

MINISTERIAL STATEMENT

ON THE

**TRANSFER OF CARLISA INVESTMENTS SHARES IN MOPANI COPPER MINE
PLC TO ZCCM-IH**

BY THE

**THE MINISTER OF MINES AND MINERALS DEVELOPMENT (MR MUSUKWA),
MP**

Madam Speaker, I rise to give a statement on the transfer of Carlisa Investments shares in Mopani Copper Mine Plc to the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) Plc. I thank you for giving me the opportunity to update the House and the nation at large on the transfer of Carlisa Investments shares in Mopani Copper Mines Plc to ZCCM-IH Plc.

Madam Speaker, the transfer of these shares to ZCCM-IH is in line with the Government policy of increasing Government stakes in some mine houses as espoused in the economic recovery programme that was launched by His Excellency, the President of the Republic of Zambia, Dr Edgar Chagwa Lungu, on 17th December, 2020.

Madam Speaker, the action has been necessitated by the need to safeguard the jobs of over 15,000 employees consisting of 6,000 local direct employees and 9,000 contractors as well as prevent the adverse impact of the mine closure which may have a negative bearing on the social and economic welfare of the people of the Copperbelt and the nation at large through the loss of revenue by the Government.

Madam Speaker, the hon. Members of this august House may recall that the process leading to the transfer of the Carlisa Investments shares being held in Mopani Copper Mines Plc started in

April 2020 when Glencore International, the majority shareholder in Mopani Copper Mines announced its intention to place its mine at Nkana and Mufulira under care and maintenance, citing *force majeure* arising from the Coronavirus Disease-2019 (COVID-19) pandemic, low copper prices on the London Metal Stock Exchange, among others. The company also cited the lack of international mobility of its experts due to COVID-19, non-payment of legally due value added tax (VAT) refunds by the Government amounting to over US\$451 million over the last seven years, and lack of sustainable third party financing for the operations.

Madam Speaker, the Government of the Republic of Zambia intervened and stopped the action in order to protect the many jobs that were at stake and the economy. Further, the Government formed a team of senior Government officials from various Government entities to engage Glencore who at that time was the majority shareholder of Carlisa Investments and with controlling powers in Mopani Copper Mines Plc. The shareholding structure comprises of Glencore International with 73.1 per cent, First Quantum Minerals (FQM) Limited with 16.9 per cent and ZCCM-IH with 10 per cent.

Madam Speaker, the process of engagement with the stakeholders led to averting the mine proceeding on care and maintenance and culminated in ZCCM-IH expressing interest to acquire additional shares in Mopani Copper Mines Plc. Glencore responded favourably to the request from ZCCM-IH and agreed to transfer all the shares held by Carlisa Investments, that is 90 per cent shares, to ZCCM-IH Plc on 18th January, 2021, thus concluding the first phase of this transactional process.

Madam Speaker, the salient features of the transaction under phase one are as follows:

- (a) Carlisa Investments sold all its shares to ZCCM-IH Plc at US\$1. This means that ZCCM-IH now holds 100 per cent shares in Mopani Copper Mines Plc;
- (b) there is no money exchanging hands from this transaction which was necessitated by Glencore desiring to put the mine on care and maintenance. Government,

through its agents, negotiated this entire process to achieve stability at the mine and ensure the mine continues to operate;

- (c) the US\$4.8 billion loan owed to Glencore through various entities such as Glencore (Bermuda), Glencore International and Carlisa Investments by Mopani Copper Mines Plc was negotiated downwards to US\$1.5 billion;
- (d) the US\$1.5 billion will be repaid through an off-take agreement granted to Glencore International using 10 per cent of the production over a period of ten to seventeen years depending on the price of copper and the level of production at an interest rate of 3 per cent per annum plus three months libor. This 10 per cent off-take agreement already exists from the agreements previously signed by the MCM Plc and Glencore. Therefore, we just renewed their previous arrangement;
- (e) there are no separation packages for workers in Phase I as this phase is meant to maintain the status quo on the operation of the mine, sustain production, support the business community and safeguard the jobs of our miners.

In Phase II, the issues of terminal benefits for workers will be adequately addressed because we envisage that the ZCCM-IH Plc will get an equity partner. Among the critical issues that the equity partner will undertake is to ensure that terminal benefits are addressed in order for new mine operations to restart without liabilities from workers; and

- (f) prior to this transaction, Glencore had an off-take agreement with the MCM Plc which ran from 2009. A fresh off-take agreement has since been signed in line with the terms of the transaction.

Madam Speaker, following the successful conclusion of Phase I, the ZCCM-IH Plc is expected to attract a strategic equity partner to acquire a stake in the MCM Plc to raise additional finance to complete the projects which were started by Glencore aimed at boosting production and sustaining the operation as a profitable venture. It is important to note that all the shares previously held by Glencore are now held by the ZCCM-IH Plc, which, going forward will continue to retain a significant shareholding in line with the Government policy of increasing its stake in some mining houses. The MCM Plc scenario certainly presents one such opportunity.

Madam Speaker, engagements to attract a strategic equity partner have already commenced and are yet to be finalised. Some of the companies which have expressed interest include, among others, companies from Turkey, Canada, the United Kingdom, the United States of America, China, Qatar and South Africa.

Madam Speaker, the strategic equity partner will be expected to help in ramping-up production by completing the following expansion projects at a total of US\$300 million:

- (a) the Kitwe Synclinorium Shaft is 95 per cent complete with a shaft, ventilation shaft and a handling system already in place;
- (b) the Mindola Sub-Vertical Shaft (MSV) is 30 per cent complete with only the shaft reaming done and all the requisite components are on site. In short, they were already procured and are just awaiting assembly;
- (c) the Mufulira Henderson Shaft is 70 per cent complete with the shaft ventilation in place together with a temporary ore handling system. All associated equipment is on site awaiting completion; and
- (d) the Synclinorium Concentrator in Kitwe is 99 per cent complete and merely awaiting commissioning.

Madam Speaker, the new infrastructure and the rehabilitation of the old infrastructure will extend the life of the MCM by twenty to thirty-five years in addition to the increasing annual MCM Plc own resources of copper by about 40 per cent. The increase in production will not only make it easier to refund the loan quicker, but will also allow for the employment of more Zambians at the mine. Further, the Government will ensure that the separation packages are paid to all our workers before they are re-engaged under the new framework of operation in Phase II. In short, the Government does not want the new entity to carry liabilities to the next level.

Madam Speaker, as I conclude, allow me to inform this august House on the assets of the mine as well as its potential. The MCM Plc, a Zambian registered copper and cobalt mining company, has mine sites in Mufulira and Nkana, located on the Copperbelt Province. The Mufulira site has an underground mine operation, a concentrator, a smelter, an acid plant and a copper refinery while the Nkana site has four underground mines, a concentrator, a new state-of-the-art concentrator and other associated operations. The MCM is one of the largest mines and exporters of copper and cobalt in Zambia which currently has approximately 15,000 employees. The mine has proven copper resources at over 281 million tonnes at a grade of about 2 per cent with further potential for exploration and a mine life in excess of twenty-five years.

Madam Speaker, there is potential to increase production to over 150,000 tonnes per annum through completion of these various projects which Glencore had initiated that added to the cost of doing business. This has been reduced because of the new state-of-the-art equipment which includes the Synclinorium, the Synclinorium Concentrator, the Synclinorium Shaft, the Anderson Shaft in Mufulira and the Mindola Shaft in Kitwe.

Madam Speaker, the completion of these strategic projects will be done under Phase II when a strategic partner is engaged.

Madam Speaker, I will update the House further, in due course, on the key features of Phase II once a strategic partner has been found and signed. I will come back to the House then and provide further information.

I thank you, Madam Speaker.
