

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER

ZCCM INVESTMENTS HOLDINGS PLC ("ZCCM-IH")
[Incorporated in the Republic of Zambia]

Company registration number: 771
Share Code: ZCCM-IH
ISIN: ZM0000000037
Authorised by: Charles Mjumphi – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Founder Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. The Lusaka Securities Exchange ("LuSE")
- ii. The Securities and Exchange Commission ("SEC")
- iii. ZCCM Investments Holdings Plc

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature. Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 01 February 2024



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["ZCCM-IH" or "the Company"]

TRANSACTION ANNOUNCEMENT UPDATE

Regarding

Mopani Copper Mines Plc

The shareholders of ZCCM Investments Holdings Plc ("**ZCCM-IH**" or "**the Company**"), and other market participants, are referred to the cautionary announcements issued on 10 November 2023 and 30 November 2023 in relation to the board of directors of ZCCM-IH ("**the Board**") selecting International Resources Holding RSC Limited ("**IRH**"), as the preferred Strategic Equity Partner ("**SEP**") for Mopani Copper Mines Plc ("**MCM**" or "**Mopani**"). The market is also referred to the transaction announcement dated 22 December 2023.

The Board is pleased to announce that on 22 December 2023, ZCCM-IH entered into an agreement with IRH pursuant to which IRH, through its wholly owned subsidiary Delta Mining Limited ("**Delta**"), has committed up to US\$1.1 billion for a 51% interest in MCM and the formation of a strategic partnership with ZCCM-IH. This investment comprises of US\$620 million in new equity capital, up to US\$100 million in settlement of existing third-party letters of credit and up to US\$380 million of shareholder loans into MCM as a SEP (the "**Transaction**"), subject to the fulfilment of Conditions Precedent defined herein. Consequently, upon the satisfaction of those Conditions Precedent, the relationship between Glencore International AG ("**Glencore**") and MCM will be restructured.

ZCCM-IH, in consultation with its transaction advisors, is preparing a Transaction circular providing all the relevant information in respect of the Transaction, including financial and technical information. Shareholders will be able to vote on the Transaction at an extraordinary general meeting ("**EGM**") due to take place in the first quarter of 2024.

In compliance with the requirements of Section 9 of the Listings Requirements of the Lusaka Securities Exchange ("**LuSE**"), the key features of the Transaction are set out below.

1. Brief Particulars of the Transaction

- IRH to invest up to US\$1.1 billion into MCM to fund MCM's project development plan ("**PDP**"), provide working capital and as part of the restructure of certain existing Glencore liabilities as set out below:

- US\$620 million will be provided in the form of new equity capital in return for a 51% stake in MCM in the form of the Investor Shares (as defined below), which will be used primarily to complete MCM's capital projects, and to stabilise the working capital position of the business, and is structured as follows:
 - a. An amount of up to US\$220 million will be paid by closing of the Transaction, of which up to US\$130 million shall be advanced to Mopani prior to closing of the Transaction via an interim financing loan to assist with Mopani's immediate short term capital commitments. This interim financing loan is guaranteed via a bank guarantee provided by Zambia National Commercial Bank Plc. The US\$130 million interim financing loan from Delta is structured as a short term debt instrument to allow Delta to provide funding to Mopani prior to closing of the Transaction, and will be converted into equity upon closing of the Transaction (comprising partial payment of the US\$620 million equity subscription); and US\$19 million of the US\$220 million will be applied as partial repayment of the bridge facility agreement dated 20 January 2023, as amended and restated from time to time, and presently between ZCCM-IH as lender and Mopani as borrower (the "ZCCM Shareholder Loan") at closing of the Transaction; and
 - b. An amount of US\$400 million of the share premium paid shall be deferred and paid in instalments when certain milestones under the PDP are met;
- up to US\$400 million will be provided in the form of a shareholder loan to MCM by way of novation of the Glencore debt, of which:
 - a. US\$300 million will be used as part of the consideration to settle the original Glencore transaction debt of US\$1.5 billion plus accrued interest; and
 - b. the remaining up to US\$100 million will be used to settle existing third party letters of credit secured by Glencore for MCM,
 - c. in addition to the above, in support of the transfer and write down of the current Glencore debt to Delta, Mopani will also enter into a royalty agreement, providing Glencore with upside participation in the profitability of Mopani in the event the copper price exceeds US\$12,000 and an additional payment to Glencore of US\$150 million as detailed in the Glencore Payment Covenant. Following the above settlements, there shall be no indebtedness between Glencore (as lender) and MCM (as borrower);
- up to US\$80 million may be provided via additional shareholder loans, if required, based on the future working capital requirements of the business.
- ZCCM-IH will retain a 49% equity stake in MCM at closing of the Transaction.
- A new board of directors of MCM, reflective of the revised shareholding structure, will be constituted and the share class structure of MCM shall be revised accordingly.
- The executive management of MCM will be retained and will be supplemented by industry experts from IRH with the relevant skills and expertise to complete MCM's capital projects, including fulfilment of the PDP, and turn around its operational performance.

2. Consideration

The total consideration to be paid by Delta is up to US\$1.1 billion which will be split between equity and debt in the following proportions:

- US\$620 million in new equity; consisting of US\$400 million deferred subject to certain milestones under the PDP and US\$220 million up-front at closing of the Transaction, which includes up to US\$130 million of interim funding advanced prior to closing of the Transaction;
- up to US\$400 million as a shareholder loan by way of novation of the Glencore transaction debt; consisting of US\$300 million that will be used as part consideration to settle the original Glencore transaction debt of US\$1.5 billion plus accrued interest and the remaining US\$100 million that will be used to settle existing third-party letters of credit secured by Glencore for MCM; and

- up to US\$80 million which may be made available to MCM through additional shareholder loans, if required, based on the future working capital requirements of the business.

3. Transaction Rationale

MCM is one of the most important copper mining operations in Zambia, with a long history that is synonymous with the growth and development of the Copperbelt. ZCCM-IH took full control of MCM from Glencore in 2021, with a plan to find a suitable SEP to contribute to the expansion of the business and provide the necessary capital for growth.

IRH's strategy aims to invest in critical minerals in the region, across the entire mining value chain. The selection of IRH as the preferred SEP was carefully considered against the key criteria outlined above. The Board of ZCCM-IH believes that IRH's partnership with ZCCM-IH and MCM represents an important strategic step towards the revitalisation of the Zambian economy, the Zambian mining industry, and the continued development of the Copperbelt by enabling the long-term sustainability of MCM.

IRH's investment into MCM will recapitalise its balance sheet, secure direct and indirect jobs, and provide both funding and technical experience to complete MCM's PDP, all of which underpin MCM's strategy to achieve its target of becoming a 200,000 tonnes per annum producer of copper cathodes in the next 3 years. Beyond this, ZCCM-IH and IRH will work with MCM and the Government of the Republic of Zambia ("**GRZ**") to pursue other opportunities in the Zambian mining industry that will attract further investment into the region.

Financial strength of IHC

IRH's parent organisation IHC is the largest company listed in Abu Dhabi, and as at 22 January 2024, IHC had a market capitalisation of US\$240 billion with sufficient cash reserves and access to credit facilities to fund the Transaction. Securing this finance at closing of the Transaction is critical to the development of Mopani and also enables a restructuring of the debt owed to Glencore which further improves the economic viability of Mopani.

Strong track record across the mining value chain

IRH has a technical team of over 120 professionals working with major global mining companies and possessing a variety of experience, including in geology, engineering, metallurgy, and project management. The IRH team will provide support and expertise to the existing MCM management team to ensure a successful turnaround of the mine's operations. IRH will also leverage the expertise of its various subsidiaries and joint venture companies as required, to support the development of ancillary opportunities across the entire mining value chain.

Environmental, social and governance (ESG)

IRH's investment into MCM embraces a strict focus on multiple ESG principles. In collaboration with GRZ, IRH will not undertake staff redundancies at MCM as part of the Transaction. Any staff separations to occur will be strictly performance-related and carried out purely in the ordinary course of business. IRH has also committed to working with ZCCM-IH and MCM to optimise the local supply chains to benefit the Zambian economy and will ensure that, *inter alia*, MCM continues to be managed by the existing local management team. MCM's existing corporate social responsibility programs, including its investments in schools, hospitals and sports clubs will continue to receive funding and other support.

4. Key Financial Terms

US\$620 million Equity Investment into MCM

IRH, through its wholly owned subsidiary, Delta, will, subject to certain conditions precedent, provide an equity investment of US\$620 million through the subscription of new shares in MCM. Delta will thus subscribe for 7,181,633 shares ("**Investor Shares**"), issued at \$86.33 a share of which \$85.33 per share is share premium (the "**Subscription Price**").

The Investor Shares, when issued, shall constitute 51% of the entire issued share capital of MCM, with the balance of 49% being held by ZCCM-IH. The equity investment will be used to undertake MCM's PDP and stabilise the working capital position of the business as well as repayment of US\$19 million of the ZCCM Shareholder Loan.

US\$400 million of loans to MCM

In addition to the equity investment, IRH will provide up to US\$400 million in loans by way of novation of the existing debt owed to Glencore as outlined above. IRH will also, subject to certain conditions, make available up to US\$80 million of capital to MCM as shareholder loans, if required, to support future working capital requirements of the business.

Glencore and MCM Capital Restructuring

As detailed above and as part of the overall restructuring of MCM's balance sheet, agreement has been reached to restructure US\$1.5 billion of Glencore Transaction Debt that resulted when ZCCM-IH acquired 100% of MCM in 2021, and to settle up to US\$100 million of the third party letters of credit that have been procured by Glencore and made available to MCM since ZCCM-IH's acquisition. The effect of this is that the gross debt owed by Mopani to Glencore consisting of US\$1,500 million plus accrued interest that was put in place when ZCCM-IH took control of Mopani, and a further US\$100 million of third-party letters of credit underwritten by Glencore, will be replaced by the above shareholder loan owed to Delta of up to US\$400 million, resulting in an overall net reduction in Mopani debt of over US\$1,200 million.

5. Conditions Precedent

Closing of the Transaction is subject to the fulfilment or waiver of, inter alia, the following conditions precedent:

- Approval of the Transaction by the shareholders of ZCCM-IH at an EGM;
- The SEC approving the change of control of MCM in connection with the Transaction;
- Receipt of the renewal of MCM's Mining Licences pursuant to section 76 of the Mines and Minerals Development Act, 2015 (No. 11 of 2015) from the Minister of Mines and Minerals Development for a period of 25 years, on the basis of the revised mine plan;
- Receipt of approval and/or consent of the Transaction pursuant to section 67 of the Mines and Minerals Development Act, 2015 (No. 11 of 2015) from the Minister of Mines and Minerals Development;
- Delivery by Delta to ZCCM-IH of the final PDP;
- Execution and delivery by Delta of commitment letters undertaking to pay the Subscription Price and payment of up to US\$400 million to Glencore in order to novate the debt owed to Glencore;
- Receipt of a duly signed tax covenant in respect of MCM's tax position at closing of the Transaction;
- Agreement and execution of various agreements effecting the transfer of the debt owed to Glencore; and

- Agreement by Delta and ZCCM-IH of the list of unanimous shareholder consent matters to be scheduled to the shareholders' agreement in respect of MCM to be entered into at closing of the Transaction, (the "**Conditions Precedent**").

The Transaction shall not require prior approval of the Competition and Consumer Protection Commission pursuant to the Competition and Consumer Protection Act, No. 24 of 2010 and therefore this is not a condition precedent of Closing. The Transaction will be authorised by the Common Market for Eastern and Southern Africa (COMESA) Competition Commission based on the jurisdictional and financial thresholds and the parties are taking steps to obtain these approvals.

6. Effective Date

The Transaction will close and become effective once all of the Conditions Precedent listed have been completed. It is estimated that closing will occur during the first quarter of 2024.

7. The Proforma effect of the Transaction

	Before	Pro Forma Adjustments	After	Percentage change (%)
EPS (ZMW)	(23.54)	92.37	68.83	392.38%
HEPS (ZMW)	(23.54)	55.27	31.72	234.76%
NAV per share (ZMW)	49.18	94.23	143.42	191.59%
Ordinary Shares in issue	160,800	160,800	160,800	0.00%
Shares in issue	160,800	160,800	160,800	0.00%
Weighted average number of Ordinary Shares in issue	160,800	160,800	160,800	0.00%

8. Extraordinary General Meeting and the Transaction Circular

- A notice of the Extraordinary General Meeting (EGM) to consider the proposed Transaction will be published on 2nd February 2024; and
- A circular to Shareholders giving full details of the Transaction will be mailed to Shareholders on or about 2nd February 2024.

The circular will also be available in electronic form on the LuSE website (www.luse.co.zm) and Stockbrokers Zambia Limited's website (www.sbz.com.zm) and ZCCM-IH website (<https://zccm-ih.financifi.com>). Alternatively, shareholders may collect the circular from the Company's Transfer Secretaries and/or Transaction Sponsoring Broker whose details are below:

Sponsoring Broker

Stockbrokers Zambia Limited
32 Lubu Road
Longacres
P.O. Box 38956
Lusaka

Transfer Secretary

Corpserve Transfer Agents Limited
6 Mwaleshi Road
Olympia Park
Lusaka
Zambia

Shareholders are advised to continue to exercise caution when dealing in the Company's securities until the closing of the Transaction.

By Order of the Board

Charles Mjumphi

Company Secretary

Issued in Lusaka, Zambia on 01 February 2024

Lusaka Securities Exchange Sponsoring Broker	
	<p>T +260-211-232456</p> <p>E advisory@sbz.com.zm</p> <p>W www.sbz.com.zm</p> <p>Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia.</p>

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