



## ZCCM INVESTMENTS HOLDINGS PLC

[Incorporated in the Republic of Zambia]

Company registration number: 771

Share Code: ZCCM-IH

ISIN: ZM0000000037

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

### TRANSACTION ANNOUNCEMENT

regarding

**Kansanshi Mining PLC**

The Board wishes to inform the shareholders ("**Shareholders**") of ZCCM Investments Holdings Plc ("**ZCCM-IH**" or "**the Company**"), and the market that, ZCCM-IH has entered into a transaction with First Quantum Minerals ("**FQM**") whereby the Company will convert its dividend rights and economic value in its 20 percent equity in Kansanshi Mining Plc ("**KMP**") into a life of mine royalty (the "**Transaction**").

The Company, in consultation with its Transaction advisors, has prepared the financial and technical information which is required in the Circular to ZCCM-IH shareholders to ensure that Shareholders have sufficient information to vote on the Transaction at an Extraordinary General Meeting ("**EGM**").

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 as follows.

#### Brief Particulars of the Transaction

- The grant of a life of mine royalty (the "Royalty") to ZCCM-IH in respect of 3.1 per cent of the gross value of Royalty products to be extracted from the KMP mine pursuant to a Royalty Agreement to be executed on the Transaction **closing** date.
- Post transaction, the economic value of ZCCM-IH's 20% equity stake in KMP will be realised through the VAT refunds.
- The varied rights attached to the ZCCM-IH Class A shares in KMP will be amended and prescribed in the amended KMP Articles of Association ("**New KMP Articles**") to be adopted at Closing.
- ZCCM-IH Class A shares will entitle the Company to nominate 2 Directors to the KMP Board each with voting rights.
- At closing ZCCM-IH will de-recognise its equity stake in KMP as an investment in associate and recognise the acquired Royalty as a financial asset.

Conditions Precedent include:

Closing or completion of the Transaction is subject to the fulfilment or waiver of all the following conditions precedent in accordance with the Framework Agreement:

- ZCCM-IH Shareholders approval.
- Approval of the Transaction by the Competition and Consumer Protection Commission.
- Letter of No Objection from the Securities and Exchange Commission of Zambia concerning the New KMP Articles.
- Withdrawal of the criminal complaint against KMP directors and confirmation of such withdrawal
- Zambia Revenue Authority confirmation of the parties' tax position on the Transaction.

Key Financial Terms of Agreement

- Pursuant to the KMP shareholder resolution, KMP will make a dividend declaration of United States Dollars Nine Hundred Seventy-Five Million (US\$975,000,000) payable in proportion to the shareholding structure (ZCCM-IH:20% and Kansanshi Holdings Ltd 80%) to be paid no later than the date falling seven (7) days following the date of execution of the framework agreement as stated below:

- ✓ United States Dollars One Hundred and Ninety-Five Million (US\$195,000,000) to ZCCM-IH and United States Dollars Seven Hundred and Eighty Million (US\$780,000,000) to Kansanshi Holdings Limited ("**KHL**").

- At Closing, the change of KHL's Class A shares to Class C shares and the variation of ZCCM-IH's rights (*inter alia*, to reflect that ZCCM-IH's dividend right is converted into the Royalty rights as further described below) pursuant to the New KMP Articles and the Termination Agreement between KHL, KMP and ZCCM-IH relating to the termination of rights and obligations under the KMP Shareholders Agreement.
- At Closing, a Royalty consideration of Six Hundred and Eighty-Five Million Dollars (US\$ 685,000,000) representing ZCCM-IH's dividend declared on Class A shares by KMP, will be settled by issuance of a Loan Note by KMP to ZCCM-IH. The Royalty Agreement will be executed and delivered by using the Loan Note as Royalty consideration.
- At Closing, ZCCM-IH will have the right to receive quarterly Royalty payments of 3.1% of the Gross Value of Royalty Products (Copper, Gold, and all other metal products) sold or otherwise extracted at KMP, throughout the life-of-mine, pursuant to the Royalty Agreement.
- In accordance with the VAT Agreement between KMP and ZCCM-IH, KMP has agreed to pay to ZCCM-IH 20% of the aggregated

amount of the Value-Added Tax refunds as of 30 June 2022 less 20% of any VAT claim costs incurred, as and when received by KMP from ZRA post the closing of the Transaction. The aggregated amount of the VAT refund is:

- ✓ US\$ 442 million and
- ✓ ZMW 433 million

|                               |  |
|-------------------------------|--|
| Effective Date                | The Closing Date, as defined in the Framework Agreement.   |
| Rationale for the Transaction | <ul style="list-style-type: none"> <li>• A key objective of the ZCCM-IH Strategic Plan (2020-2026) is to extract value from the ZCCM-IH portfolio by focusing on the income flow from each investee company. The right to receive quarterly Royalty payments ensures that ZCCM-IH is guaranteed a predictable and regular revenue stream over the Kansanshi life of mine.</li> <li>• Another key objective of the ZCCM-IH Strategic Plan is the investment in greenfield and brownfield mining and mining-related ventures across a diverse range of minerals. With this regular Royalty income from KMP, ZCCM-IH will be better placed to finance these investments;</li> </ul> |

### The Proforma effect of the Transaction

|   | Before      | Pro Forma Adjustments | After       | Percentage change (%) |
|---|-------------|-----------------------|-------------|-----------------------|
| EPS (ZMW)   | 12.22       | 16.12                 | 28.34       | 132%                  |
| HEPS (ZMW)  | 12.01       | 10.00                 | 22.01       | 83%                   |
| NAV per share                                       | 168.81      | 16.12                 | 184.93      | 10%                   |
| Ordinary Shares in issue                            | 160,800,286 | -                     | 160,800,286 | -                     |
| Shares in issue                                     | 160,800,286 | -                     | 160,800,286 | -                     |
| Weighted average number of Ordinary Shares in issue | 160,800,286 | -                     | 160,800,286 | -                     |

### General Meeting and the Transaction Circular

- i. A notice of the Extraordinary General Meeting ("EGM") to consider the Proposed Transaction will be published on or before [6<sup>th</sup> January 2023]; and
- ii. A circular to Shareholders giving full details of the Transaction will be mailed to Shareholders on or about [5 January 2023].

The Circular will also be available in electronic form on the LuSE website ([www.luse.co.zm](http://www.luse.co.zm)) or Stockbrokers Zambia Limited's ("**SBZ**") website ([www.sbz.com.zm](http://www.sbz.com.zm)). Alternatively, shareholders may collect the Circular from the Company's Transfer Secretaries and/or Transaction Sponsoring Broker whose details are below:

**Transaction 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 completion of the Transaction.

**By Order of the Board**

**Chabby Chabala**

**Company Secretary**

**Issued in Lusaka, Zambia on 01 December 2022**

| <b>Lusaka Securities Exchange Sponsoring Broker for the Transaction</b>             |   |
|---|---|
|  | <p><b>T</b>   +260-211-232456</p> <p><b>E</b>   <a href="mailto:advisory@sbz.com.zm">advisory@sbz.com.zm</a></p> <p><b>W</b>   <a href="http://www.sbz.com.zm">www.sbz.com.zm</a></p> <p><b>Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia.</b></p> |

**First Issued on 01 December 2022**