



Konkola Copper Mines plc



Vedanta's Commitment to Zambia

Company overview

Vedanta Resources PLC is a London Stock Exchange listed natural resources major with interests in zinc, lead, silver, copper, iron ore, aluminium, power and oil & gas. Vedanta is the world's largest producer of zinc and, in India, Vedanta is the largest producer of oil and gas. The company has a diverse base of international shareholders who include Chairman Anil Agarwal, Blackrock, Standard Life and the Capital Group.

Tom Albanese is the new CEO of Vedanta Resources, appointed in April 2014. He was also appointed the Chairman of Konkola Copper Mines (KCM) in October 2014. Tom brings skills and experience in leading world-class mining companies, where he held the role as Chief Executive.

Vedanta's Zambian operations comprise of mines at Konkola, Nchanga and Nampundwe:

- At Konkola, we have the flagship Konkola Deep Mining Project (KDMP), which provides access to one of the largest high-grade ore-bodies in the world, the Konkola underground mine, with a grade of 3.55% and around 25+ years mine life.
- We also own a tailings leach plant and smelter at Nchanga, and a refinery at Nkana. These operations delivered 177,000 tonnes of finished copper production in the 2014 financial year.



Background on KCM

As part of our pledge to transparency, KCM and Vedanta have remained transparent about the history of Vedanta's acquisition of KCM in 2004:

- The mines on the Copperbelt were initially established by Anglo American Corporation and Roan Selection Trust.
- In the early 1970s, the mines were nationalised and, during the subsequent 20 year period, the government's ownership of the mines was restructured several times.
- In 1991, Zambia became a multi-party state and the government embarked on an exercise to privatize parastatal companies, including the mining industry.
- By March 2000, the privatization programme of the largest mining assets was completed.
- Anglo American reacquired a 51% stake in Konkola Copper Mines, which comprised mining operations in Chingola and Konkola, and smelting/refining operations at Nkana.
- In September 2002, Anglo American withdrew as shareholders of KCM, leaving a restructured company whose main shareholders were again government entities, the ZCCM-IH and ZCI.

Vedanta's investment came at a difficult time for KCM's operations:

- A majority stake in KCM was subsequently acquired by Vedanta Resources plc in November 2004, following an international bidding process led by Standard Bank with support from the World Bank.
- The context of the purchase was a situation where much of the high-grade easy-to-access ore had been taken out by Anglo American during their previous two-year ownership of the company in 2000 to 2002. During the subsequent two years (2002-04), with record low copper prices, falling ore grades and a high cost base, KCM was under threat of closure without urgent and significant investment to resuscitate the operations.

It was in this environment that Vedanta came in and provided:

- Full commitment to re-capitalise the operations
- Commitment to maintaining and increasing employment
- Provide local business development support
- Commitment to provide social services and support for the community

We are committed to maintaining and increasing employment, provide local business development support and we remain devoted to providing social services and support for the community.

Vedanta's Commitment to Zambia

Vedanta, through its ownership of Konkola Copper Mine (KCM), is committed to its role as a responsible mining company operating in Zambia. There are several points worth noting regarding our commitment to the country:

- Since acquisition, nearly all of the profits earned have been re-invested back into the company to support its multi-billion dollar investment program.
- Dividends for Vedanta shareholders have only amounted to about US\$ 58 million. In addition, Vedanta has continuously supported the company financially, as per its funding commitments in its agreements with the government.
- During the last nine years, KCM has contributed approximately US\$ 830 million to the Zambian Treasury in tax payments and US\$ 22 million to local councils in rates.

Vedanta's continued support to KCM

Our commitment to Zambia is broad and is highlighted in a number of areas.

- Vedanta has continued to give support to KCM during the tough global economic climate:
 - At the height of the global financial crisis KCM struggled to acquire third party funding for re-capitalising its operations. Vedanta provided KCM with up to US\$ 500 million in bridge funding which was to be drawn over a three year period from mid-2008 to early 2010.
 - It was only since October 2012 that KCM has been able to borrow from third party sources without requiring a full bank guarantee from Vedanta.
- Vedanta has continued to support KCM in recent months:
 - KCM has gone through difficult financial circumstances as a result of the 20% decline in copper prices.
 - Vedanta Resources has provided the company with an initial funding of US\$ 100 million in funding.
 - Vedanta has also supported the company with a US\$ 400 million bank guarantee towards the restructure of third party loans and to enable KCM to obtain additional funding.



Management expertise

We are looking towards increasing production and efficiency at KCM, and to achieve this we have brought in the best expertise to enhance our capabilities. The recent appointment of Steven Din as the CEO is a key development for our turnaround strategy at KCM. Steven Din has over two decades of experience working in mining development in Africa and has previously held positions as CEO.



Capital investment and production

Since Vedanta's acquisition of KCM, we have invested about US\$ 3 billion, representing the largest capital investment in Zambia as at 2014.

- Our investment in KCM has been in the form of new assets, the revamp of existing infrastructure and an increase in reserves and resources to extend the life of mine.
- We have already extended the life of various mines in Nchanga, which had 3 to 8 years left in 2004. Through exploration investment we have extended the life span of these mines by a further 10+ years.
- At the Konkola Deep Mining Project (KDMP), we have injected up to US\$1.5 billion in investment. The infrastructure upgrade of the project is at the completion phase, and KCM will now focus on mine development to support the ramp-up of production. We have also commissioned a state-of-the-art smelter, one of the largest in Africa and one of the top three in the world in terms of sulphur capture.
- Our other investments include three new concentrators, an upgraded refinery and tailings leach plant, and significant upgrades across the mine to reduce its legacy environmental footprint. Over 5,000 jobs were created during the construction phase of this investment.

Technical skills and Up-skilling

We remain one of the largest private sector employers in the country and one of the highest paying employers in the Zambian mining sector where wages have increased by more than 250% over the last nine years.

People are a key part of our operations and we invest in this critical resource in order to enhance the capabilities in our operations. We have one of the most labour intensive operations in Zambia which requires some of the best technical skills in the country. Some key achievements include sponsoring over 250 Zambians for full-time degree and other tertiary programmes; operating one of the largest private vocational training centres in the region where over US\$ 2.6million was recently invested to upgrade the curriculum and facilities; and sending our Zambian employees and managers for leadership training and benchmarking exercises internationally.

KCM also has one of the lowest percentages of expatriates in the Zambian mining sector with only 1% of our workforce consisting of non-Zambians. Our local talent development programme has seen the reduction of expatriates from over 200 in 2008 to well under 100 in 2014. This highlights our focus on increasing the in-country skills development among our Zambian employees.



In addition, capital investment over the years has included the following:

- **2013:** Commissioned bottom shaft loading at the flagship KDMP, accessing the deep, tier-1 Konkola resource. The KDMP is the first shaft-sinking project in Zambia since the country's independence from Great Britain in 1964.
- **2012:** Commissioned a 24MW diesel generator set for emergency power supplies to Konkola mine.
- **2008-2010:** Commissioned additional concentrators at Nchanga and Konkola with a combined throughput capacity of 16mtpa.
- **2008:** A state-of-the-art 311,000mtpa direct-to-blister flash smelter was commissioned; the smelter, one of the largest in Africa, recovers cobalt from copper concentrate and has a sulphur capture rate in excess of 99.6%.

Community development and social responsibility

When Vedanta took over KCM's operation we not only took responsibility of the company's assets, but continued the inherited social responsibilities and expanded upon the corporate social investment (CSI) programmes. Vedanta and KCM are committed to the development of Zambia and the communities in which we operate. The company has also supported one of the most expansive community and social responsibility programs in the country having spent over US\$150million in the last nine years.

