FLEURETTE GROUP PRESS STATEMENT

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FOR IMMEDIATE RELEASE

Fleurette Group Statement re: KCC Royalties

Fleurette Group notes the statement made by Global Witness today concerning the sale of royalties from Katanga's KCC project by Gecamines to a Fleurette-owned entity. The Global Witness statement is highly misleading, based on factually inaccurate information designed to manipulate data in an effort to undermine a legitimate transaction.

Fleurette Group categorically refutes the allegations by Global Witness that the DRC economy has somehow lost money through the sale of the KCC royalty stream. The transaction between Africa Horizons Investment Limited ("AHIL" - which is a 100% Fleurette subsidiary) and Gécamines. With hindsight, Gécamines negotiated a highly lucrative transaction to the benefit of the DRC.

Additionally, Global Witness's financial calculations are amateurish to the point of bogus. They do not follow even the basic valuation techniques used by all professionals in this field, and fail to include further discounts (such as withholding tax payments) that are both obvious and important. Global Witness has no excuse for making these mistakes. The manipulation of data seems wilful in nature, and designed to support a pre-ordained conclusion. It is difficult not to infer that Global Witness is trying to mislead journalists, the general public and other stakeholders at Fleurette's expense.

DRC made net profit from deal, Fleurette a net loss

The transaction ultimately resulted in Gecamines safeguarding value for the DRC economy and Fleurette making a considerable loss due to the subsequent collapse in commodity prices and suspension of KCC's operations. This is because Gecamines sold the royalty right before operations at KCC were suspended, meaning Fleurette had paid in full for a royalty stream that that ceased soon afterwards. While Fleurette was left unable to recoup its investment, Gecamines received full value for it.

This should not come as a surprise. Fleurette recognizes this as inherent industry risk in the mining sector. KCC, meanwhile, was well advised. It carried out its own verification, taking reasonable measures in accordance with its procedures to satisfy itself the sale was authorized by Gecamines and that there was an underlying basis for the sale. Independent international financial institutions advised both sides, and the transaction was priced in accordance with the valuations provided to the parties. Global Witness does not acknowledge these facts. Instead, despite these facts, it attempts to crititicize a deal which demonstrably and unequivocally benefited both Gecamines and the DRC.

Global Witness mistakes

Global Witness' statement implies that KCC royalties were worth $880m to Fleurette. By referencing the Independent Technical Report of March 2012 prepared by Golder Associates, Global Witness was duty bound to provide an accounting and valuation in a bona fide manner, which they did not. Global Witness' implication that the royalties were worth $880m shows a lack of understanding of the most basic business and accounting principles of Discounted Cash Flow and Net Present Value, used to value royalty streams (as well as a host of other assets that are expected to provide value into the future).

Even though Golder Associates provide a very conservative 10% discount factor to their valuation of the KCC project (including royalty cashflow streams they expected to be generated), Global Witness applied 0% discount when expressing the worth of the royalty stream in their statement. If they had applied an industry-standard 15% discount factor, the cashflow they misleadingly referred to would have determined a $245m valuation for the royalty right until 2030.

There is another valuation factor that Global Witness has omitted entirely, even though it hugely impacts the assessment of value for the KCC Royalty. Crucially, AHIL's royalty right will almost certainly fall away in on 1 March 2019. As per the terms of the original KCC JV Agreement between Katanga, Gecamines and KCC (all publicly available), Gecamines has a "Replacement Reserves" obligation which requires it to deliver 4m tonnes of copper reserves and 200,000 tonnes of cobalt to KCC. If it doesn't, under the terms of the agreement, Gecamines needs to pay $285 million to compensate KCC. If it is not able to do that, the JV Agreement requires the repayment to be made by way of set-off of the royalty, ie KCC will withhold the royalty until that debt has been paid. In short, the royalty that Fleurette paid for will not be paid to Fleurette from 1st March (assuming KCC is back in operation and paying royalties), but will be used to cover off a pre-existing Gecamines debt.

Global Witness also intentionally omitted the annual rental deduction of $1.2m from their calculation and 10% withholding tax on royalties.

Questions for Global Witness

Unfortunately for AHIL and KCC, the project ceased production in September 2015. AHIL does therefore not expect to receive any more royalties, and will have suffered a huge loss as a result – as royalties paid up to this point were far less than the amount AHIL paid for the royalties. This is an example of how industry risk can play a major part in the life of a DRC project in addition to the broader risks associated with operating in a country like the DRC.

Global Witness needs to be held to account on this occasion given the unnecessary damage this misleading report will do to the DRC's extremely delicate economy and the reputation of Gecamines as well as Fleurette, which is leading the recovery effort following the collapse of global commodity prices. In essence, this was a good deal by Gecamines, independently verified by multiple stakeholders, which safeguarded value for the DRC, but a poor deal for Fleurette. It is deeply regrettable Global Witness is publishing such inaccurate information.

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About Fleurette - www.fleurettegroup.com / LinkedIn / Twitter

The Fleurette Group of Companies ("Fleurette") is an entrepreneurial business with significant investment in diverse sectors, including natural resources, infrastructure, agriculture and technology. Fleurette has substantial investments and operations in the Democratic Republic of Congo (DRC). The parent company of the group, Fleurette Properties Limited, a Dutch resident company, is owned by Line Trust Corporation Limited strictly and solely as trustees of the Ashdale Settlement, a trust established in 2006 for the benefit of the family of Dan Gertler. Mr Gertler is a citizen and resident of Israel and the DRC (and honorary counsel to the DRC) and is committed to developing the country’s natural resources and infrastructure, while investing in the Congolese people and their communities.

Fleurette has a proven track record of successful co-operation with diverse parties, including the DRC State-owned mining company Gécamines, and to date has brought more than USD $7 billion of investment into the DRC, on top of its USD $2 billion in private investment. As a result, Fleurette’s subsidiaries and partnerships support around 30,000 jobs in the DRC and are amongst the DRC’s leading taxpayers, contributing significant revenues to the State.

Fleurette is also a major contributor to social development in the DRC through the Gertler Family Foundation (GFF) and through direct investment in social infrastructure. The GFF is the largest charitable organization in the DRC, funding more than 50 programs and projects across the DRC, which help tens of thousands of Congolese every year. These include rebuilding key hospitals, notably the Kisangini "Hospital du Cinquantenaire"; supporting the Operation Smile campaign in Lubumbashi and Kinshasa; rebuilding Blaise Pascal School in Lubumbashi; and supporting the Lubumbashi Zoo.