for three minerals, Cassiterite, Coltan and Wolfram.

Ngororero Mining Company Ltd, the majority of which is owned by Rwanda Mountain Tea, started its mining operations in 2016, in both its mining blocks. These blocks form parts of the historical Gatumba mining district, which has been mined since the early 1930's. The company operates with 69 regular employees and a number of mining subcontractors to maintain its mining and related activities.

The company is currently looking into expanding its mining activities through opening new mine sites within its concession through exploration and later mining other existing mineral commodities such as Li-bearing minerals, tourmaline, and beryl, if the required permits are granted.

This Annual Due Diligence Report forms part of the implementation of Ngororero Mining Company's (NMC) due diligence management systems in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (hereafter 'OECD Due Diligence Guidance'). The due diligence management systems and this Annual Report are designed to be in conformance with the OECD Due Diligence Guidance. According to the OECD Due Diligence Guidance, Step 5, companies should meaningfully report on supply chain due diligence to generate public confidence in the measures companies are taking.

An objective of the NMC due diligence management system is to identify, assess, and mitigate human rights risks in our supply chains to reduce actual and potential negative impacts on people and planet. Further, the system seeks to ensure that the company's sourcing practices are in conformance with international good practice. Our due diligence approach has been developed in a way that manages risks based on available information and make improvements over time.

NMC utilizes RCS Global services, including traceability and due diligence systems to support our efforts. The Better Sourcing Program (BSP), implemented by the RCS Global Group, is an upstream assurance mechanism that puts in place a number of systems to support that exports of minerals from Conflict-Affected and High-Risk Areas (CAHRA) are produced,

transported and exported by companies operating in a manner that is aligned with the requirements of the OECD Due Diligence Guidance, the Better Sourcing Standard, and the Responsible Minerals Initiative (RMI) Responsible Minerals Assurance Process (RMAP).

This report describes a) the due diligence management system, b) the methodology for the assessment of risks, and c) the steps taken to manage the risks as established at NMC.

NMC has committed to adopt and make publicly available a Supply Chain Due Diligence Policy for responsible sourcing of minerals from conflict-affected and high-risk areas. This report follows the commitments of that policy, which are our reference for responsible sourcing practices.

2. Risk Identification and Mitigation Approach

We take a transparent approach to mining operations, production, and the trade of minerals from our sites. Purchasing smelters are encouraged to review the information provided to them and follow-up on elements in line with their own due diligence procedures. The due diligence we apply is risk based and commensurate to the severity and likelihood of identified risks. The process includes:

- (1) Identifying risks using evidence-based information that extends across all risks noted in the OECD Due Diligence Guidance.
- (2) Supporting the assessment of risks against our supply chain policy, national laws, and international guidance.
- (3) Responding to, managing, and reporting on identified risks in a measurable and accountable manner.
- (4) Promoting transparency along the supply chain, as part of an accurate depiction of local circumstances, to enhance engagement among supply chain members and improve access to market and investment for local operators and communities.

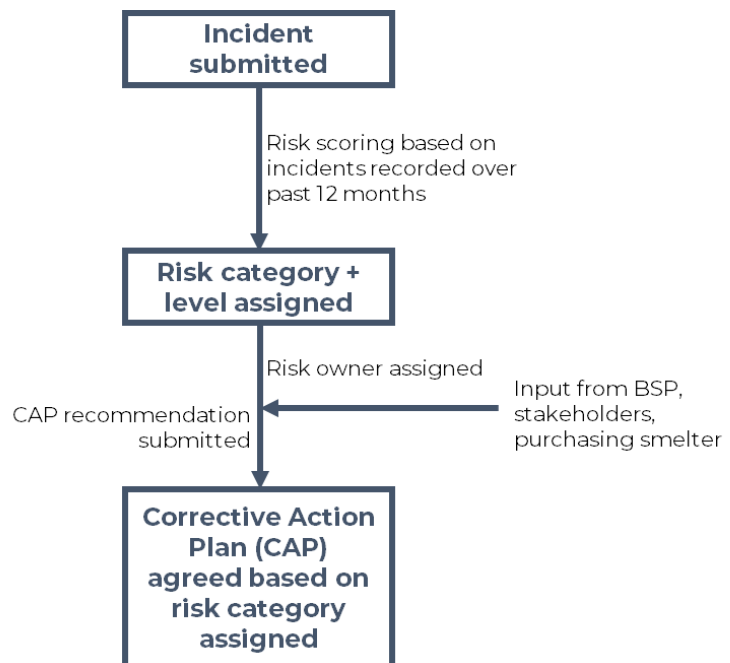
- (5) Promoting continuous reporting of risk-related information along our supply chain to downstream buyers.

Incidents that may occur at our site are recorded by independent monitors deployed by BSP on an ongoing basis to our mine site. Monitors digitally record incidents in line with the RCS Global incident and risk categorization (aligned with the OECD Due Diligence Guidance Annex II risks). The collection and verification of incidents form the basis of the risk assessment approach. Following the logic outlined in the RCS Risk Management Protocol (RMP) the incidents recorded over the past 12 months are used to assign adequate risk levels for each monitored Risk.

The risk mitigation approach at NMC seeks to address issues in a structural manner. Based on the Risk Assessment a comprehensive Corrective Action Plan (CAP) is provided to NMC on a monthly basis by BSP including the following information for each risk:

- Risk category
- Risk level
- Number of incidents associated with that risk category recorded over the past month
- Suggested actions for risk mitigation
- Required evidence
- Recommended timeline for implementation of mitigation actions
- Responsible actor(s) for implementation
- Status (not started, in progress, completed) of mitigation actions
- Risk owner notes (to be completed based on risk owner feedback)

In line with the core ‘continuous improvement’ principle in the OECD Due Diligence Guidance and accepted by market requirements, our company implements proactive and risk-based risk mitigation (‘corrective action’). Current CAP statuses are also shared along with each shipment to support our risk management and reporting obligations.



TRACEABILITY

Based on recommendations from the OECD Guidance, Chain of Custody System Standards from the ICGLR Regional Certification Mechanism (RCM), and RMI RMAP audit requirements, BSP deploys a digital traceability system for materials from mine to export. The objective of BSP-implemented traceability is to provide assurance that the minerals exported originate from BSP-monitored mine sites and to protect against the smuggling and laundering of minerals into BSP-validated supply chains.

The approach relies on recording of traceability information at local level, and data reconciliation in real time. The approach allows for systematic identification of all participants in the supply chain. The traceability system digitally records the weight, tag number, and ID of present stakeholders and pit managers at the pit level and verifies the information at each supply chain step up to export.

The mined materials for each site are recorded every day in a daily production logbook which records the site and respective subcontractor. The produce is then stored, awaiting upgrading. After upgrading at the end of every month, a BSP tag sealed on the production. This is removed for final concentration. A final tag is sealed on the final concentrate, which will be removed by a BSP staff, upon prior to export for sampling and repacking into metal drums.

The process accounts for average weight loss during transport and processing. Any discrepancies in the recorded data are recorded as incidents and follow the same risk assessment and CAP procedure described above.

GRIEVANCE MECHANISM

Unethical or undesirable behavior or any violations of our company Code of Ethics can be reported directly to the Human Resources and Administration Manager or through mine site supervisors.

A Grievance Process for all internal employees and both internal and external stakeholders is managed by the company's Human Resources and Administration Manager.

Stakeholders can also utilize the RCS Global Grievance Mechanism or the Responsible Minerals Initiative (RMI) Grievance Mechanism to raise concerns.

3. Annual Risk Mitigation Efforts

NMC has strong and skilled management team which carry out day to day activities ensuring compliant operations. The Mining Operations Manager oversees risk assessment, mitigation, and risk management activities and procedures carried out by the company's Human Resources and Administration Manager, Logistics and procurement officer, Security, environment and community Officer and mine supervisors. These are also monitored independently by BSP, who produce independent observations while also supporting NMC to fulfil compliance obligations.

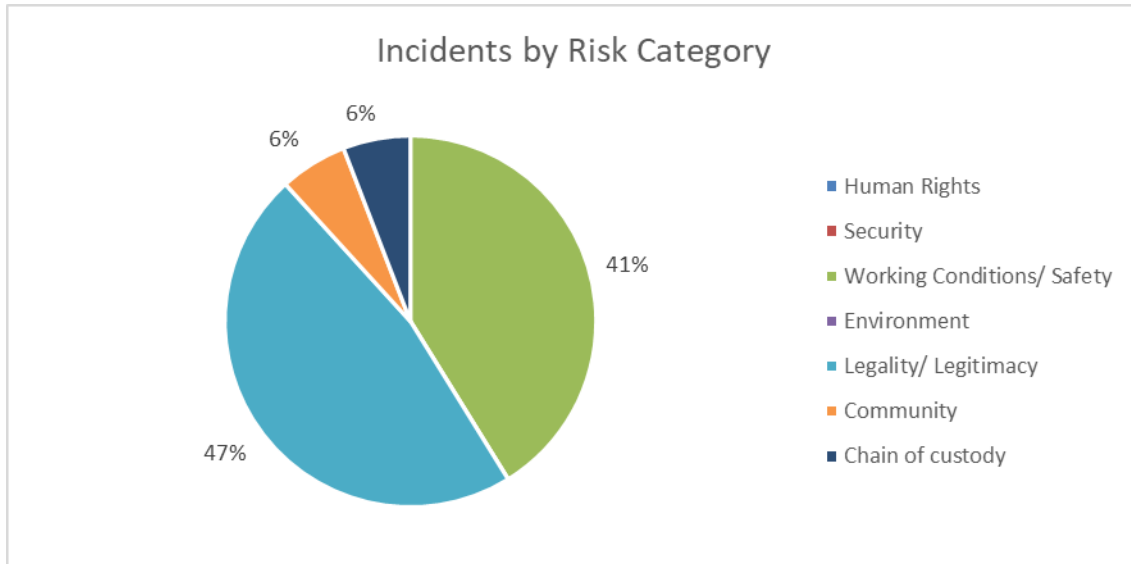
Often times, the security, environment and community department and mining operations departments are directly and/or indirectly affected by risks such as illegal mining activities, environment degradation as a result of illegal mining activities, or community complaints about the use of explosives. In collaboration with BSP, these departments carefully assess, validate and report key risks, while the company's senior administration work to mitigate and/or resolves them. Throughout 2020, BSP operated at our site on a near permanent basis.

In our security staff, we included reserve force staff who have the right to deal with risks requiring direct involvement of the local security to speed up risk management processes.

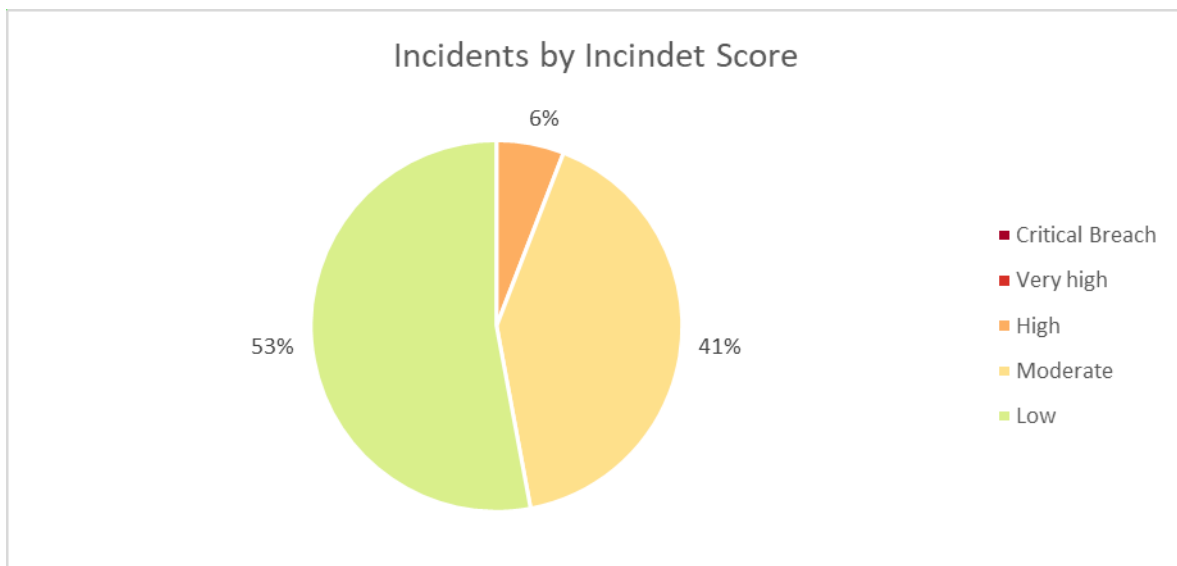
NMC has continued to manage and/or mitigate risks associated with its operations. We continued and maintained engagement with local government bodies through proper reporting channels including small meetings, written letters, and phone calls to inform on identified risks/incidents requiring collaboration of both parties to mitigate/manage them

Technical risks associated with NMC's operations are identified through field visits at the mine sites, while social risks are identified through visits and communication with the local community. These risks are lodged at the company's Human Resources and Administration manager. After thorough assessment by respective departments, they are approved as potential risks and ways to mitigate them are developed and communicated to concerned stakeholders. Risks requiring involvement of local government are forwarded to responsible staff starting from Umudugudu (village) level through to the sector level.

In 2020 17 incidents were recorded, of which 47% are related to illegal mining done by local people in NMC concessions and 41% related to working conditions or safety, where some employees do not wear PPE as provided. To address the illegal mining activities, joint efforts between local government offices and the company are required. The working conditions/safety is in most cases due to limited understanding of safety or negligent behaviour toward using PPE by miners.



Despite the number of incidents recorded, just about half of the incidents are low risk while a tiny fraction is considered high risk. Details are outlined in the table on the next page

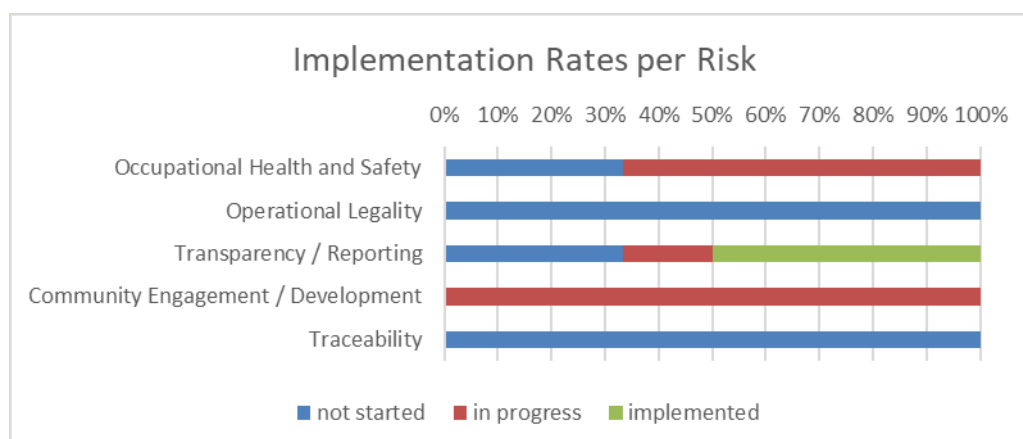


As a result, the following risks were identified in the NMC supply chain. The below table shows the average score recorded during 2020 for each risk.

| Risk category | Risk | Risk Score |
|-----------------------------|---------------------------------------|-------------------|
| Human Rights | Child Labour | Least Risk |
| | Worst Forms of Child Labour | Least Risk |
| | Discrimination | Least Risk |
| | Forced Labour | Least Risk |
| | Gender | Least Risk |
| | Torture, cruel, inhuman treatment | Least Risk |
| Security | International Humanitarian Law | Least Risk |
| | Non-State Armed Group | Least Risk |
| | Public or Private Security Forces | Least Risk |
| Working Conditions / Safety | Occupational Health and Safety | Moderate Risk |
| | Worker Rights | Least Risk |
| Environment | Emissions / Waste | Least Risk |
| | Water | Least Risk |
| | Mine Closure and Reclamation | Least Risk |
| | Protected Flora / Fauna | Least Risk |
| | Resource / Land Management | Least Risk |
| Legality / Legitimacy | Corruption / Bribery | Least Risk |
| | Legal / Transparent Tax Paying (EITI) | Least Risk |
| | Money Laundering | Least Risk |
| | Operational Legality | Low Risk |
| | Transparency / Reporting | High Risk |
| Community | Business Conflict | Least Risk |
| | Community Engagement / Development | Least Risk |
| | Indigenous / FPIC / Heritage | Least Risk |
| Chain of Custody | Traceability | Least Risk |

To mitigate the identified risks NMC worked on implementing 12 mitigation actions following the guidance of the BSP-issued Corrective Action Plans. Over the past year 25% actions were successfully implemented. For 33% mitigation actions the implementation is still ongoing and 42% actions are yet due to be started. The below chart highlights the division of mitigation action status for each risk.

The below chart shows the rates of implementation for each risk that has been identified during 2020.



Throughout 2020, NMC has continued engagement with stakeholders including local communities and local government to discuss and find long term solutions to key identified risks such as illegal mining, environment degradation by the illegal miners and the ongoing complaints on the negative impacts the use of explosives by NMC might have to the local community. In collaboration with the local government and the local community, NMC has seen a significant reduction in illegal mining cases reported. Good progress has also been made regarding the impacts of NMC's explosives on the local community, where in collaboration with the district officials, a long-term solution is being discussed. We had never been this far on this issue. However, the ongoing Covid-19 pandemic has slowed the process down, but each side is fully engaged in finding a long-term solution to the issue.

- **Illegal mining in or around NMC concessions:** a number of illegal miners engage in mining activities in old, abandoned tunnels and shafts or in the water streams in and/or around NMC concessions. This poses key environmental and health and safety issues in addition to fraudulent activities in the mineral supply chain.
- **Complaints by the local community of the impacts of the use of explosives:** over the years, even prior to NMC occupation of the Gatumba concessions, there has been an issue of using explosives where the local community claim that the explosives destroy their houses. However, this has not been scientifically proven and there exist no quantitative data to support it. The previous occupiers had temporarily resolved the issue by rehabilitating the houses, but the same people keep claiming. Ngororero Mining Company together with the local Government are looking for a long-term solution.
- **Transparency/reporting:** a few policies had not been previously published but the new NMC management has ensured that the required reports and policies are prepared and/or updated and published. The company will keep updating the policies and will keep reporting according to the OECD guidelines.
- **Occupational health and safety:** there have been a few incidents of miners negligibly not wearing PPE voluntarily. NMC has taken steps to educate miners on wearing PPE for their own safety. This has improved their willingness to use the provided PPE and NMC will keep improving this to achieve the maximum miner's occupational health and safety. NMC will also be providing new PPE twice a year for free to ensure our miners are well equipped.
- **Discrepancy in weights:** during the last export, NMC has recorded weight discrepancy. We are still exploring possible causes, if it is due to equipment error or if

it has been a result of human error. We will then correct the incident as soon as the cause is known.

To Mitigate the above risks, NMC had planned to increase security guards at our concession, strengthen the collaboration with local community leaders and local government officials as well as increased equipment needed to adequately carry out safe and complaint mining operations.

NMC has increased the number of security guards from 36 to 40 guards, and with this we were able to track, list and report key illegal miners to the responsible bodies (Rwanda Investigation Bureau and Police as well as the Sector Office). The company also continues to work closely with BSP to make sure its operations are done to the best possible standard and that key reports, company policies, and mechanisms are made available and accessible to everyone.

In 2021, NMC will keep improving the risk assessment and risk mitigation processes through continued collaboration with all the stakeholders, including local community, company staff, local government officials, security organs and independent parties such as RCS Global Upstream Ltd. With this collaboration, risk assessment and mitigation processes will be fast and acted upon in a timely manner.