



ZAMBIA CONSOLIDATED COPPER MINES INVESTMENT HOLDINGS (ZCCM-IH) 100% ACQUISITION OF MOPANI COPPER MINES (MCM)

<https://miningforzambia.com/one-deepest-copper-mines-nears-completion-mufulira/>

PRESS STATEMENT

FOR IMMEDIATE RELEASE

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On Tuesday the 19th of January 2021, the Zambian Government, through its mining investment arm **Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH)**, completed the **100% acquisition of Mopani Copper Mines (MCM)** following its negotiations with **Glencore Corporation**. In April 2020, Glencore Corporation had announced its intention to place the mine under care and maintenance sighting the **impact of the COVID-19 pandemic and low copper prices**. However, this was rebutted by Government because it would have resulted in the loss of employment for 15,000 employees.

ZCCM-IH has acquired the 90% shareholding of MCM previously held by Glencore Corporation through Carlisa Investment Corporation (73.1%) and First Quantum Mining (16.9%), giving ZCCM-IH 100% control of Mopani. **The Government of Zambia and Glencore Corporation signed an off-take arrangement deal. An off-take arrangement is simply an arrangement between the producer and a buyer to purchase or sell all or portions of the producer's forthcoming goods/commodities to the market.** This sort of agreement is commonly done with the mines to secure a market for their future production purposes. In this case, Glencore Corporation has agreed to sell 90% of its shares to ZCCM-IH, which will fully own the mines after the transaction has been fully settled. This is because ZCCM-IH and Glencore deal is based on a no-cash transfer basis.

The deal is priced at \$1.5 billion which will be funded by a loan that will be repaid from sales and profits moving forward. **The loan is estimated to be repaid in a period of 10-17 years depending on copper prices which are currently at \$8000 per tonne on the London Metal Exchange.** For the debt to be paid, the Government and Glencore have put up terms and conditions as stipulated below. Firstly, the interest of the transaction debt will be capitalized for the first three months, implying that it will report to the balance sheet and not the income and expenditure sheet and thereafter, paid quarterly at the London Interbank Offer Rate which is at 3%. The principal outstanding payment will be paid using a dual mechanism approach. Firstly, 3% of the gross revenue of Mopani copper (2021-23) and thereafter, 10-17.5%. Secondly, 33.3% of the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) minus (taxes, changes in working capital, royalty payments, and payments in the first mechanism).

The 100% acquisition comes with many socio-economic benefits such as employment security for the 15,000 mine workers. This will have a trickle down effect on their communities and the nation as large. The acquisition also provides an opportunity for local mine suppliers and contractors to conduct business with the mines. It is envisioned that this move by Government will increase the number of local contractors within the mining sector, which will enhance the establishment of local mining supply chains. Additionally, the deal comes at a time in which the price of copper has increased on the global market, trading at \$ 8,014 per tonne as of the 20th of January 2021, with a projection of above \$7000 per tonne in 2021. Government will therefore generate revenue which will not only be used to pay off its acquisition loan but will also be used to enhance economic development in the country.

In order for Government to maximize from this acquisition, there is need for them to amend the Mines and Minerals Development Act No. 11 of 2015 to ensure that Zambians benefit from the mining sector. The amendment of the Act will ensure proper coordination and an adequate legal framework governing the mine. Secondly, poor corporate governance has led to the fall of many private and state owned enterprises around the world. It is for this reason that PMRC strongly recommends that principles of corporate governance be embedded in the running of MCM.

For more details, interviews or queries about this PMRC Media Statement
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