

# ZAMBIA

## Natural paradise attracts investors

Thanks to Zambia's wealth of natural and human resources, investors are arriving in droves to take advantage of the business-friendly country's golden portfolio of investment opportunities.

**R**ecognized by the World Bank last year as one of the 10 most improved economies in terms of ease of doing business, Zambia attracted an impressive \$5.4 billion (USD) of investments across a diverse range of sectors in 2011. The economy has performed strongly in recent years, and GDP climbed by 6.6% in 2011, to \$19.2 billion.

"Zambia is well endowed in natural and human resources," says President Michael Sata. "I invite U.K. investors to explore opportunities in sectors such as mining, agriculture, tourism, energy, and infrastructure development."

With fertile soil and abundant water resources, Zambia's agricultural sector remains ripe for fresh investment. Leading agri-business Zambeef has 90 own-brand stores and also boasts operations in Nigeria and Ghana. "Zambeef is one of the most vertically integrated operations in Zambia," says CEO, Francis Grogan. "Our retailing operations continue to expand, and new projects meet our objective of becoming the leading protein provider in the region, which we will achieve through a vertically integrated model 'farm to fork.'"

Another sector chasing major foreign investment is the transport industry. National Airports Corporation Limited (NACL) is a state-owned company tasked with developing, maintaining and managing four international airports—Lusaka, Ndola, Livingstone and Mfuwe—and air navigation

services throughout Zambia. The company is investing substantial sums in new airport infrastructure, facilities, equipment and services such as ground handling operations to 11 scheduled airlines and various charter operators at the international airports.

"We want to transform Zambia into a cargo hub for traffic from Asia, Europe and America so we can start distributing to neighboring capital cities," says Robinson Misitala, NACL's managing director. "Our master plan is to develop the four airports into airport cities with shopping malls, conference facilities, sports complexes and other one-stop facilities."



**The transport hub  
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### Copperbelt Energy Corporation Plc—A Prime Example that it is Possible to be Responsible

Established more than 60 years ago, Copperbelt Energy Corporation Plc (CEC) is fast positioning itself as a truly respected developer of prime energy infrastructure in Africa, but we should ask why. The question of whether infrastructure developments in key areas could in some cases become the detriment of rural communities has often loomed over Zambia. Balancing this fine line, especially in rural parts of the country, is difficult enough, and the notion of positive relocation of communities sounds far too utopian in most cases. However, CEC is managing to do exactly that.

The Kabompo Gorge hydropower station project is a practical example of how corporate ingenuity will not only empower rural Zambia but, more important, give the local community a new

lease on life. The dam is expected to generate 40 megawatts of "clean" energy and will also connect this energy to the national grid. Furthermore, CEC has carefully designed a new township that includes a state-of-the-art housing development for 29 displaced families, with 114 modern homes, a police station, a fully equipped hospital, churches and more than 1,000 jobs where careers have been created to ensure a truly sustainable future for this rural area. The real question is: How can other leading African companies follow suit?

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# ZAMEX: Driving Zambia Forward

Over the past decade, ZAMEX has emerged as a key player in Zambia's bid to take advantage of its vast mineral resources and fund the country's future.

**Z**ambian Mineral Exchange Corporation Limited (ZAMEX) has enjoyed outstanding success in its short history, spearheading the country's desire to develop its vast mineral wealth and designing innovative tax proposals to attract fresh investment.

Established in 2005, the ambitious company holds contracts with several key market players like Konkola Copper Mines Plc—owned by Vedanta Resources—to which it has supplied more than 10,000 tons of copper ore, and First Quantum Mining Plc (Bwana Mkubwa Mine).

Africa's largest copper producer, Zambia is expected to extract up to 1 million tons this year. The production rate is forecasted to increase by an annual average of 8.4% from 2011, to 1.26 million tons per annum in 2015.

Boasting a multi-talented and vastly experienced team that displays a great understanding of the challenges of domestic and foreign mining investment, ZAMEX is now at the forefront of tax reforms, with the company's suggestions receiving favorable responses.

While the industry is a major generator of government revenue, the complexities of Zambia's mining tax regulations have deterred investors and resulted in lower tax returns. Companies with mining operations pay high levels of corporate income tax, windfall tax and royalties, with the situation resulting in frequent non-payment.

According to ZAMEX, these taxes mean that mining investors in Zambia had the lowest returns on investment in the world, as total taxes added up to more than 96% on returns in certain instances.

"The mining industry is Zambia's backbone, and through the careful consideration of new ideas and strategies, we can restructure the industry so it benefits everyone and ensure a successful future for the whole country," says ZAMEX chairman Mumena Mushingie.

"The lack of a full understanding of the mining cost complexities by tax officers has allowed the mining companies to overstate their costs, which has resulted in lower tax collections," explains Brian Chisala, head of corporate at ZAMEX.

Mushingie explains further: "We recommend implementation of the windfall tax, which is revenue (price) based and acts as a bonus tax whenever the metal prices are exceedingly high. What ZAMEX has proposed is a capital allowance of 25% per annum, so as to allow higher tax retention by the government. This will provide an effective and efficient mining tax base."

The firm has offered its services for independent assessments of all mining taxes, including but not limited to those for cobalt, gold, manganese, uranium, nickel and emeralds.

Through its shareholders, ZAMEX also holds copper and cobalt licenses for areas in the North-Western, Copperbelt and Central provinces of Zambia known as Kalaba Mine, Uchi Stock, Tinkers Chintwani and Eureka Mines. In addition, the company's majority shareholders,



ZameX's innovative mining tax ideas are set to secure future growth and investment.

together with sister enterprises Tera Gold Barbados Inc. and Alliance Resources Ltd., own one of the largest and richest polymetallic deposits in Central Africa: Kalaba Mine.

These lucrative licenses provide ZAMEX—which intends to go public in the not-too-distant future—with exclusive access to a mineable ore reserve of more than 45.6 million tons of copper/cobalt/gold ore that has been valued at over \$1.5 billion.

ZAMEX also has interests in two major mining sites containing precious metals. The deposits mainly comprise gold and silver and are situated in Ndola (Copperbelt Province) and Kabwe (Central Province).

ZAMEX intends to construct concentrators in nine key domestic areas to upgrade ferrous and non-ferrous minerals and provide working capital and a ready market to thousands of small-scale miners with low-grade minerals that cannot be sold in their ore state.

"Our desire is to fully maximize profits by adding value to the mined ore using appropriate and environmentally friendly processing technology," adds Mushingie. "Being an indigenous company allows us not only to utilize our network in the country but, more important, to become a beacon of hope for our country. We care about our future, especially when considering the impact of mining."

"We are actively looking for investors from the U.K., whether for a joint venture or other opportunities. We plan to launch an IPO shortly, and our assets are a true testimony to our potential."



**Mumena Mushingie**  
Chairman  
ZAMEX



**Brian Chisala**  
Corporate Director  
ZAMEX

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