

**MINISTERIAL STATEMENT BY HON. MAXWELL M. B. MWALE, MP, MINISTER OF
MINES AND MINERALS DEVELOPMENT ON THE DEVELOPMENT OF THE MINING
SECTOR IN ZAMBIA**

MR SPEAKER

I WOULD LIKE TO THANK YOU FOR ACCORDING ME AN OPPORTUNITY TO GIVE A MINISTERIAL STATEMENT ON THE DEVELOPMENT OF THE MINING SECTOR IN ZAMBIA. THIS SECTOR IS CURRENTLY CONTRIBUTING AN AVERAGE OF 10 PERCENT TO THE GROSS DOMESTIC PRODUCT (GDP) AS OPPOSED TO 40 PERCENT ACHIEVED IN THE LATE 1960S WHEN THERE WERE FEWER PLAYERS IN THE ECONOMY. HOWEVER, THE MINING SECTOR HAS THE POTENTIAL TO CONTRIBUTE IN EXCESS OF 10 PERCENT TO GDP NOTWITHSTANDING THE GROWTH IN OTHER SECTORS.

SIR

THE GOVERNMENT HAS A STRONG AND CLEAR STRATEGY FOR THE MINING SECTOR'S DEVELOPMENT, WHICH IS:

- **TO HAVE A VIBRANT, WELL ORGANIZED PRIVATE SECTOR AND PRIVATE-PUBLIC PARTNERSHIP DRIVEN MINING SECTOR CONTRIBUTING IN EXCESS OF 20% TO GDP AND PROVIDING A PLATFORM FOR SUSTAINABLE ECONOMIC GROWTH OF THE COUNTRY.**

THEREFORE, THE GOVERNMENT ENDEAVORS TO ATTRACT AND ENCOURAGE PRIVATE SECTOR PARTICIPATION IN THE EXPLORATION FOR, AND COMMERCIAL EXPLOITATION OF THE MINERAL RESOURCES.

LET ME NOW HIGHLIGHT THE FOLLOWING:

THE HOUSE MAY BE AWARE THAT ZAMBIA HAS BEEN A MINING COUNTRY FOR OVER 90 YEARS. SINCE THE PRIVATIZATION OF THE INDUSTRY IN 2000, TWO TYPES OF MINE OPERATIONS HAVE EMERGED: THE FIRST BEING THE OLDER OPERATIONS AT LUANSHYA, KITWE, MUFULIRA, CHAMBESHI, CHINGOLA, CHILILABOMBWE, NAMPUNDWE AND MAAMBA AND THE SECOND BEING THE GREENFIELDS WHICH HAVE BEEN DEVELOPED IN SOLWEZI, LUMWANA AND MAZABUKA.

1 UPDATE ON OLDER MINES

SIR,

THE OLDER MINES ARE AGEING AND IT IS INEVITABLE THAT AT SOME POINT IN THE FUTURE, THESE MINES WILL CLOSE DOWN. HOWEVER, DUE TO THE FAVOURABLE ECONOMIC ENVIRONMENT COUPLED WITH A STRONG GOVERNMENT POLICY ON MINING, OPERATIONS HAVE CONTINUED IN THESE AREAS.

I AM GLAD TO UPDATE THE HOUSE ON THE DETAILS WITH REGARD TO MINING IN THE OLDER MINES ALLUDED TO AS FOLLOWS:

LUANSHYA

THE OPERATIONS OF THE BALUBA UNDERGROUND MINE IN LUANSHYA WILL BE SUPERCEDED BY THE MULIASHI MINE UNDER THE CHINESE INVESTOR, CNMC. THE PROVEN ORE RESERVES ARE ESTIMATED AT 35 MILLION TONNES AT A GRADE OF 1.6 PERCENT COPPER. PRODUCTION IS EXPECTED TO COMMENCE AT THE END OF 2011 AND THE MINE IS EXPECTED TO BE IN OPERATION FOR ANOTHER TWELVE AND HALF YEARS. THIS IS A VERY CONSERVATIVE LIFESPAN WHICH COULD HOWEVER, STRETCH TO TWENTY YEARS WITH FURTHER EXPLORATION.

KITWE

THE DEVELOPMENT OF THE NKANA SYNCLINORIUM WILL REPLACE MINDOLA MINE OPERATIONS AND PROLONG MINING IN NKANA FOR ANOTHER TWENTY-FIVE YEARS. THE PROVEN ORE RESERVES ARE

ESTIMATED AT 80 MILLION TONNES AT A GRADE OF 1.85 PERCENT COPPER AND 0.08 PERCENT COBALT.

CHINGOLA

THE DEVELOPMENT OF THE NCHANGA UPPER ORE BODY IN CHINGOLA WILL REPLACE THE LOWER ORE BODY AND EXTEND THE LIFE OF THAT UNDERGROUND OPERATIONS FOR ANOTHER TWENTY FIVE YEARS. THE UPPER ORE BODY RESERVES ARE ESTIMATED TO BE 55 MILLION TONNES AT A GRADE OF 2.0 PERCENT COPPER AND 0.16 PERCENT COBALT.

THE OPEN PIT OPERATIONS ARE COMPOSED OF NCHANGA OPEN PIT, CHINGOLA OPEN PITS D AND F AND FITWAOLA. TOGETHER, THE PITS RESERVES ARE ESTIMATED TO BE 7.8 MILLION TONNES AT AN AVERAGE GRADE OF 1.27 PERCENT COPPER. AT THE CURRENT RATE OF MINING, THESE PITS HAVE A LIFE SPAN OF TWELVE YEARS AND UNLESS THERE ARE FURTHER DEVELOPMENTS, OPERATIONS ARE EXPECTED TO CEASE IN 2023.

CHILILABOMBWE

THE DEVELOPMENT OF THE KONKOLA DEEP MINE HAS SECURED THE OPERATIONS OF KONKOLA MINE FOR ANOTHER THIRTY FIVE YEARS. THE RESERVES STAND AT 200 MILLION TONNES AT A GRADE OF 3.5 PERCENT COPPER.

MUFULIRA

MUFULIRA MINE IS EXPECTED TO CEASE OPERATIONS IN 2017 HOWEVER, THE GOVERNMENT IS ENCOURAGING MOPANI THE OWNERS OF THE MINE TO TAKE ADVANTAGE OF HIGH METAL PRICES AND INTENSIFY EXPLORATION WITHIN AND AROUND MUFULIRA MINE TO LENGTHEN ITS LIFESPAN. THE PROVEN ORE RESOURCES AT MUFULIRA MINE ARE ESTIMATED AT 11 MILLION TONNES AT A GRADE OF 2.61 PERCENT COPPER.

SIR,

FROM THE FOREGOING, THE FUTURE OF OLDER MINING COMMUNITIES LIES IN DIVERSIFICATION TO OTHER ECONOMIC SECTORS. HOWEVER, THE GOVERNMENT IS ENCOURAGING OPERATORS TO TAKE ADVANTAGE OF THE FAVORABLE METAL PRICES TO SECURE LONG TERM MINE OPERATIONS.

2 UPDATES ON GREENFIELD MINES

MR SPEAKER

MAY I NOW TAKE THIS OPPORTUNITY TO INFORM THE HOUSE ON THE DEVELOPMENT OF GREENFIELD MINES. THE HOUSE MAY BE AWARE OF THE RECENT DEVELOPMENTS IN NORTHWESTERN PROVINCE WHERE TWO LARGE SCALE MINES HAVE BEEN DEVELOPED NAMELY, KANSANSHI AND LUMWANA.

THE RESERVES FOR LUMWANA MINE ARE ESTIMATED TO BE 600 MILLION TONNES AT A GRADE OF 0.7% COPPER GIVING A LIFESPAN OF 36 YEARS. THE RESOURCES FOR KANSANSHI MINE ARE ESTIMATED TO BE 384 MILLION TONNES AT A GRADE OF 1.1% COPPER GIVING A LIFESPAN OF 16 YEARS.

FUTURE MINING DEVELOPMENTS ARE SHIFTING TO NORTHWESTERN PROVINCE AS THE NEW COPPERBELT.

3 PROSPECTS FOR INCREASED COPPER PRODUCTION IN ZAMBIA

SIR

AT THE END OF THE PRIVATISATION PROCESS IN 2000, COPPER PRODUCTION HAD DECLINED TO 250,000 TONNES DUE TO A NUMBER OF REASONS SUCH AS POOR METAL PRICES, LACK OF RECAPITALISATION AND HIGH PRODUCTION COSTS. SINCE PRIVATISATION, COPPER PRODUCTION HAS BEEN ON THE RISE. IN 2010 COPPER PRODUCTION REACHED A HIGH OF 713,000 TONNES. THE MINING SECTOR IS NOW GOING THROUGH VARIOUS STAGES OF MINING DEVELOPMENT AND IT IS PROJECTED THAT COPPER PRODUCTION WILL HIT ONE MILLION TONNES PER ANNUM BY 2015 GIVEN THE CURRENT RATE OF DEVELOPMENT IN THE MINING SECTOR

SUPPORTED BY GOOD GOVERNMENT POLICIES AND THE HIGH COMMODITY PRICES.

THE PROJECTED PRODUCTION OF ONE MILLION TONNES OF COPPER PER YEAR WILL BE AS A RESULT OF THE ADDITIONAL CONTRIBUTION FROM THE FOLLOWING NEW COPPER PROJECTS:

- KONKOLA NORTH COPPER PROJECT – VALE AND AFRICAN RAINBOW MINERALS
- NCHANGA COPPER REFRACTORY ORES (CRO) - KONKOLA COPPER MINES PLC
- TRIDENT KALUMBILA COPPER MINE - FIRST QUANTUM MINERALS
- MKUSHI COPPER PROJECT, FISHTIE MINE - FIRST QUANTUM MINERALS

ALLOW ME NOW TO GIVE DETAILS OF THE SAID COPPER MINING PROJECTS.

A KONKOLA NORTH COPPER PROJECT – VALE AND AFRICAN RAINBOW MINERALS

KONKOLA NORTH MINE WAS ACQUIRED BY AVMIN OF SOUTH AFRICA FROM ZCCM LTD AT PRIVATIZATION. ZCCM LTD RETAINED A 20% SHAREHOLDING IN AVMIN. THE MINING LICENSE WAS LATER TRANSFERRED TO TEAL (Z) LIMITED AND EVENTUALLY TO ITS CURRENT OWNERS, AFRICAN RAINBOW OF SOUTH AFRICA AND VALE OF BRAZIL. THE ESTIMATED ORE RESERVE IS 246 MILLION TONNES AT A GRADE OF 2.26 PERCENT COPPER GIVING A TOTAL CONTAINED COPPER OF 5.6 MILLION TONNES.

THE TWO COMPANIES HOLD 80% SHARES IN THE KONKOLA NORTH MINE WHILST THE REMAINING 20% SHARES ARE HELD BY ZCCM-IH WITH 5% SHARES BEING FREE CARRY. THE MINE DEVELOPMENT HAS ALREADY COMMENCED AND WAS OFFICIALLY COMMISSIONED BY THE PRESIDENT IN OCTOBER 2010.

COPPER PRODUCTION IS SCHEDULED TO START AT THE END OF 2013 AND THE PROJECTED OUTPUT IS 15,000 TONNES OF COPPER IN CONCENTRATE AND WILL RAMP UP TO 45,000 TONNES BY 2015.

B NCHANGA COPPER REFRACTORY ORES (CRO) - KONKOLA COPPER MINES PLC

NCHANGA COPPER MINE HAS STOCKPILED ON THE SURFACE COPPER REFRACTORY ORES AND THE STOCKPILE STANDS AT 150 MILLION TONNES AT A GRADE OF 0.68 PERCENT GIVING A TOTAL OF ONE MILLION TONNES OF RECOVERABLE COPPER. KCM IS DEVELOPING A METALLURGICAL PROCESS FOR THE TREATMENT OF THE NCHANGA REFRACTORY ORES (CRO) WITH AN ANNUAL CAPACITY OF 50,000 TONNES OF FINISHED COPPER.

C TRIDENT KALUMBILA PROJECT - FIRST QUANTUM MINERALS

THE TRIDENT MINE PROJECT BEING DEVELOPED BY FIRST QUANTUM MINERALS IS ANOTHER LARGE PROJECT IN THE NORTHWESTERN PROVINCE FOR COPPER, URANIUM AND NICKEL. MINE DEVELOPMENT IS SCHEDULED TO START IN JANUARY 2012 AND MINE PRODUCTION TO COME ON LINE IN 2014. THE ORE RESERVES ARE ESTIMATED AT 700 MILLION TONNES AT A GRADE OF 0.8 PERCENT COPPER.

D MKUSHI COPPER PROJECT, FISHTIE MINE – FIRST QUANTUM MINERALS

FIRST QUANTUM MINERALS LIMITED HAVE DEFINED A COPPER OXIDE AND SULPHIDE RESOURCE IN MKUSHI. THE FEASIBILITY STUDIES AND THE ENVIRONMENTAL IMPACT STATEMENT (EIS) HAVE ALREADY BEEN APPROVED IN READINESS FOR COMMENCEMENT OF MINE DEVELOPMENT. THE ORE RESERVES ARE ESTIMATED AT 2.4 MILLION TONNES AT A GRADE OF 2.45 PERCENT COPPER.

MR SPEAKER

IN ADDITION TO THE COPPER PROSPECTS THAT I HAVE JUST OUTLINED, THERE ARE OTHER MINERAL PROJECTS SUCH AS:

I DENISON MINES LIMITED URANIUM PROJECT

DENISON MINES CORPORATION HAS DEFINED A MINEABLE URANIUM ORE RESOURCE AT MUTANGA AND DIBWE IN SIAVONGA DISTRICT, SOUTHERN PROVINCE ESTIMATED AT 13.7 MILLION POUNDS (30,140 TONNES). FEASIBILITY STUDIES AND THE ENVIRONMENTAL IMPACT STATEMENT (EIS) HAVE ALREADY BEEN APPROVED IN READINESS FOR COMMENCEMENT OF MINE DEVELOPMENT.

II AFRICAN ENERGY RESOURCES URANIUM PROJECT

AFRICAN ENERGY RESOURCES HAS DEFINED A MINEABLE URANIUM ORE RESOURCE AT NJAME AND GWABE IN SIAVONGA DISTRICT, SOUTHERN PROVINCE. FEASIBILITY STUDIES AND THE ENVIRONMENTAL IMPACT STATEMENT (EIS) HAVE ALREADY BEEN APPROVED IN READINESS FOR COMMENCEMENT OF MINE DEVELOPMENT. SO FAR THE ESTIMATED ORE RESERVE ARE 11 MILLION POUNDS (24,200 TONNES) OF URANIUM OXIDE. BARRING PROLONGED POOR PRICES FOR URANIUM, MINING SHOULD START SOON AND WILL BE CARRIED OUT UNDER THE URANIUM MINING REGULATIONS DEVELOPED IN ACCORDANCE WITH THE INTERNATIONAL ATOMIC ENERGY AGENCY STANDARDS.

SIR

GOVERNMENT IS MAKING EVERY EFFORT TO DIVERSIFY MINING AWAY FROM COPPER AND HAS GRANTED THREE LARGE SCALE PROSPECTING LICENSES FOR MANGANESE IN LUAPULA PROVINCE TO TRANTA (Z) LIMITED, ASIAN MINERALS LIMITED AND TYCOON MINING COMPANY LTD.

4 INVESTMENT OPPORTUNITIES IN EXPLORATION

MR SPEAKER

CURRENTLY, 42 PERCENT OF THE COUNTRY REMAINS GEOLOGICALLY UNMAPPED IMPLYING THAT THERE ARE OPPORTUNITIES FOR

EXPLORATION FOR VARIOUS MINERALS WHICH INCLUDE LIMESTONES AND PHOSPHATES.

THERE ARE CURRENTLY MANY COMPANIES UNDERTAKING MINERAL EXPLORATION IN ZAMBIA, NOTABLE AMONG THESE ARE;

- BHP BILLITON WHO ARE EXPLORING FOR COPPER AND GOLD IN MUMBWA, CENTRAL PROVINCE AND KAOMA, WESTERN PROVINCE,
- ZHONQUI ARE EXPLORING FOR COPPER ON THE COPPERBELT AND NORTH WESTERN PROVINCES
- ERA POWER INFRASTRUCTURE LIMITED COMPANY ARE EXPLORING FOR COAL IN SOUTHERN PROVINCE.

THE COUNTRY'S ECONOMY HAS ALSO BENEFITED THROUGH THE INFLUX OF INVESTMENT INTO EXPLORATION FOR A VARIETY OF MINERALS. FOR EXAMPLE, IN 2009, MINING EXPLORATION COMPANIES SPENT MORE THAN US\$100 MILLION TO CARRY OUT THEIR PROGRAMS.

5 INVESTMENT OPPORTUNITIES IN MINING VALUE CHAIN

MR SPEAKER

GOVERNMENT ENCOURAGES COMPLETE INVESTMENT PACKAGES THAT LOOK AT TOTAL DEVELOPMENT, FROM EXPLORATION THROUGH MINING TO VALUE ADDITION. THESE INCLUDE THE FOLLOWING:

- SETTING UP OF VALUE ADDITION INDUSTRIES IN ZAMBIA BASED ON COPPER. FOR EXAMPLE, THE MANUFACTURING OF CABLES, COPPER RODS, COPPER TUBES AND CHEMICALS.
- DEVELOPMENT OF OTHER PRODUCTION PROCESSES IN ZAMBIA BASED ON INDUSTRIAL MINERALS, FOR EXAMPLE, PHOSPHATES FOR FERTILIZER AND LIMESTONE FOR CEMENT.

6 EMPLOYMENT CREATION IN THE MINING SECTOR

SIR

IN TERMS OF EMPLOYMENT CREATION IN THE MINING SECTOR, THERE HAS BEEN AN INCREASE IN THE NUMBER OF PEOPLE EMPLOYED BY THE SECTOR DURING POST PRIVATISATION. THE NUMBERS HAVE INCREASED FROM 28,050 IN 2000 TO 65,311 IN 2008 AND SLIGHTLY DROPPED TO 46,246 IN 2009 DUE TO THE ECONOMIC DOWNTURN IN THE GLOBAL ECONOMY. CURRENTLY, THE EMPLOYMENT LEVELS STAND AT 53,577 DUE TO THE REBOUND IN METAL PRICES ON THE WORLD MARKET LEADING TO INCREASED MINING ACTIVITIES. THE EMPLOYMENT IN THE MINING INDUSTRY IS ESTIMATED TO RISE TO 80,000 BY 2015. THESE EMPLOYMENT LEVELS COULD HAVE BEEN HIGHER IF IT WERE NOT FOR GREATER MECHANIZATION AND AUTOMATION OF OPERATIONS.

7 EMPOWERMENT OF CITIZENS IN THE MINING SECTOR

MR SPEAKER

UNDER THE MINES AND MINERALS DEVELOPMENT ACT OF 2008, GOVERNMENT HAS RESTRICTED THE ISSUANCE OF SMALL SCALE MINING LICENSES TO ZAMBIAN CITIZENS ONLY OR CITIZEN OWNED COMPANIES. IN ADDITION, GOVERNMENT HAS ALSO RESTRICTED THE ISSUANCE OF ARTISANS MINING RIGHTS TO ZAMBIANS.

8 CONCLUSION

AS CAN BE NOTED FROM THE FOREGOING THE MINING SECTOR WILL CONTINUE TO GROW IN 2011 AND BEYOND. THERE ARE A NUMBER OF EXPLORATION PROJECTS EXPECTED TO DEVELOP INTO MINES DURING THE SIXTH NATIONAL DEVELOPMENT PLAN PERIOD. THESE DEVELOPMENTS WILL EVENTUALLY LEAD TO WEALTH CREATION AND INCREASED EMPLOYMENT AND REVENUE TO THE GOVERNMENT TREASURY FOR SOCIO-ECONOMIC DEVELOPMENT.

TO SUSTAIN MINING SECTOR'S CONTRIBUTION, IT IS REQUIRED THAT THE COUNTRY PROMOTES DIVERSIFICATION AND VALUE ADDITION TO OTHER MINERAL COMMODITIES TO ENHANCE VALUE TO THE ECONOMY. MY

MINISTRY IS ALREADY SUPPORTING THE DIVERSIFICATION TO OTHER MINERALS SUCH AS MANGANESE, IRON ORE AND URANIUM.

I THANK YOU