

VEDANTA RESPONDS TO KCM PROVISIONAL LIQUIDATOR

18 November 2019, Lusaka: Vedanta Resources Limited notes the media statement issued on 13 November 2019 by Mr Milingo Lungu, the court-appointed Provisional Liquidator of Konkola Copper Mines (KCM). Vedanta is concerned at the way in which some of the points were presented by Mr Lungu – and wishes to set the record straight.

Mr Lungu states that “*KCM has continued to ramp up production at all business units including Nchanga Business Unit, Konkola Business Unit and Nampundwe Mine near Lusaka*” and that “*the Konkola Underground Mine at Chililabombwe is targeting close to 2,000t of integrated copper in concentrates this month while Nchanga Underground and Nchanga Open Pit Mines have targeted 1,300t of copper in concentrates. The Tailings Leach Plant has set a target of at least 3,000t of cathodes for the month of November.*”

While Vedanta respects that the Provisional Liquidator is attempting to operate the KCM assets to the best of his ability, the reality is that since Mr Lungu’s appointment on 21 May 2019, integrated production across the business units has dropped. Konkola underground mine did not produce ore from mid-July to early September 2019.

In the 2019 financial year – under Vedanta’s management – KCM delivered monthly average integrated mined production of 7,600 tonnes – comprising 2,500 tonnes of mined metal from Konkola underground mine, 1,050 tonnes of mined metal from Nchanga open pit & underground, and primary production of 4,050 tonnes from the Tailings Leach Plant. This is higher than Mr Lungu’s production target.

Mr Lungu further states that “*my focus continues to be ensuring that we nurture the value of KCM asset.*” Vedanta is extremely concerned about the manner in which KCM’s assets are being managed. This concern has been reinforced by the following recent press reports:

- 13 June 2019 – [Fatality at Nchanga Smelter](#)
- 15 July 2019 – [Disposal of assets – Two Dumps](#)
- 10 September 2019 – [Disposal of assets – Mimbula Resource](#)
- 09 October 2019 – [Nchanga Smelter CRF Slag run out](#)
- 28 October 2019 – [28 Miners trapped underground at Konkola](#)
- 14 November 2019 – [53 KCM workers, 232 KCM pupils hospitalized after sulphur emission](#)

The recent serious incident on 14 November is particular shocking. The news that both KCM employees and schoolchildren were hospitalised as a consequence is deeply distressing.



Vedanta is aware that concern is being expressed in Zambia over the way in which the Provisional Liquidator is awarding new contracts to inexperienced and unqualified contractors. Given the state of KCM's operations, Vedanta does not see the need to increase the vendor base and is concerned that the industry-wide standard levels of diligence on vendors is not being followed.

In his statement, the Provisional Liquidator refers to "*KCM's working capital which was completely eroded during the previous era*". Vedanta would like to re-iterate that KCM's working capital was severely affected by the non-refund of US\$160 million in VAT returns due to KCM by the Zambia Revenue Authority, as per our [previous media statements](#) on this matter.

Vedanta acknowledges the efforts of the Provisional Liquidator to make payments to a selected group of local creditors. However, we understand from engagements with KCM's larger suppliers that some of these are not being paid and in some instances such suppliers are withdrawing essential services.

Vedanta notes the [Cautionary Statement](#) issued on 27 September 2019 by the Copperbelt Energy Corporation (CEC) Company Secretary, advising that ZESCO has issued a notice of arbitration against CEC, pursuant to their Bulk Supply Agreement. The statement notes "*ZESCO's claim that CEC has failed to pay money due to them for electricity supplied under the BSA. The amounts outstanding relate to the supply of power by CEC to Konkola Copper Mines Plc ("KCM"), which supply KCM has not paid for*". Given KCM's average monthly consumption, we expect the amounts currently owed to CEC to be approximately US\$100 million. This will financially constrain CEC's business and the entire electricity value chain, thus exacerbating the current electricity crisis in Zambia.

Vedanta remains fully committed to all of KCM's suppliers and partners. During the five months since provisional liquidation on 21 May 2019, Vedanta has continued to honour significant KCM financial obligations and to date, bank loans and credit facilities amounting to US\$203 million have been settled.

Vedanta remains committed to engaging with ZCCM-IH and the Government of Zambia in order to find an amicable solution that is in the best interest of KCM and Zambia.

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