

Press release of ZCCM-IH Minority Shareholders

Police inaction seriously harms the interests of Zambia and ZCCM-IH

1. Background

The Minority Shareholders of ZCCM-IH had noted the following facts presented in the press :

- December 12, 2019 : “First Quantum Minerals (FQM) directors have been accused of misappropriating \$520 million by fraudulently diverting it to a sister company. Investigations are still at the initial stage but basic facts are that, on 26 August 2019, First Quantum directors acting together with their appointed directors in Kansanshi Mining Plc transferred \$520 million USD belonging to Kansanshi Mine to a sister company, without following laid down procedures and without the approval of the Kansanshi mining PLC Board.

The suspects have been named as Philip PASCALL, Arthur PASCALL, Clive NEWALL, Rudi BANDENHORST, Hannes MEYER, LAMASWALA, Chisanga CHEKWE and Dr Godwin BEENE.

Through its subsidiary Kansanshi Holdings Limited, First Quantum Minerals Ltd is the majority shareholder in Kansanshi Mining Plc.”(1)

- January 4, 2020, we learned that ZCCM-IH's complaint had been lodged with Zambian police.

« First Quantum last month began arbitration proceedings against ZCCM-IH following a criminal complaint made by the state miner to Zambian police over a transfer by Kansanshi Mining to a First Quantum subsidiary. » (2)

- In a cautionary announcement of ZCCM-IH on 21st May 2020, the shareholders have been informed « that on 11 November 2019, KHL filed a Request for Arbitration in London against ZCCM-IH (as Respondent) and KMP (as Nominal Respondent). These Arbitration proceedings are strictly confidential as between the parties. The Arbitration proceedings follow a criminal complaint made by ZCCM-IH against the allegedly unauthorised transfer by KMP of KMP monies to a KHL related party/affiliate. » (3)

2. Police inaction and ineffectiveness

It has now been more than a year since the complaint was filed in Zambian Police services. Unfortunately, we have not been informed of the progress of the investigation in the press, nor have we been informed of any legal proceedings initiated in a Zambian court on this matter. Nor were we aware that the survey had exonerated the FQM directors.

The Management of ZCCM-IH and the Directors of the Board are unable to respond to our requests, as FQM has requested arbitration in London, shamefully requiring strict confidentiality between the parties. These arbitration abroad are, moreover, extremely lengthy and almost always unfavourable to ZCCM-IH.

This is the reason why we contacted the police headquarters on December 2nd to get information on the progress of the investigation. We asked IG Kakoma KANGANJA to intervene with his services and subordinates to quickly bring to a conclusion the ongoing investigation which seems to be dragging on. But we have received no response...!

The inaction of the police is all the more incomprehensible as the facts seem to be simple to establish :

- payment of an effective amount of \$520 million to a subsidiary of FQM, or not
- agreement or not of the Kansanshi Mining Board for the payment, ZCCM-IH having 2 directors on this Board
- transmission of ZCCM-IH's complaint of aggravated robbery to the courts if the facts are proven

3. Police inaction and ineffectiveness seriously harm the interests of ZCCM-IH and Zambia

3.1 Zambia's inability to pay Eurobonds' interest

This inaction is totally shocking and scandalous as Zambia is currently facing serious financial difficulties. In the case of a proven misappropriation by the directors of FQM, the Canadian company would have to pay ZCCM-IH its \$130 million share. The Zambian State directly and indirectly holds 92.8% of the capital of ZCCM-IH. It could therefore easily repay the \$42.5 million Eurobonds coupon, whereas it is currently unable to do so. The inherent consequence is the catastrophic image of Zambia as a bankrupt country. The SA Finance Minister Tito Mboweni's words are very telling : « South Africa could become another Zambia. »

Not to mention the induced fall of the kwacha, which is strangling the Zambian people with galloping inflation.

3.2 Exploitation of Zambian gold by the Sudanese

ZCCM-IH currently faces many challenges : virtually no revenues from the copper mines in which ZCCM-IH holds interests when prices are at their highest, need to have cash to keep KCM afloat and take over the Mopani mine through a strong shareholding, etc... The Kansanshi share paid to ZCCM-IH would have enabled it to avoid having to resort to a partnership with Sudanese people for the exploitation of gold from Zambia. This partnership with foreigners had, moreover, raised a legitimate wave of indignation in the country a few months ago. ZCCM-IH was vilified and ridiculed for not being able to contribute \$2.5 million in equities, leaving the Sudanese to own 55% of the gold mining entity.

A disastrous image for ZCCM-IH while our company is currently managed in the best possible in spite of the challenges, ZCCM-IH stifled by robbers, a new foreign stranglehold on Zambia's wealth after the confiscatory privatizations... The inaction of the police is responsible for all this !

4. The Police shall fulfill its commitments

We rely on the professionalism, probity and commitment to his country of the Inspector General Kakoma KANGANJA to finalise the investigation of the misappropriation in question as soon as possible in order to defend the interests of Zambia and its flagship company ZCCM-IH in the face of the stakes and the despoilers.

Issued by:

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on behalf of Euronext Minority Shareholders of ZCCM-IH

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(1) The Zambian Watchdog

<https://www.zambiawatchdog.com/first-quantum-directors-accused-of-stealing-520-m/>

(2) Reuters

<https://fr.reuters.com/article/idAFKBN1Z309J-OZABS>

(3) Announcement of ZCCM-IH

<https://zccm-i.h.financifi.com/download/zccm-i.h.further-cautionary-announcement-khl/>