INVESTMENT OPPORTUNITIES IN THE MINERAL SECTOR IN ZAMBIA

PRESENTATION

BY

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• AFRICA’S MOST ATTRACTIVE INVESTMENT DESTINATION

INVEST IN ZAMBIA’S MINING INDUSTRY
INVESTMENT OPPORTUNITIES IN THE MINERAL SECTOR IN ZAMBIA

PRESENTATION OUTLINE

• Brief background of Mining Industry in Zambia.
• Zambia’s Investment Strategy for the Mining Sector
• Why it is good to INVEST in Zambia’s Minerals Industry

• The diversity of the Minerals Resources
• Enabling Policy
• Investor Protection

• Investment Areas
  • Exploration
  • Mining
  • Production of Mining support materials and equipment
  • Value Addition - Copper
INVESTMENT OPPORTUNITIES IN THE MINERAL SECTOR IN ZAMBIA
WHERE IS ZAMBIA?

- In the Heart of Africa
- Landlocked
- Size: 752,614 sq.km
- Population: 12 million
- Tropical Climate

**Major Economic Drivers:**
1. Mining
2. Agriculture
3. Tourism
4. Manufacturing
Brief background of the Mining Industry in Zambia

• Since the first major phase of mining of the Cu-Co mineralization of the Copperbelt in the 1930’s, the mining industry has been an essential and integral component of Zambia’s economic development.

• A wide spectrum of metallic and industrial minerals and energy resources have since been identified and, to a variable extents, have been exploited,

• Mining in Zambia has been predominantly for copper and cobalt. The production profile over the years is as in the following graphical presentation:
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Brief background of the Mining Industry in Zambia

ANNUAL PRODUCTION (TONNES) 1967 TO 2008

PRIVATE SECTOR

PARASTATAL SECTOR

POST PRIVATIZATION

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Brief background of the Mining Industry in Zambia

Ownership Cycle

• From the early 1930s to 1978 the Mining Industry was private sector driven.
• Roan Selection Trust (RST) a private company, later changing to Roan Consolidated Mines (RCM), owned Luanshya, Mufulira, and Chambishi Mines
• Nchanga Consolidate Copper Mines (NCCM) an Anglo American private Company, owned Nkana, Kansanshi, Nampundwe and Nchanga Mines
• The Mines were Nationalized and managed by a state company called Zambia Consolidated Copper Mines Limited (ZCCM LTD) in 1978.
• The Mining Industry was re-privatized in 1998 and since then the Industry has been private sector driven – with government holding a Golden Share through Zambia Consolidated Copper Mines Investment Holding company (ZCCM-IH)
• ZCCM-IH may be equated to JOGMEC
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JAPAN – ZAMBIA COPPER & COBALT TRADE

• Japan has been our long time partner with the Zambian Mining Industry.
• Japanese companies largely Mitsubishi, Marubeni and Mitsui have been big trade partners with Zambia via contractual purchases of copper & cobalt from the then mining conglomerate ZCCM Ltd

• Notable is the large investment in equipment and plant and financial support to the Zambian Government via ZCCM Ltd.

• It makes sense that Japanese Investment in the Mining Industry in Zambia should grow.
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Zambia’s Investment Strategy for the Mining Sector

To develop a self sustaining Mining Industry driven by the Private Public Sector Partnerships

Objectives

• To intensify exploration for the development of new mines in order to increase and diversify mineral and mineral-based exports and maximize long term economic benefits to the investor and Zambia.

• To intensify exploration of the energy minerals, in particular oil and gas for the development of the petroleum industry in Zambia. THIS IS PRINCIPALLY WHY I AM HERE.
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Zambia’s Investment Strategy for the Mining Sector

Objectives Cont’d

• To add value on Zambia’s amazingly wide spectrum of minerals resources and to boost the manufacturing sector

• To create manufacturing industry to produce mining industry consumables

To achieve the above stated objectives, the Government of the Republic of Zambia has embarked on setting up industrial parks around the country under Multi-facility Economic Zones (MFEZ).

LUSAKA

• The Government has identified an area located in the southern part of Lusaka designated to be MFEZ.

• The Government, supported by JICA and the and the Malaysian Kulim Hi-Tech Park (KTPC) are working on a Development of a Master Plan for the launching of the Lusaka South (MFEZ).

• The MFEZ is expected to be ready for investment by 2010.
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Zambia’s Investment Strategy for the Mining Sector

COPPERBELT
• The Chambeshi MFEZ has been established by China Nonferrous Metal Mining Group with the support of both Governments of Zambia and China.
• in Ndola and Kasumbalesa, establishments of MFEZ await foreign direct investment.

NORTHWESTERN PROVINCE
• With the successful development of a large copper mine at Lumwana by Equinox Minerals Ltd, the Government has approved another MFEZ for the area. This too awaits foreign direct investment.
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Why it is Good to Invest in Zambia’s Minerals Industry

• A rich mineral resource base providing business opportunities in a country which is Investor friendly

• An enabling Investment Policy that provides tax incentives.
• Political Stability
• Adequate Infrastructure
• Rich skilled and trainable human resource
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Why it is good to invest in Zambia’s Minerals Industry

• Zambia is a mining country and the mining industry must be transformed into a vibrant, well organized private-public partnership led sector contributing in excess of 20% towards GDP and providing sustainable employment that will significantly contribute to economic growth.

• We believe that the direct foreign investment provides the best way to realizing this objective.
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MINING SECTOR FISCAL REGIME

The new mining fiscal and regulatory regime incorporates the following measures:

• 30% Corporate tax;
• Mineral royalty rate on base metals at 3% of gross value;
• 15% withholding tax on interest, dividends, royalties, management fees and payments to affiliates or subcontractors in the mining sector;
• No windfall tax
• 100% capital allowance deductions for the mining sector
• Capital expenditures on new projects are ring fenced and only become deductible when the projects start production.
• A variable profit tax of up to 15% on taxable income, which is above 8% of the gross income.
• Increase in the VAT refund period for Exploration Companies to 7 years
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OTHER INCENTIVES

• **Relief from Income Tax**
  • Any investment in mining, including prospecting, attracts deductions from income tax on the following expenditures:

• **Relief from Other Surcharges**
  • A holder of a mining right is exempt from customs, excise and VAT duties in respect of all machinery and equipment (including specialized motor vehicles) required for exploration or mining activities.

• **Remission**
  • There are no restrictions in respect of the amount of profits, dividends, or royalties that may be externalized.
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Zambia’s Mineral Resources – What an Investor will find in Zambia

BASE METALS
• COPPER
• COBALT
To a lesser degree (largely mined out)
• LEAD
• ZINC

MINOR METALS
• TIN & TANTALUM
• RARE EARTH ELEMENTS

PRECIOUS METALS
• GOLD
• SILVER
• PLATINUM GROUP ELEMENTS

INDUSTRIAL MINERALS
• LIMESTONE & DOLOMITE
• CLAYS/ALUMINOSILICATES
• TALC/BARYTE/FLOURITES
• ZEOLITES
• SILICA SANDS/FELDSPAR

GEMSTONES
• EMERALD
• AQUAMARINE
• TOURMALINE
• GARNETS
• AMETHYST
• DIAMONDS

FERROUS METALS
• IRON ORE
• MANGANESE
• NICKEL

ENERGY MINERALS
• URANIUM
• COAL
• COAL BED METHANE
• OIL AND GAS
DIVERSITY OF MINERAL OCCURRENCES IN ZAMBIA
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I now would like to concentrate on the Energy Minerals Potential in Zambia

Oil and Gas

- The petroleum potential of Zambia can be considered unexplored. On the results of the preliminary work done to date, the Government has recently advertised for tenders for the exploration for oil and gas in some parts of Zambia and Japanese businesses are invited to participate.

- The complex geological evolution of Zambia, together with the abundance and diversity of mineral deposits calls for further investment in exploration and development from both the Private and Public Sectors.

- The potential for petroleum occurrences arising from the recent geological data, are pointers towards the considerable probabilities for the discovery of new commercial deposit, through exploration guided by the various known geological conceptual models.
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• The Luangwa and Mid-Zambezi grabens have a favourable history of lower-Karoo hydrocarbon generation and upper-Karoo development of structural traps during rifting.

• Potential reservoir units occur in the lower-Karoo Luwumbu Formation and upper-Karoo Escarpment Grit in the Luangwa graben and in the Siankondobo and Gwembe and Formations of the lower Karoo in the Mid-Zambezi graben.
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INDICATORS FOR OIL & GAS POTENTIAL

• Oil film seepages
• Microbial results
• Geochemical studies
OIL EXPLORATION BLOCKS
OF WESTERN, N. WESTERN AND NORTH LUANGWA VALLEY

Geological Survey Department 2008
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URANIUM

• The greatest potential for uranium appears to be vein and disseminated mineralization hosted by Lower Roan and Upper Roan sequences underlying some of the copper ore bodies of the Copperbelt and Domes Region.

• Known uranium deposits exists in the in the Karoo sediments of the Siavonga area in the Mid-Zambezi Valley.

COAL

• **Coal resources are most likely to be found in:**

  • the fault-bounded Karoo basins of the Mid- Zambezi Rift, particularly in the Mulungwa Coalfield, the area between the Mulungwa and Siankondobo Coalfields, and in the Siambabala area.

  • the Luangwa and Luano Valleys.
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Investment Areas

• From exploration to mining, complete investment package is encouraged.

• **Copper and Cobalt Value Chain:** The copper value chain of cathode-Rod-Cable (electrical products) or chemical products has high-unfulfilled with high demand in the emerging economies of Africa and Asia.

• There are no chemical products from copper and cobalt at the moment in Zambia.

• **Development of Manufacturing** facilities based on industrial minerals such as phosphates, activated clays, bentonitic clays, fluorite, gypsum and baryte for various industrial usage
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Investment Areas cont’d

• **Stainless Steel Manufacturing Industries:** Zambia has known iron ore deposits in excess of 600 million tonnes

• **Ferrosilicon and FerroManaganese Industries:** Zambia has vast resources of manganese, iron ore and silica for which investors are sought to set up smelting facilities to enhance the value of these minerals.

• **Down-stream processing of gemstones, industrial minerals and dimension stone:** With abundant occurrences of industrial minerals, there is a major investment gap in this sector.

• **Mining Machinery, Equipment and Spare Parts Plants:** There are few, if any, mining equipment manufacturing plants that produce drill rods, bits, jack hammers, pipes and hose pipes etc.
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Mines and Minerals Act 2008 overview

• All exploration and mining activities are governed by the Mines and Minerals Act, 2008.
• Now I present a synopsis of key aspects of the Act:

Eligibility
• An individual or Company is eligible for all categories of mining rights. Foreign companies are required to register locally.

Types of mining licences
• Licence categories are divided into large scale and small scale operations:
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TYPES OF MINING RIGHTS

Large scale Prospecting licenses

• This License confers upon the holder exclusive rights to prospect for any minerals.
• It is renewable every two years. 50% relinquishment of the prospecting areas compulsory on renewal. Large scale prospecting licenses limited to 1,000 km². An individual or company is allowed a cumulative total of 5,000 km² for prospecting licenses.
• Duration: 7 years
• There are no limitations to the number of minerals that one could prospect for.
• Central and regional mining cadastre offices introduced to receive and process applications
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Large scale mining rights

• Large scale mining licenses
• Description: A large scale mining license confers upon the holder exclusive rights to carry out mining operations and other acts reasonably incidental thereto in the area.
• Duration: maximum of twenty five (25) years, renewable.
• Size of area: Prospecting license area or such re-oriented area by the holder. – 250 sq km
• No limit to the Number of Mining Licenses
• Minerals covered: economic minerals in the area

• FOR DETAILS THE MINES ACT 2008, PLEASE VISIT OUR WEBSITE:
  • www.zambiageosurvey.gov.zm
Application procedures for mining rights involve the following:

- Completion of prescribed application form
- Submission of information on the area of interest
- Submission of a programme of operations with estimated costs
- Submission of financial and technical competence information
- Submission of an environmental commitment plan or Environmental Impact statement in the case of Mining License

Once acquired the Mines Act 2008 ensures the security of tenure of a mining right
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MAJOR EXPLORATION AND MINING COMPANIES IN ZAMBIA

Key Exploration Companies
• Equinox-Australia
• First Quantum Plc – Canada
• Kiwara Plc - UK
• NFC – China
• Teal – Australia
• BHP – Canada
• Mwembeshi Resources – Australia
• Laiwu Iron & Steel Group – China
• Rio Tinto – UK/Canada
• Caledonia - Australia
• ARM – South Africa/Canada
• Zhonqui – China
• Dennison Mines/Omega Corp – Canada/Australia

Key Mining Companies
• Vedanta Resources – UK
• First Quantum Plc – Canada
• NFC – China
• Equinox-Australia
• Glencore – Switzerland
• Metorex – South Africa
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MAJOR EXPLORATION AND MINING COMPANIES IN ZAMBIA

Suffice to note that there are many other companies from all over the world, that are not listed here, carrying out exploration activities. And others are at various stages of mine development in Zambia

Mining and Exploration Companies Social Corporate Responsibility

To improve transparent management of the mining sector, Zambian Government is in the process of subscribing to Extractive Industries Transparent Initiative (EITI) for judicious and sustainable exploitation of the mineral resources to significantly contribute to the economic growth of the communities in the areas where mining operations are located. The commitment of mining companies in Zambia to implement the EITI is a demonstration that they are corporate socially responsible.
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Zambia’s Preferred Investment Modus Operandus:

• It is the private sector that we believe serves as the best engine of economic growth in Zambia.

• The Government of the Republic of Zambia has taken a leaf from all successful, dynamic economies such as Japan to create the necessary economic and investment environment that will foster the dynamic growth of the private sector,
CONCLUSION

• The Ministry of Mines and Minerals Development welcomes investment in the Minerals Sector from Japan.

• My Ministry is particularly focused at diversifying the mining sector to include mining of minerals such as natural gas, petroleum, uranium, coal, manganese and industrial minerals in addition to the copper and cobalt.

• My Government, as alluded to earlier own, has created the necessary incentives to enhance the development of value addition industries and other industries to promote the forward and backwards linkages in the minerals sector.

• I therefore wish to invite both small and large Japanese companies to invest in Zambia.
ZAMBIA’S VICTORIA FALLS WELCOMES YOU

Not only the investment environment but Zambia’s magnificent Victoria Falls welcomes you

INVEST IN ZAMBIA’S MINING INDUSTRY
I THANK YOU FOR YOUR ATTENTION!

ZAMBIA AFRICA’S
BEST INVESTMENT DESTINATION