

Press release of ZCCM-IH Minority Shareholders

KCM management by liquidator Milingo Lungu raises serious questions

1. Background

As a result of Vedanta's misconduct in the operation of KCM, GRZ as 92.8% direct and indirect shareholder of ZCCM-IH has decided to request the liquidation of KCM through ZCCM-IH. Consequently, the High Court for Zambia appointed Mr Milingo Lungu as liquidator of KCM on 21st May 2019.

The Euronext Minority Shareholders of ZCCM-IH had given their point of view on the liquidation request in a press release on 7th June 2019.

2. The legal context of the liquidation has not yet been defined

2.1 Liquidation proceedings

The matters relating to the liquidation of the company are ongoing in Courts in Zambia and in South Africa through an arbitrage linked with the shareholders' agreement.

Vedanta appealed against the decision of the High Court. The Court of Appeal on 20th November 2020 found in favour of Vedanta and stayed the liquidation proceedings and referred the matter to arbitration ; it has prohibited the liquidator from selling KCM assets. ZCCM-IH intends to appeal against the decision of the Court of Appeal and to stay the judgment.

2.2 Legal proceedings regarding possession of KCM

Last year, our confrere and friend Dennis Mumba has commenced legal proceedings to cancel the “fraudulent” purchase of KCM in 2004. He has asked the Lusaka High Court to review the manner in which Konkola Copper Mines was sold to Vedanta Resources PLC at a cheap price through a derivative action on behalf of ZCCM-IH. Among the many arguments put forward, the sale of 51% of KCM to Vedanta for only \$48 million in 2004 while the prestigious Morgan Stanley Bank valued this share at \$1,321 million just one year later.

The hearing of the remaining Preliminary Issue will hold on 19th January 2021.

3. Suspects actions of liquidator Milingo Lungu evoked in the Media

3.1 Cashfin and KCM tender scandal

The Press announced that the KCM liquidator is implicated in \$1.6m KCM tender scandal for the supply of HFO through Cashfin Zambia Limited. Milingo Lungu denied the charges.

3.2 Split of KCM

Three days ago, we learnt that KCM Liquidator Milingo Lungu intends to split KCM into two units, namely Konkola SmelterCo and Konkola Mineral Resourced Limited, which would come effective as from 1st February 2021.

Why such a split of KCM ? What is the interest ? Suspicions of compartmentalized sales are evoked. On the one hand, this new organization will affect the future of the mine as a whole. This shows that **Mr. Lungu is not a mining expert and not working to ensure that KCM can once again become a large-scale mining flagship of Zambia.** On the other hand, the Court prohibited the possibility of selling KCM's assets during the liquidation.

4. KCM liquidator Milingo Lungu must stick to his sole prerogatives

Pending the outcome of the lawsuits, Mr. Lungu as KCM liquidator only has to manage the mine “as a good father should” i.e. run the mine correctly with the help of sound technical advice, pay the employees, maintain the operating equipment, progressively reimburse if possible creditors such as CEC, subcontractors and suppliers as well as ZCCM-IH. On this subject, it would be appropriate to know the efficiency of the liquidator when copper prices are at their highest...

ZCCM-IH shareholders have long suffered from Vedanta's actions. Therefore, it is absolutely out of the question that the ruin of the main mining jewel of Zambia, initiated by Vedanta, continues. KCM must not be dismantled and butchered !

The minority shareholders will continue to be particularly vigilant in preserving the interests of ZCCM-IH during the liquidation and will take all necessary measures in case of suspicions of wrongdoing, including the application of PF Vice Chairperson for Legal Affairs Milingo Lungu's revocation as KCM liquidator to the Court.

Issued by:

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on behalf of Euronext Minority Shareholders of ZCCM-IH

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