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STATEMENT

CLARIFICATIONS ON CONTENT OF THE REPORT OF CIP/EURODAD

Kenmare is deeply disappointed that the Centre for Public Integrity and Eurodad have published a purported analysis of the developmental impact of the Moma mine that is grossly unbalanced, misleading and inaccurate, and fundamentally misguided. Their report greatly diminishes Moma's positive contributions, including considerable infrastructural and social investment, and focuses narrowly on tax payments to date, misleadingly implying that the same payment rates will apply indefinitely. Kenmare's response in summary is as follows:

1. **The report is fundamentally misguided in drawing into question the applicable Mozambican corporation tax rates**
   The Moma mine was one of the first substantial projects to be developed in Mozambique. Kenmare's first activities in Mozambique were in 1987, a time when the civil war was still raging and the prospect of being able to successfully develop a mining operation was virtually universally considered to be impossible. As part of encouraging investment, the Government of Mozambique offered a short term reduction in Corporation Tax – an incentive used by many Governments in both developing and developed economies.

   The current statutory rate of corporation tax rate is 32%. Kenmare Moma Mining (Mauritius) Limited (KMML) is subject to a corporation tax rate of 35% (with a 50% reduction for the first 10 years of operation). There are no further "incentives" that will affect the level of corporation tax. Therefore, from 2017, KMML will be paying a corporation tax rate that is 3% higher than the current rate.

   Kenmare is entitled to write off previous losses against this tax rate. Loss carry forward is standard international accounting practice, offered in many countries including in Ireland and the UK and is also standard practice in Mozambique. Indeed, as the report states on page 19 "Kenmare Moma Mining's losses can only be carried forward for 3 years, which is less generous than many preferential tax regimes, which can extend for 5 or 10 years. Indeed, the general Mozambican accounting codes allow loss carry forward for 5 years, so Kenmare's regime is less favourable.

2. **The narrow focus on corporation tax is misleading**
   The article seeks to diminish Kenmare's role in generating significant benefit to the Mozambican economy from employment taxes, royalties and withholding taxes. The authors do not seem to accept that these significant tax revenues are predicated on the development and financing of the Moma project, including the huge investment which has been made by Kenmare.

3. **The report "misses the wood for the trees" in terms of positive non-tax benefits**
   The report either downplays or ignores the clear, non-tax related benefits that result from the Mine's operation such as:

   - The multiplier effect of having 1619 employees (1442 Mozambican Nationals at the end of Q3 2013) and spending $71.3m annually within Mozambique (2012 expenditure figures)
   - The well regarded (and award-winning) activities of the Kenmare Moma Development Association whose extensive programmes support development in the local community and whose budget (predominantly funded by Kenmare) has more than quadrupled in the last 5 years to $1.3m per annum (average annual approved budget for 2013 – 2015)
   - The estimated 70,000 individuals that have access to mains power as a direct result of the construction of the power line to the mine, as well as the many millions more in Mozambique who have benefitted from the investments Kenmare has made in EDM sub-stations at Nampula and Alto Molocue
   - The pathfinder nature of the investment that gave the international community confidence to invest in northern Mozambique. The investment would not have happened without the fiscal stability guarantees given in the contracts regulating the mine. No additional incentives not foreseen by the tax law were provided and any reductions in tax rates were for the periods stipulated by the tax law at the time.

4. **The report makes misleading aspersions on Kenmare's corporate structure**
   In relation to corporate structure, despite finding no evidence of improper practice, the report continuously makes inference and suggestion that the company structure is in some way designed to allow for an improper outcome. Full audited accounts for the two project companies are filed with the Bank of Mozambique and tax returns for the two project companies are filed with the Mozambican tax authorities.

5. **The report's calculations of economic value are misleading.**
   The report makes a number of other misleading claims. The report suggests that Kenmare's shares have tripled in value. In fact, Kenmare share price has fallen significantly in the last three years. The report also ascribes an asset value to the mine based on commodity prices at historic highs (which are far in excess of current market prices) as opposed to using more appropriate prices, thereby significantly over-inflating the relevant values.

6. **The report neglects Kenmare's programmes in relation to community involvement and CSR**
   We are particularly disappointed at the authors attempt to minimize the efforts that have been made in relation to community involvement and corporate social responsibility. Despite stating that "KMAD's contributions seem to be highly valued by the communities surrounding the mine" the report attempts to belittle our investment at every turn. We have invested in roads, in education, in local enterprises, in electricity, in water and in healthcare programmes. Our programmes have won awards in Ireland and Africa and are recognised as making a positive contribution to the lives of the communities we operate in.

7. **The report “puts the cart before the horse” – it makes judgments and reaches conclusions without a full and fair consideration of the facts**
   The total investment in Kenmare’s mine stands at close to $1bn. The investment was been funded entirely from outside of Mozamnique and was based on an investment case which was heavily laden with risk. While Kenmare has made a profit in two years out of 5 years since the mine became operational, it has not paid a dividend to its shareholders. On page 17 the report admits “it may be too early to judge its (the mine’s) fiscal contribution”. However, the report spends 31 pages making judgments based on misleading information and half-truths, backed up by unattributed quotes and questionable logic with what appears to the sole purpose of justifying the authors’ preconceived conclusions. Whilst there is a valuable discussion to be had over the correct levels of taxation in the extractive industry sector, a document so poorly researched and with a clear preconceived agenda makes no positive contribution to the debate.

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Kenmare will continue to work with Government, local communities and other agencies to ensure that the people of Mozambique will enjoy the benefits of this project today and for many years into the future.

Kenmare had initially co-operated with the drafting of this report and responded to questions up to the point where it became obvious that the authors were approaching this project with pre-conceived results in mind.

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