



#### Address

Company	Country	Province	District	Sector	Cell	Village
Rutongo Mines Ltd	Rwanda	Northern Province	Rulindo	Masoro	Nyamyumba	Kabuga

#### Contact information

Name	Title	Telephone	Email
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# Annual due Diligence Report

Date of report: 31 January 2021

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## 1. Company Information and Policy Overview

The Rutongo Mining Operation is an operational tin-ore mine. Rutongo Mining Concession, covering 10,000 hectares, is located in the Rulindo District, Northern Province of Rwanda. There are four administrative sectors of Rulindo District covering the Rutongo concessions, namely: Masoro, Murambi, Ntarabana and Cyinzuzi. The Rutongo Mine was re-commissioned by Rutongo Mines Ltd in August 2008. The Rutongo Mining Operations consist of seven mining sites; Nyamyumba, Masoro, Gasambya North, Mahaza, Karambo-Murambi, Gisanze and Zanzari. These mining sites produce Cassiterite (Sn ore) by mainly artisanal methods with the introduction of varying degrees of mechanization.

The below table shows the calculated ore resource estimation of Rutongo Mines.

Mine	Commodity	Ore tons	Sn Grade	In-situ Sn content	Saleable amount	% of resource	LOM @ 120 t/m
		tons	%	tons	tons		
<b>Nyamyumba</b>	Sn	7,185,871	0.52	37,223	26,801	66	
<b>Masoro</b>	Sn	2,745,437	0.36	9,957	7,169	18	
<b>Gasambya North</b>	Sn	1,778,606	0.37	6,570	4,730	12	
<b>Mahaza</b>	Sn	848,262	0.36	3,019	2,174	5	
<b>Total</b>		<b>12,558,176</b>	<b>0.45</b>	<b>56,770</b>	<b>40,874</b>	<b>100</b>	<b>28</b>

In the past, Rutongo Mines were employing around 4 000 people, majority of which were Artisanal Miners. Due to the commodity crash of 2015, where commodity prices fell 38%, and more recent the Covid 19 pandemic, Rutongo Mines were forced to down scale operations and as a result had to reduce staff. Currently, Rutongo employs 1022 employees where, 618 are Artisanal Miners and 404 are permanent employees.

With the commodity market recovering and the world normalizing after the pandemic and, pending investor confidence, Rutongo Mines plans to embark on a massive development programme of the mining sites; Nyamyumba, Masoro, Gasambya, Mahaza and later Gisanze and Karambo with the aim to open up the resource and embark on industrialized mining and modern mineral processing techniques. It is envisaged that the staffing requirements will eventually be around 3,750 employees with 650 management staff, 2000 miners, and 400 Security personnel. With the addition of Karambo and Gisanze it is estimated that an additional 700 people will be required.

This Annual Due Diligence Report forms part of the implementation of **Rutongo Mines Ltd** 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 **Rutongo Mines Ltd** 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.

**Rutongo Mines Ltd** 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 **Rutongo Mines Ltd**.

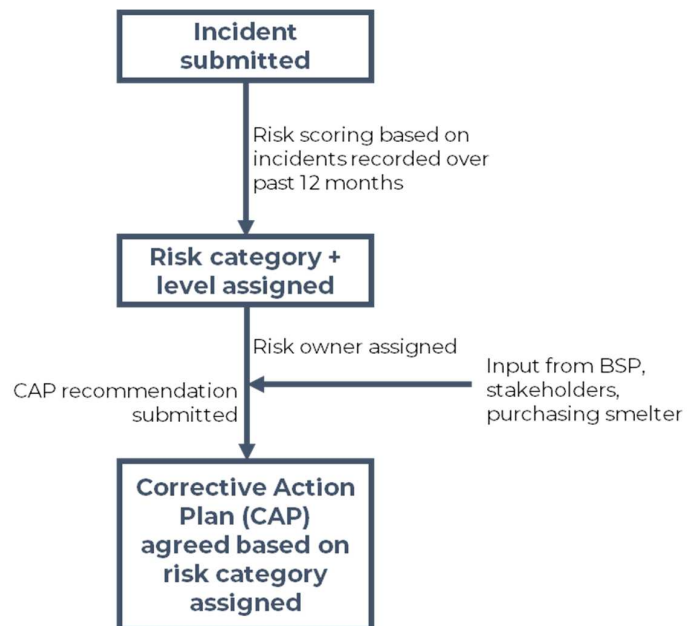
**Rutongo Mines Ltd** has committed to adopt and make publicly available a Supply Chain Due Diligence Policy for responsible sourcing of minerals from conflict-affected and high-risk areas. This report follows the commitments of that policy, which are our reference for responsible sourcing practices. The Policy can be found at [www.rcsglobal.com](http://www.rcsglobal.com).

## 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 **Rutongo Mines Ltd** seeks to address issues in a structural manner. Based on the Risk Assessment a comprehensive Corrective Action Plan (CAP) is

provided to **Rutongo Mines Ltd** 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 tunnel managers at the mining site level and verifies the information at each supply chain step up to export.

**Rutongo Mines Ltd**, mines its own mineral from the mining sites under the license agreement. It then upgrades this mineral on its own premises under the supervision of its own employees. With full traceability in place, mineral concentrate is bagged, tagged, recorded and after audit and subsequent receipt of the ICGLR certificate, the mineral is exported directly from the Rutongo premises. No mineral is purchased, received or otherwise gained from any source other than from its own mining operations.

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 to **Kevin Buyskes – General Manager**.

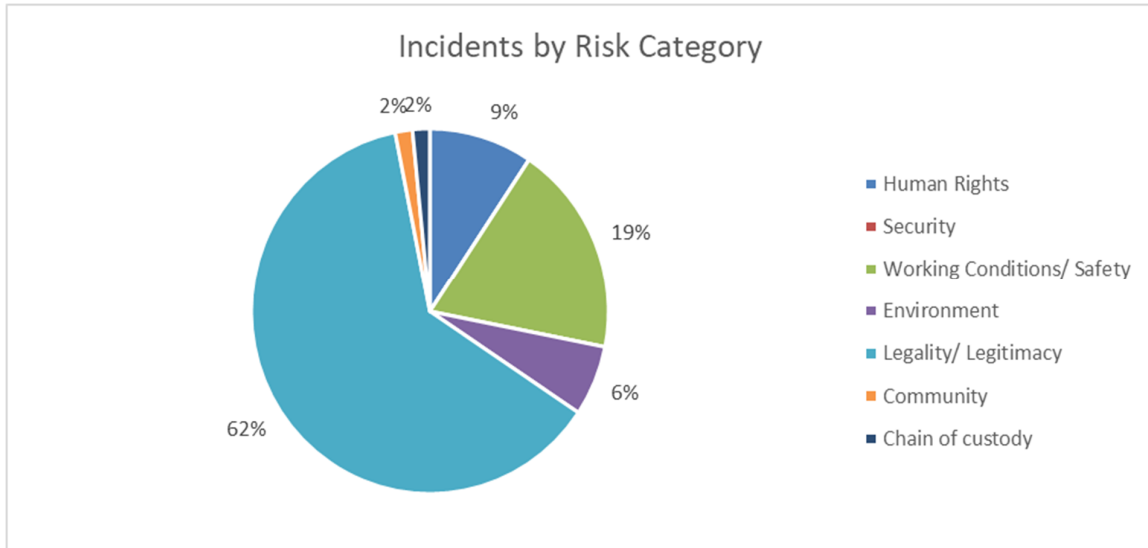
A Grievance Process for all internal employees and both internal and external stakeholders is managed by **KARASIRA Boniface – HR Manager**.

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

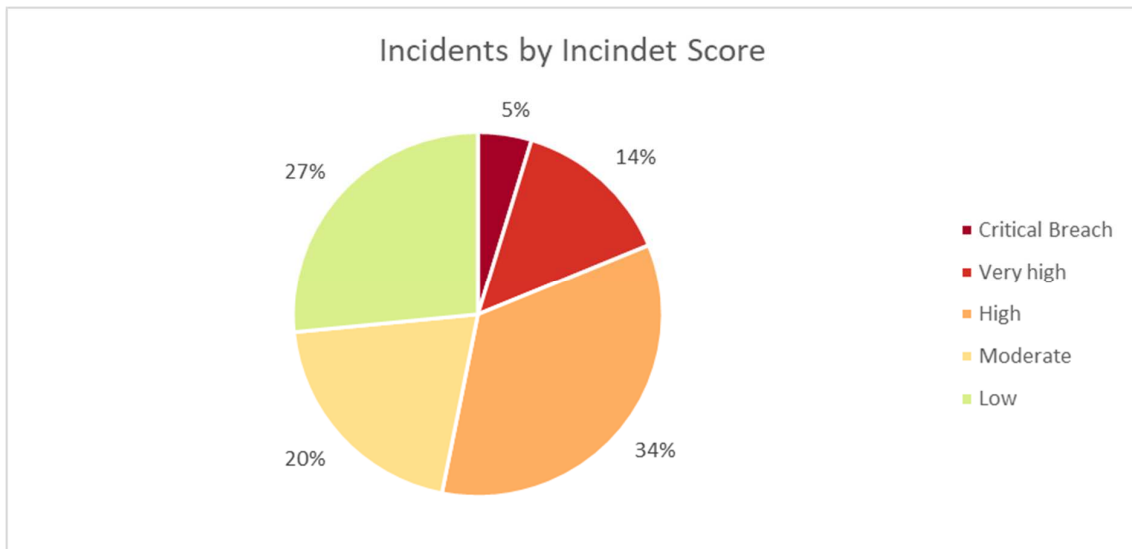
## 3. Annual Risk Mitigation Efforts

BSP operated at our site in 2020 on a near permanent basis. During the year, **Rutongo Mines Ltd** engaged with Local authorities, Security organs and Rwanda Mining Board regarding mineral theft, illegal mining and child labour. Incident reports were sent to the relevant authorities regarding the above incidents. Furthermore **Rutongo Mines Ltd** participated in community meetings regarding environmental issues as well as Covid-19 precautions. **Rutongo Mines Ltd** engaged with the department of Environmental affairs to clarify the boundaries of state owned forests to ensure the protection, responsible sourcing of trees and proper rehabilitation of the forests. Approximately 40 000 trees were planted in the Rutongo compound area in 2020. **Rutongo Mines Ltd** cleared the Sanzari River of any activity by moving RSSB (Stone crushing business) to a dedicated stone crushing site away from the rivers. **Rutongo Mines Ltd** engaged with local schools and churches to help with improvements and the supply of building materials. The use of excavation machines and tipper trucks were also made available to the community for the use at building sites. **Rutongo Mines Ltd** assisted the community during the Covid-19 lockdown period by making land within the Rutongo Mines area available for cultivating purposes to ensure they have fresh food. **Rutongo Mines Ltd** continued to employ, on an adhoc basis, organisations such as the Widows Association to assist with the maintenance of the property.

In 2020 64 incidents were recorded. The majority of incidents (62%) were classified under the legality / legitimacy category and corresponded to cases of mineral theft from the Rutongo Mines concession.



With regards to the severity of the recorded incidents, the majority of incidents are rated as moderate-high (54%). 5% of the incidents were rated as having a critical score, and the details of these events are detailed below.



During 2020, **3** Critical incidents were registered affecting our operations.

Summary of Critical Breaches and data points:

Risk		Risk Description and Context	
Worst Forms of Child Labour		Children working as part of illegal miners in illegal pits (not linked to active supply chain).	
<b>Related Critical Breach Incidents</b>			
Incident ID	RW-200829-0001	Incident ID	RW-200930-0001
Date	27 08 2020	Date	28 09 2020
Incident ID	RW-201124-0002		
Date	21 09 2020		
<b>Indicative List of Mitigation Actions Implemented</b>			
<ul style="list-style-type: none"> <li>• Hiring of a teacher conducting an awareness campaign on the dangers of child labour.</li> <li>• Hire additional security staff to prevent child labour linked to illegal mining.</li> <li>• Cooperate with government to fight illegal mining activities within the concession.</li> </ul>			

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

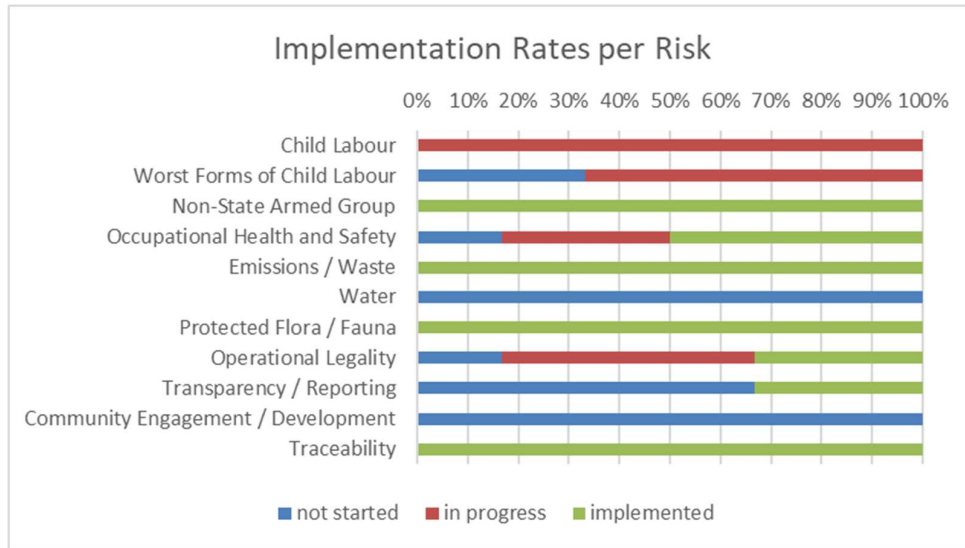
Risk category	Risk	Risk Score
Human Rights	Child Labour	Low Risk
	Worst Forms of Child Labour	Low Risk
	Discrimination	Least Risk
	Forced Labour	Least Risk
	Gender	Least Risk
	Torture, cruel, inhuman treatment	Least Risk
Security	International Humanitarian Law	Least Risk
	Non-State Armed Group	Least Risk
	Public or Private Security Forces	Least Risk
Working Conditions / Safety	Occupational Health and Safety	High Risk
	Worker Rights	Least Risk
Environment	Emissions / Waste	Low Risk
	Water	Least Risk
	Mine Closure and Reclamation	Least Risk
	Protected Flora / Fauna	Low 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	High Risk
	Transparency / Reporting	High Risk
Community	Business Conflict	Least Risk
	Community Engagement / Development	Low Risk
	Indigenous / FPIC / Heritage	Least Risk
Chain of Custody	Traceability	Low Risk

To mitigate the identified risks **Rutongo Mines Ltd** worked on implementing 27 mitigation actions following the guidance of the BSP-issued Corrective Action Plans. Over the past year 44% actions were successfully implemented. For 30% mitigation actions the implementation



is still ongoing and 26% 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.



**Child Labour** – Rutongo Mines have strengthened their Security department and increased patrols around the concession. Any signs of children within the mining sites are photographed and documented. These documents and photos are sent to the relevant authorities for further action.

**Non state armed group** – Rutongo has employed the services of a private security company (ISCO) which is licenced to be armed and patrols the mining sites and carries out patrols with the Rutongo protection services.

**Health and Safety** – Rutongo Mines have employed a full time health and safety officer who visits the sites every day to audit working places and train and communicate safe practices to the workers.

**Emissions/Waste** – Rutongo does not produce any dangerous substances that can be released into the environment.

**Water** – Rutongo Mines is still a predominately artisanal mine with some industrial mining being implemented. There is currently no processing plant where the broken ore can be treated. Ore is processed by the Artisanal Miners by means of manual sluicing. This unfortunately leads to waste rock and mineral being deposited into certain streams and rivers.

We hope to commence building a processing plant towards the end of 2021 which will reduce the risk of contaminating the rivers and will also help in the process of rehabilitating the rivers.

**Protected fauna and flora** – Rutongo Mines respects any protected species and wetlands and does not allow any activity to be done near these areas.

**Operational legality** – Due to financial difficulties which started in 2015, Rutongo Mines were forced to stop the outside sites which allowed for illegal trade to increase in these areas. Rutongo are currently working in partnership with the local authorities and security organs to reduce this practice to a point where the illegal trade will cease.

**Transparency/Reporting** - Tinco, the company under which Rutongo currently operates, is currently in negotiations with the Rwanda Government and other shareholders and as a result the Tinco website has ceased to be used until such time that more clarity is gained regarding the company's position. Subsequently, Rutongo Mines has given BSP permission to publish the Rutongo reports on the BSP website to ensure transparency.

**Community engagement/development** – Due to the above mentioned financial difficulties, Rutongo Mines had to cut its support to the community and its development and one can understand that the community felt they had been abandoned by Rutongo Mines. But Rutongo Mines has continued to support the community albeit in a reduced capacity. We are positive that 2021 will be a positive turning point and the community will be positively affected with development assistance and creation of extra jobs.

**Traceability** – Rutongo Mines has always prided itself on having systems put in place to ensure the traceability of its mineral. This includes being in partnership with BSP who assists us in implementing systems which ensures complete traceability.

In 2021, pending the outcome of the shareholders agreement with the Rwandan Government and other shareholders, Rutongo mines intends to expand the operations and thus improving production. With the improved mineral price and a favourable partnership with Government we envisage creating more jobs, be in a better position to engage and assist the community as well as having a positive impact on the environment. Local Government has already committed to get involved in the eradication of the illegal trade which has had a direct impact on accidents, deaths and child labour within illegal mining trade on the concession. Although Artisanal Mining will continue in 2021 we are striving to increase industrial mining which will have a positive impact on injuries within our own working sites as well as increase production and reduce the impact of historical mining on the environment.