

- Press release of ZCCM-IH Minority Shareholders -

First Quantum through KMP owes ZCCM-IH US\$742 million

1. Background

During the 1990s, the collapse of copper prices to lows around US\$1,500 per ton created severe financial difficulties for the former mining conglomerate Zambia Consolidated Copper Mines (ZCCM) and its majority shareholder the Zambian government (GRZ). The IMF and World Bank agreed to provide aid in return for the privatization of ZCCM's mining assets at a low price, with the newly formed ZCCM-Investments Holding (ZCCM-IH) retaining stakes ranging from 10 to 20.6% in the mines.

Subsequently, ZCCM-IH was supposed to receive appropriate dividends from these holdings, and the Zambian state was supposed to get a fair return despite the loss of sovereignty over its mines.

“One of the arguments in favour of privatisation was that it would save the government money by relieving them from propping up an enterprise losing up to US\$1 million a day. It would also generate resources: **increased investments by the new owners would generate significant profits that would be channelled back to the government through taxation and dividends.**” (1)

2. Case of Kansanshi mine, Kansanshi Mining PLC (KMP)

KMP is 80% owned by the Irish company Kansanshi Holdings LTD (KHL), the remaining 20% by ZCCM-IH. KHL is wholly owned by the Canadian company First Quantum Minerals.

At the time of privatization, the sale of the 80% of the Kansanshi mine was completed for only US\$28 million (2).

Currently, KMP's operating profits are in the hundreds of millions of dollars annually: US\$396 million in 2019, US\$345 million in 2020.

3. US\$742.4 million of KMP's retained earnings not paid to ZCCM-IH

At the ZCCM-IH's Annual General Meeting held on 30 June 2021, the amount of retained earnings and equity value were communicated to the Shareholders. **The amount of KMP's retained earnings not paid to ZCCM-IH as at 31 Dec 2020 is US\$742.4 million. ZCCM-IH's KMP equity value (Net assets method) as of 31 December 2020 is US\$745.5 million.**

In conclusion, since the Kansanshi mine began operations in 2005, or 16 years **from 2005 to 2020, the retained earnings to which ZCCM-IH is entitled as a result of its 20% ownership of KMP is US\$982,8 million. During this period, KMP has only paid out US\$ 240.4 million.**

KMP paid a dividend of \$9 million in 2019 and only \$2 million in 2020! The table below, obtained from First Quantum's balance sheet figures, is compelling.

4. FQM, shareholder of KMP through KHL but also shareholder of Carlisa Investments

ZCCM-IH has established a new Strategic Plan that requires majority ownership of new projects so that it is no longer dependent on the goodwill of unfair partners.

GRZ is looking to benefit the country from its mineral wealth beyond taxes (3) and has negotiated the purchase of the Mopani Mine.

ZCCM-IH acquired 90% of the loss-making mine in the form of a \$1.5 billion debt owed to British Virgin Islands-based Carlisa Investments.

First Quantum is an 18.8% shareholder in Carlisa Investments, with Glencore holding 81.2%. **First Quantum does not give ZCCM-IH a significant share of its US\$742.4 million in KMP retained earnings, but ZCCM-IH will also probably have to pay FQM, via Carlisa, US\$282 million for its former share in Mopani mine !**

5. Outrageous actions of First Quantum

It is undeniable that the payment of the dividend share to ZCCM-IH is the prerogative of the KMP Board of Directors. First Quantum is the sole shareholder of KHL and therefore decides everything, especially the amount and payment of KMP dividends.

However, it is inconceivable that First Quantum is not aware of Zambia's particularly critical financial situation. In addition, a few months ago, ZCCM-IH was forced to raise US\$2.5 million in financing from the Sudanese company Karma for gold mining, which caused a media frenzy...

What is First Quantum doing with all of KMP's retained earnings? Why is First Quantum acting this way with Zambia, a country that has already given it so much...?

From an accounting point of view, the retained earnings are rarely distributed in its entirety because reserves such as working capital must be kept. However, the amounts involved with KMP are considerable, especially with the price of copper now above US\$9,000 per ton, so ZCCM-IH must fairly benefit from its share of KMP and must receive its arrears and a decent dividend. The undistributed reserve amounts are such that the US\$650 million S3 expansion at Kansanshi (4) planned for 2024/2025 can already be fully funded. This extension will also almost double the copper production to 400,000 tons and the future profits will become even more gigantic with the price of copper at US\$15,000 estimated by experts for the next few years.

It is therefore absolutely outrageous that ZCCM-IH is only receiving crumbs from its 20% stake in KMP when Zambia and ZCCM-IH are in dire need of revenue!

The privatization of ZCCM's mines was ultimately a spoliating hoax.

Issued by :

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(1) Undermining development, Copper mining in Zambia – October 2007 - A joint report by ACTSA, Action for Southern Africa, Christian Aid, SCIAF, Scotland's aid agency - page 8

(2) PRIVATISATION TRANSACTION SUMMARY SHEETS, 1992 – 2005, ZAMBIA PRIVATISATION AGENCY – page 40

(3) <https://www.reuters.com/article/zambia-economy-idUKL1N2IX0MF>

(4) https://www.miningweekly.com/article/kansanshi-reserves-rise-70-sets-the-stage-for-potential-restart-of-s3-expansion-2020-09-15/rep_id:3650

Date	KMP Revenues	KMP Operating Profit	Kansanshi Dividends paid to ZCCM-IH	Income Tax	costs C3	Copper sold
	\$ millions	\$ millions	\$ millions	\$ millions	(\$/lb)	tons per year
2005	259.448	141.695	0	31.497	0.79	69,579
2006	745.688	459.43	0	117.952	1.09	127,179
2007	1,128.7	740.7	0	181.5	0.86	163,824
2008	1,224.5	664.2	0	217	1.63	215,314
2009	1,225.5	610.4	6	139.1	1.27	244,979
2010	1,653.9	997.8	20	592.4	1.31	231,124
2011	2,048.3	1187.1	10.8	509.1	1.7	230,295
2012	1,979.9	929.4	39	380.7	1.88	261,351
2013	1,832.3	789.4	28	385.5	1.83	248,745
2014	1,677.5	466	103.6	327.8	2.16	247,312
2015	1,285	-16	2	-509	2.28	230,193
2016	1,449	217	0	40	1.78	268,459
2017	1,74	602	0	190	1.71	267,7
2018	1,672	555	20	145	1.74	229,832
2019	1,581	396	9	102	1.84	235,381
2020	1,539	345	2	142	1.86	223,147

Total 240.4

Data obtained from First Quantum's 2005-2020 Annual reports :

Conclusion :

Since the Kansanshi mine began operations in 2005, or 16 years from 2005 to 2020, the retained earnings to which ZCCM-IH is entitled as a result of its 20% ownership of KMP is US\$982,8 million. During this period, KMP has only paid out US\$ 240.4 million. The amount of KMP's retained earnings not paid to ZCCM-IH as at 31 Dec 2020 is US\$742.4 million.