

Zambians are ill-informed about their mineral wealth and exploitation

A few weeks ago, the excitement caused by the exploitation of a Zambian gold deposit by a foreign company, in this case a Sudanese one, alongside ZCCM-IH, particularly astonished us and demonstrated the lack of knowledge of the Zambian people in the mining sector. Our astonishment can be summed up as follows:

«How is it that there has been such popular unrest over the presence of foreign shareholders investing 2.5 million dollars in the gold sector, and that at the same time all these Zambians so devoted to their country and impatient for its development are indifferent to the total absence of profits declared by almost all the copper mines or the criminal complaint of ZCCM-IH for the theft of 520 million dollars by First Quantum Minerals in August 2019 » (1) (2) ?

1. Reality of mining: foreign companies own the mines and Zambians have only crumbs left

Since privatization in the early 2000s when copper prices were at their lowest, the main mining resources have been exploited and implicitly monopolized by foreign mining companies (Chinese, Indian, Swiss, Canadian, Australian, etc...). Not only copper but also other minerals and gemstones such as the famous emeralds. So far, however, few Zambians have taken offence at this...

1.1 Copper

When the former ZCCM was privatised, the new entity ZCCM-IH retained minority shareholdings in the order of 10-20% in the copper mines. These holdings were intended to generate revenues that were to be partly paid back to the Zambian state and used for new investments in the mining sector. But in september 2019, the words of the Chairperson of the select committee appointed to negotiate the sale of Konkola Copper Mines, Anthony Mumba, were eloquent : « One thing which also caught my attention in the mining sector is that for the last over 12 years ZCCM-IH holdings has various shareholdings in these companies. Now out of those nine or ten companies only one company consistently paid the dividend to ZCCM holdings. » (3) Why only few people wonder how possible it is that an investor can keep pumping money into a company for years without making profits and yet not giving up ? Why do we hear no one protesting the theft of \$520 million by First Quantum...? \$520 million... !!

1.2 Gold

The GRZ has decided to entrust the mining and marketing of Zambian gold to ZCCM-IH. Local artisanal miners are being offered a purchase at a more attractive price than that offered by unscrupulous traders. ZCCM-IH also provides technical support to gold mining cooperatives from Rufunsa, Vubwi and Lundazi Districts. The gold produced will be sold to BoZ. However, ZCCM-IH's financial capacity and expertise in this area is limited, so partnership with investors is essential for larger-scale mining. (4) Usually, copper ore is accompanied by a by-product that is either gold or cobalt. For example, the Kansanshi mine produces around 4 tonnes of gold per annum, KCM and the Lubambe mine produces cobalt. Why does no one find it strange that some mines have no by-product or only a tiny amount?

1.3 Gemstones

« Any well-informed Zambian who is or has lived on the Copperbelt Province knows for a fact that we have over 100 Emerald mines on this province alone. However, most of these mines, if not all, are in the hands of foreigners, including but not limited to Senegalese and Israelis » (Aaron Ng'ambi, 4 June 2020) (5), such as the iconic Grizzly Mining or UK Gemfields' Kagem Mine. The only Zambian share is a 25% stake in Kagem owned by IDC. Zambian emeralds are world famous. Why is nobody offended that the gemstone sector is not organised in cooperatives owned by Zambian small-scale miners? Why nobody reacted a few years ago when ZCCM-IH then headed by Pius Kasolo passed up the opportunity to acquire 50% of the shares of Grizzly Mining, preferring to invest in non-mining and disastrous investments such as a bank and a milling company, or the far-fetched project envisaged in a cement plant?

1.4 Oil

Oil exploration and exploitation is still in its infancy in Zambia. However, the potential is promising, particularly on the borders of Angola. ZCCM-IH has obtained a few blocks with licences but there again, the company will have to join forces with partners due to lack of sufficient equity capital.

The Zambian State benefits from some mining revenues such as the mineral royalty Tax. But they are out of all proportion to the revenues obtained by the former ZCCM which was able to build and maintain houses for the miners, roads, schools and hospitals until copper fell to \$1,500 per tonne (now around \$6,000). In addition, with each economic crisis, Zambian miners are thrown out like handkerchiefs waiting for raw material prices to recover...

2. Lack of knowledge caused by incorrect or concealed information

2.1 Misinformation from so-called experts

People who present themselves as experts are distilling so-called knowledge and truths that do not correspond to reality.

In early June, former ZCCM-IH CEO Dr. Pius Kasolo announces that « There's no gold mine in Zambia » (...) « it's just exploration » (6) on Diamond TV's COSTA program.

However, a few days before the words of Pius Kasolo, zccm-ih issued a call for tenders for equipments from the Kasenseli mine in the Mwinilunga district(7)... On 27 April 2020, « ZCCM Gold Company has injected approximately K45 million for the initial phase of the Kasenseli Gold Mine Project in Mwinilunga. »(8)

With numerous press releases, ZCCM-IH clearly demonstrates that operations are also underway at Rufunsa (« This plant is aimed at chemically processing the gold stock piles from two old gold mines » (9)), at Mumbwa (« the setting up of a gold wash plant and other mining machinery to mine and process placer gold raw material » (10))

2.2 Willingness to hide the Situation from the Zambian People

a - Another so-called expert Chamber of Mines President Goodwell Mateyo regularly appears in the Media.

With our statement « Chamber of Mines President Goodwell Mateyo outrageously misleads the Zambian People » on 24 september 2019, we castigated his untruthful figures in support. His sole objective is to do everything possible to ensure that the unfair and shady game of mining companies continues at the expense of the Zambian people and the shareholders of ZCCM-IH including NAPSA (11).

b - Former Mines Minister Christopher Yaluma and the KCM disaster

Already in 2014, the situation was worrying. Voices were being raised to nationalize the mine for serious breaches. At the same time, Vedanta boss Anil Agarwal revealed that KCM gave him \$500 million per

year and extra \$1 billion. (12) But Christopher Yaluma had then vigorously protected Vedanta and said in a ministerial statement in front of the Parliamentarians « instead of rushing to resolve the issues surrounding KCM through nationalisation, Government has decided to engage KCM to ensure that operations are turned around for the company to become viable once again. » and that « Government will be undertaking regular audits at all the mines to ensure compliance and avoid the recurrence of the situation as at KCM » (13) (14). It is incomprehensible that the so-called thorough “regular audits” did not make possible to anticipate the closure of two Mopani shafts , the decrepitude and finally the bankruptcy of KCM five years later.

Why no one was surprised by the total lack of transparency on audits? Why no one has protested that Christopher Yaluma has misled the Parliament and the parliamentarians, the Zambian miners, the contractors and suppliers, ZCCM-IH shareholders and the Zambian People (15) (16) ?

c - Litigation confidentiality

Following the privatisation of the copper mines, foreign mining companies have demanded that any disputes that may arise with the GRZ or ZCCM-IH be settled by arbitration tribunals outside Zambia. Strict confidentiality is imposed on all disputes, preventing the Zambian people or minority Shareholders from being informed (17) leading to a total lack of transparency.

In the KCM insolvency petition initiated by ZCCM-IH, Vedanta demanded that an arbitration tribunal in South Africa resolves the matter. We commend the voluntarism of Minister of Mines Richard Musukwa in recalling Zambia's sovereignty in matters of justice and dismissing this procedure. Almost all the decisions taken in these arbitrations are unfavourable to Zambian interests and to ZCCM-IH in particular and are rendered after years of proceedings. Why does nobody protest against this lack of transparency and arbitration abroad for other ongoing proceedings?

3. ZCCM-IH goes back to being a mining operator

We hope that our insights from this partnership in gold will provide greater insight into the mining sector. We deeply hope that all these people so dedicated to their country, having protested against a 2.5 million dollar partnership, are asking themselves questions about issues that can be counted in billions of dollars. Is it still tolerable for Zambians to be reduced to being the mere "Jerabos" of their mineral wealth?

Under the impetus of the Board and new CEO Mabvuto Chipata, ZCCM-IH is taking its full part in the challenge despite a desire of some to financially suffocate the Zambian flagship company to prevent it from playing its rôle and from being a leading mining operator.

Our company has refocused on mining and has returned to being a pure mining operator with a diversification of the minerals exploited. ZCCM-IH participates in the development of the country by developing green fields and involving the local population. Our company has invested about \$1.5 million in setting up a wholly owned manganese mine in Serenje District of Central Province.

We encourage the Management on the one hand to continue in this direction and on the other hand to initiate very thorough forensic audits in the mining companies in which our company holds stakes.

Issued by:

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on behalf of Euronext Minority Shareholders of ZCCM-IH

28th August 2020, FRANCE.

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APPENDIX :

(1) First Quantum directors accused of stealing \$520 m

« 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 known as First Quantum Minerals Finance Limited, without following laid down procedures and without the approval of the Kansanshi mining PLC Board.
(...) »

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

(2) « 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. »

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

(3) It's illogical for companies that don't pay dividends to bid for KCM – Mumba (News Diggers)

<https://diggers.news/business/2019/09/17/its-illogical-for-companies-that-dont-pay-dividends-to-bid-for-kcm-mumba/>

(4) Press release of ZCCM-IH minority Shareholders on 31 May 2020, « ZCCM-IH does its best to exploit gold, do not go after the wrong target ! »

(5) Just Politics; by Aaron Ng'ambi: in the fight for gold ownership, let's not forget the emerald mines (The Mast on line)

<https://www.themastonline.com/2020/06/04/just-politics-by-aaron-ngambi-in-the-fight-for-gold-ownership-lets-not-forget-the-emerald-mines/>

(6) There's no gold mine in Zambia, it's just exploration – Kasolo (News Diggers)

<https://diggers.news/business/2020/06/09/theres-no-gold-mine-in-zambia-its-just-exploration-kasolo/>

(7) <https://www.zccm-ih.com.zm/2020/06/09/1-tender-no-zccm-ih-044-2020-for-the-supply-and-delivery-of-a-30-tonne-dump-truck-an-articulated-excavator/>

(8) ZCCM Gold Company has injected approximately K45 million for the initial phase of the Kasenseli Gold Mine Project in Mwinilunga.

https://www.zccm-ih.com.zm/2020/04/27/zccm-ih-press-release_kasenseli-gold-mine/

(9) On 13 May (...) « phase one of the Consolidated Gold Company Limited, gold processing project in Rufunsa has commenced » (...) « the next stage of the phase is also underway which involves the setting up of the gold vat leaching plant in Rufunsa. This plant is aimed at chemically processing the gold stock piles from two old gold mines.

<https://www.lusakatimes.com/2020/05/13/phase-one-of-the-consolidated-gold-company-limited-in-rufunsa-has-commenced-zccm-ih/>

(10) On 20 May 2020, « ZCCM-IH has entered into a joint venture partnership through its subsidiary Consolidated Gold Company Zambia (CGCZ), with Array Metals, a global mining firm to process gold ore in Mumbwa, west of Lusaka.

An initial investment of approximately \$2.5 million is going to be invested in this first stage of the project and will go towards the setting up of a gold wash plant and other mining machinery to mine and process placer gold raw material. »

<https://www.zccm-ih.com.zm/2020/05/20/consolidated-gold-company-signs-joint-venture-with-array-metals-to-process-gold-in-mumbwa/>

(11) Press release of ZCCM-IH minority Shareholders on 24 September 2019, « Chamber of Mines President Goodwell Mateyo outrageously misleads the Zambian People »

(12) Video of Vedanta Boss Saying KCM makes \$500 million profit per year – Lusaka Times

<https://www.lusakatimes.com/2014/05/13/video-vedanta-boss-saying-kcm-makes-500-million-profit-per-year/>

(13) KCM yet to fulfil \$397m injection – Yaluma (Lusaka Voice)

<http://www.lusakavoice.com/2014/06/27/kcm-yet-fulfil-397m-injection-yaluma/>

(14) MINISTERIAL STATEMENT BY HON. CHRISTOPHER B. YALUMA MP, MINISTER OF MINES, ENERGY AND WATER DEVELOPMENT ON KONKOLA COPPER MINES PLC - JUNE 2014

(15) We are unpacking the mining industry- Yaluma (Lusaka Times)

Mines Minister Christopher Yaluma says the PF Government is determined to unpack the operations of all mining companies in Zambia. (...) Mr Yaluma said the recently launched industry wide forensic audit of the mining industry is a step towards cleaning up the situation in the mines. (...)

<https://www.lusakatimes.com/2014/07/23/unpacking-mining-industry-yaluma/>

(16) Yaluma promises not to leave Chingola till all contractors are paid – Lusaka times

(...) And Minister of Mines Christopher Yaluma, who rushed to the scene to address them, promised that he will not leave Chingola until all the contractors are paid the 200 million United States dollars which KCM owes them. (...)

<https://www.lusakatimes.com/2016/12/23/yaluma-promises-not-leave-chingola-till-contractors-paid/>

(17) « Shareholders are 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. »

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