

Zambia threatens to liquidate Vedanta's Konkola Copper Mines

Vedanta Resources is seeking at urgent meeting with Zambia president Edgar Lungu ahead of a High Court hearing on Friday to rule on an application to provisionally liquidate Konkola Copper Mines (KCM) which Vedanta controls.



Konkola copper mine. Image: Wikimedia Commons

The president visited the copperbelt over the weekend, where he indicated his intention of driving through a divorce of KCM and his country, says that foreign investors were treating the country as if its leaders were “fools”. He followed this up by stripping KCM of its mining licence. The Zambian government owns a 20.6% stake in KCM through the state owned company, ZCCM Investment Holdings (ZCCM-IH)).

Citing a court document, Reuters reported that the Zambian law firm Lungu Simwana & Company had been appointed as administrator for the liquidation.

The government also plans to introduce a new investor. “Potential buyers appeared to have been lined up including Chinese buyers,” a market source said. “Zambia owes the Chinese government significant loans which are due to be called upon next year,” the source added. It is also election year, next year.

Meanwhile, KCM says it is facing crippling costs related to new duties imposed by the government last year which include a 1.5% increase in the mineral royalty rate.

Zambia applied a 5% import duty on concentrates which makes it difficult for KCM to process copper. Earlier this year it suspended production of a smelter because acquiring a certain grade of acid was proving problematic. “The most recent restrictions and duty on concentrates have negatively impacted the running of the smelter and the much-needed acid to run its operations,” it said.

The company is also owed more than \$180m in VAT refunds.

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