



KENYA FLUORSPAR

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Kenya Fluorspar Press Statement May 15, 2015.

Kenya Fluorspar Company views with great concern the inaccurate and misleading statements made about our company and its relations with Kenya's Ministry of Mining in some Kenya media.

There is no dispute between the Ministry of Mining and Kenya Fluorspar Company on payments, levies, taxes or failure to pay monies owed on our mining operations. The Cabinet Secretary of Mining, Hon. Najib Balala, in a [Nation TV \(NTV\) interview](#) on May 13th confirmed this when he said "Kenya Fluorspar has been working. They are paying their royalties. We are in agreement. They have increased their royalties as per the Government's requirements."

Land Compensation

We do not owe the local community compensation for mining rights over our 9,070 acres lease area. We do not own the land area. The land belongs to the Kenya Government, which it acquired from the local Kerio Valley Community in the early 1970's. We lease our mining area from the Government under a Special Mining Lease that commenced in 1997.

Payments on mining

Kenya Fluorspar Company has always paid the royalties prescribed by the Kenya Government. The Government gazetted royalty is 2% for fluorspar (not 10% as alleged by some of the media) based on its gross sales and since the 1st of July 2013 to the end December of 2014 Kenya Fluorspar Company has paid this royalty totalling Kshs 57.699 million or USD\$ 635 000 to the Ministry of Mining. During 2011 to 2014 the company's average annual sales was Ksh2.35 billion, not Ksh4 billion or US\$41 million as was incorrectly stated in the media. Despite net losses recorded for the financial years 2013 and 2014, the company continued with its operations and paid its taxes. During the period 2011 to 2014, Ksh705 million was paid to the Government in the form of various taxes.

Despite the many challenges, we have also continued investing in our Corporate Social Responsibility programmes for local communities, averaging Ksh55 million per annum in the past two years spent on such projects as schools, clean water and health care at our medical centre and through our outreach services.

Task Force

We view the establishment of a task force by Mining Cabinet Secretary, Hon. Najib Balala, as a welcome next step in an ongoing process to help resolve both historical land compensation issues between the Government and Kerio Valley residents that predate our operations and issues that arise between sections of the community and us. We have a good relationship with the Ministry of Mining and appreciate Hon. Balala's mandate to the Task force which he explained in the 13th May NTV as going "to get solutions in favour of the community but also get the company to work without any problems."

Mining companies have a duty to manage their operations efficiently and lawfully. Mining is an important contributor to the generation of wealth and employment in Kenya. The administration and regulation of the mining industry reflects on the government's management of national resources and impacts on the country's international reputation among investors. It is essential therefore that in turn professional media outlets report on the mining sector accurately and responsibly.