Vedanta – Konkola Copper Mines: A Hollow Asset

VRL's $2.2b valuation of KCM rests on scavenged dumps, hidden liabilities, and promises it cannot fund.

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August 29, 2025 – Konkola Copper Mines (KCM), an 80% subsidiary of Vedanta Resources Limited (VRL), controls copper mining, smelting, and refining assets in Zambia. It is a distressed asset: seized by the Zambian government in 2019 after Vedanta's repeated failure to invest and returned only in July 2024 under legal pressure, political lobbying, and a renewed pledge of $1.4b in VRL investment.

Viceroy's investigation drew on interviews with KCM personnel, site inspections, drone footage, satellite imagery and financial analysis. We visited the Konkola Mine at Chililabombwe, the Nchanga Refinery and Smelter in Chingola, and the Nkana Refinery in Kitwe.

What we found were facilities operating far below capacity and in disrepair. Many are kept running only by reprocessing waste dumps rather than producing copper from active mining.

- **KCM is a distressed asset:** once seized by the Zambian government for lack of investment, now returned to Vedanta in July 2024 on the back of legal pressure and a hollow $1.4b investment pledge.
- **Operations are crippled**: site visits and satellite imagery confirm plants are running at a fraction of capacity, with facilities sustained by reprocessing waste dumps rather than mining fresh ore.
- **Physical decay is evident**: the Konkola mine is flooded and power-starved, Nchanga's smelter and refinery are gutted, and Nkana shows signs of dismantling instead of refurbishment.
- **Production has collapsed:** finished copper output has fallen more than 75% since 2018, with concentrate exports rising because domestic smelting capacity is incapacitated.
- **Financials confirm the decline:** FY25 results show negative EBITDA, operating losses of nearly $200m, and only $12m in sustaining capex, far short of what is needed to restore production.
- **Valuation is overstated:** Vedanta books its KCM PPE at $2.7b. KCM's Liquidator last year reported PPE at $1.1b.
- **DCF valuation support is fabricated:** Under KCM's scheme of arrangement any FCF profitability would cause liabilities which were written off as part of the scheme to *come back on the balance sheet*. Any DCF valuation of KCM is completely fabricated and assumes that VRL will cheat its Zambian creditors.
- **Borrower risk is rising:** VRL carries over $13b of group debt with an effective cost exceeding 15%, making the $1.2b KCM commitment financially impossible without taking on unsustainable new borrowings.
- **Liquidator's notes:** KCM's liquidator explicitly stated that its demise was due to persistent delays in expansion projects and the cut off of maintenance capex by VRL.
- **Asset stripping:** liquidation and caretaker periods saw infrastructure dismantled and sold for scrap, meaning replacement costs are far higher than VRL acknowledges.
- **Political risk is acute:** Zambia has already expropriated KCM once, and with unrest in Chingola and Kitwe, the risk of renewed intervention or forced restructuring remains high.

Our analysis suggests that Vedanta's $1.2b expansion commitment would not even be sufficient to restore KCM's facilities to their 2018 production levels, let alone fund meaningful expansion.

For VRL's bondholders there are only two paths forward for KCM. Either:

1. VRL throws good money after bad, raising highly expensive debt (or pledging VEDL cash flows) to fund an asset that cannot deliver, or
2. It accepts defeat and risks the Zambian government once again seizing KCM.

In both scenarios, bondholders lose. Either through further leverage at punitive cost, or through the collapse of asset value on Vedanta's balance sheet.

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1. Valuation & Financial Analysis

KCM's assets are carried on VRL's balance sheet at an inflated valuation of $2.7b, propped by manufactured and misleading DCF. Our on-the-ground investigations, review of the terms of KCM's scheme of arrangement, and financial analysis reveal an asset in terminal decline.

The reality of KCM's financial results and crippled operations provides no support for this valuation.

- VRL's re-consolidation of KCM assets through the Scheme of Arrangement saw a recognition of $2.2b net assets, substantially made up of a $2.7b PPE (including intangible mining rights) allocation.

Property, plant and equipment (including exploration and Evaluation Assets)

As at 31 March 2025, PPE was at US$ 17,292 million (FY 2023-24: US$ 13,734 million). The increase of US$ 3,558 million was primarily driven by additions US$ 5,345 million (Aluminium division US$ 880 million, Zinc India US$ 600 million, Zinc International US$ 252 million, Oil & Gas US$ 349 million, Athena US$ 159 million, ESL US$ 104 million, IOB US$ 150 million, KCM acquisition US$ 2,708 million), impairment reversal of US$ 295 million partly offset by depreciation charge US$ 1,468 million, FCTR loss~ US$ 254 million, disposals ~ US$ 273 million, exploration cost written off ~ US$ 52 million and CWIP written off ~ US$ 34 million.

Figure 1 – VRL FY25 Financial Results

- KCM's liquidator, who was appointed at the behest of the Zambian Government upon a decade of operational losses and failure to execute capex projects, had assigned a valuation of KCM's PPE and mining assets of only $1.1b less than a year prior.

The consolidated statement of financial position as at 31 March 2023 can be summarised as set out in the table below:

	Assets US$ Million	Liabilities US$ Million	Net assets US$ Million
Property, plant and equipment	1,109.0	-	1,109.0
Other non-current assets and liabilities	53.8	-	53.8
Current assets and liabilities	456.9	(1,964.9)	(1,508.0)
Provisions	-	(38.7)	(38.7)
Total before debt	1,619.6	(2,003.5)	(383.9)
Debt	-	(1,763.2)	(1,763.2)
Total as at 31 March 2023	**1,619.6**	**(3,766.7)**	**(2,147.0)**
Total as at 31 March 2022	1,846.3	(3,509.2)	(1,662.9)

Figure 2 – KCM Scheme Explanatory Statement

KCM's revaluation of PPE appears to be isolated from the facts:

- VRL has committed an unrecognized $1.4b liability to realize any perceived value, and
- If KCM does ever turn a profit, its pre-liquidation liabilities are written back on book and claim payment priority.

Our on-the-ground investigation revealed:

- Vedanta's $1.2b commitment would not even be sufficient to restore KCM's facilities to their 2018 production levels, let alone fund meaningful expansion. In 2018, KCM generated a net loss of K1,368m ($139m).

- KCM produced only 45,000 tonnes of finished copper in FY25, 15% of its production goal of 300,000 tonnes and less than one quarter of the 195,300 tonnes produced in 2018[1,2].

Total finished copper production during the financial year increased by 9 percent to 195,300 tonnes for the year ending March 2018 (2017: 179 800 tonnes) compared to the previous financial year.

Vedanta Resources Ltd.'s Zambian copper mine plans to renovate its smelter to boost production.

Konkola Copper Mines (KCM) said on Wednesday that the smelter would undergo a "complete shutdown and renovation" to "restore structural integrity and improve efficiency." Although the company aims to achieve a production target of 300,000 mt by the early next decade, last year's production fell short of 10% of that goal.

Figures 3 & 4 – KCM Extract from 2018 Annual report and Vedanta's Zambian copper mine will renovate its smelter to boost production – Shanghai Metals Market

- Almost all KCM's significant facilities are in a state of decay and operate far below their nameplate capacity.
- In July 2025, the Zambian government waived KCM's export taxes on 255,000 tonnes of copper concentrate, due to the Nchanga smelter's inability to process it[3].

Zambia, Africa's second-largest copper producer, recently waived an export tax on 255,000t of copper concentrates, partly due to KCM's smelter's current inability to process the material.

Figure 5 – Vedanta plans Zambian smelter refurbishment to boost copper output – Mining Technology

- Conversations with individuals familiar with KCM's operations, supported by satellite imagery and drone footage, strongly indicate that $1.2b is far short of what is required to achieve Vedanta's stated goal of 300,000 tonnes per year. Sources confirmed that Vedanta's due diligence failed to capture the true extent of KCM's neglect.

(ii) **Konkola Copper Mines Plc**

During the financial year ended 31 December 2024, management performed an assessment of the impairment of ZCCM-IH's investment in Konkola Copper Mines Plc (KCM) in accordance with IAS 36 Impairment of Assets and IAS 28 Investments in Associates and Joint Ventures.

As at the reporting date, the carrying amount of the investment in KCM was assessed for indicators of impairment. The assessment was triggered by an objective impairment indicator which arose from a significant decline in the recoverable amount of the investment in KCM.

ZCCM-IH's management annually performs an assessment of the recoverable amount of its investment in associates. They key assumptions used in the assessment and determination of the recoverable amount of the investment in KCM are disclosed in Note 23 (c), Measurement of fair value.

Based on the assessment, an impairment loss of ZMW2.40 billion was recognised in the statement of profit or loss, reducing the carrying amount of the investment in the KCM from ZMW4.76 billion to its recoverable amount of ZMW2.36 million as at 31 December 2024.

Figure 6 – ZCCM-IH FY24 Annual Report

- Current KCM employees informed us that parts of KCM's infrastructure were stripped and sold as scrap during liquidation, a reality that VRL's $2.2b valuation fails to recognize.

Vedanta's current $2.2b valuation of its stake in KCM is indefensible as it makes no provision for the investment required even to restore 2018 production levels, let alone achieve the stated target of 300,000 tonnes.

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1 https://www.zccm-ih.com.zm/2018/03/31/kcm-extract-from-2018-annual-report/
2 https://news.metal.com/newscontent/103432743/Vedantas-Zambian-copper-mine-will-renovate-its-smelter-to-boost-production
3 www.mining-technology.com/news/konkola-copper-mines-smelter-refurbishment/

Financials

Full financial statements for KCM are unavailable. In its FY25 financial results VRL disclosed limited financial data for KCM, confirming it is severely loss-making and spending very little on capex.

Financial performance

Particulars	FY2025
Revenue	390
EBITDA	(38)
EBITDA margin (%)	-
Depreciation and amortisation	158
Operating Profit before special items	(196)
Share in Group EBITDA (%)	-
Capital Expenditure	(12)
Sustaining	(12)
Growth	0

Figure 7 – VRL FY25 Financial Results

- KCM's operations are loss-making, with EBITDA loss of $38m and an operating loss of $196m confirming the company is burning cash rather than generating it.
- Revenue of only $390m indicates sales of less than 50,000 tonnes of copper product, far below the 300,000 tpa potential and consistent with on-site findings of minimal output.
- Capital expenditure in FY25 was just $12m, entirely for sustaining needs, with no growth spending to support the promised revival.
- Nearly halfway into FY26, site inspections confirm that no new capex projects are visible, and facilities remain in disrepair with no evidence of refurbishment or new equipment.
- With losses mounting and no genuine investment, KCM cannot return to historical production levels and remains a financial and operational liability within Vedanta's portfolio.
- Losses at KCM, which we believe are inevitable in the medium term, worsen refinancing risk for bondholders.
- Current employees informed us that the smelter at Nchanga is extremely inefficient, with slag copper content of 13%. These poor recovery rates are effectively lost revenue that cannot be recaptured without significant investment.

Taken together, KCM's FY25 financials confirm that the company is a stranded asset: loss-making, starved of investment, and incapable of delivering on Vedanta's promises of revival. **With barely $12m in sustaining capex and no visible projects on the ground in FY26, VRL has no intention of fulfilling its $1.2b investment commitment**.

Insolvency Indicators & History of Looting

KCM's present distress is a continuation of the same failures that drove it into insolvency before. VRL's ambitions for KCM have been unchanged for over a decade, reflecting a persistent failure to execute or deliver tangible results.

- KCM's auditor records that under VRL's management KCM has incurred $1.2b in operating losses in the 7 years leading to its liquidation.
  - The judgement on the wind up order explicitly states that this is due to **delayed development projects** and **no capital injection** by VRL.

> The Company had operated at a loss of USD 1, 2623 million in the last seven years. For 2018, this was because of the drop in the planned production of 100,610 CU MT mainly due to lower primary development against (sic) planned as per KCM Business Plans for the financial year by 701 meters. Secondly, there was loss in secondary development of 2,231 meters due to no capital injection in development. This accounted for the drop in revenue for 2017, 2016, 2015, 2014 and 2013, with varying drops in production, and loss in secondary development. For 2012, an additional factor was lower sales realization than planned.

Figure 8 – KCM Wind Up Petition

- KCM nevertheless declared over a hundred million in dividends, to the primary benefit of VRL.

> During the period from 2004 to 2018, KCM has declared dividends totaling USD 122.94 million, out of which USD 72.94 million have been paid to the Shareholders, including ZCCM IH. In years where profits are unavailable, it would be unlawful to declare dividends which, in any event, the Directors are not obligated to declare, doing so only in their discretion.

Figure 9 – KCM Wind Up Petition

- Dividends to VRL were paid in priority to contractor wages and supplier costs.

> Operationally, the Company's plants have continued to experience intermittent and prolonged stoppages due to lack of funding, delayed plant maintenance and necessary rehabilitation work. Plant availability is a great concern and a primary cause of poor cashflow generation. Downstream operations are generating production losses due to non-payment of mining contractors, poor plant integrity and unrest due to continued non-payment of local suppliers.

> The Company had unpaid debts, and this was due to the technically unsound business operations model adopted by Vedanta Resources Limited, the management employed by Vedanta Resources Holdings Limited to provide management services at Konkola Copper Mines PLC pursuant to the management Agreement which are not generating sufficient funds to meet all payment obligations as they fall due.

Figures 10 & 11 – KCM Wind Up Petition & Scheme of Arrangement Explanatory Note

- VRL's scheme effectively reinstated this disaster, compensating its operating creditors at a fraction of their claims on cents to the dollar.

VRL has nevertheless failed to make distributions per the scheme of arrangement, and operating creditors have begun seizing assets. Based on publicly available information and court filings, we believe KCM is currently functionally insolvent.

- On March 31, 2025, KCM's minority holder ZCCM announced that it was in arbitration with Trafigura as a guarantor over a missed November 2023 $100m prepayment agreement[4] arranged while KCM was in provisional liquidation.

> Company secretary Charles Mjumphi said the dispute arises from a guarantee signed on July 28, 2021, by the company's former Chief Executive Officer in favour of Trafigura adding that the guarantee was provided as security for a prepayment agreement amounting to over K1.6 billion (US$100 million) between Trafigura and KCM, a copper mining firm in which ZCCM-IH holds shares.

Figure 12 – Trafigura Seeks Arbitration Over $100 Million Copper Deal with Zambian State-Owned Company[5]

- KCM had agreed to pay this $100m through copper deliveries, suggesting the mine is not operational.

> To address this, the liquidator engaged ZCCM-IH to help find funding. This led KCM to sign a metal prepayment agreement with Trafigura, one of the world's largest copper traders. Under the deal, Trafigura paid KCM $100 million upfront, which KCM agreed to repay through copper deliveries. The transaction was guaranteed by ZCCM-IH.

Figure 13 – Trafigura Seeks Arbitration Over $100 Million Copper Deal with Zambian State-Owned Company

- On April 15, 2025, KCM lost its appeal to block the Zambian government-owned Copperbelt Energy Corporation (CEC) from selling its seized KCM assets to settle $11.8m in outstanding debt. The full amount owed to CEC under the scheme of arrangement is $29.6m.

> The ruling is from a protracted legal battle between the two companies, with CEC seeking to enforce a US$11.8 million first instalment of a total US$29.6 million debt that KCM was ordered to pay following the High Court's approval of a creditors' scheme of arrangement on 28th June, 2024.

Figure 14 – KCM loses appeal bid as court clears CEC to sell seized assets over $11.8 million debt[6]

- According to Zambian political figures, VRL has failed to meet its investment promises in the mine and is severely delinquent in paying suppliers, including ZCCM.

ZCCM consistently reports that KCM has a negative NAV and records the investment asset as zero on their books. It has been brought back on-book at a NAV gain.

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[4] https://zccm-ih.financifi.com/download/zccm-ih-cautionary-announcement-arbitration-proceedings/
[5] https://makanday.org/trafigura-seeks-arbitration-over-100-million-copper-deal-with-zambian-state-owned-company/
[6] https://www.zambiamonitor.com/kcm-loses-appeal-bid-as-court-clears-cec-to-sell-seized-assets-over-11-8-million-debt/

Hidden Debt

VRL has propped up KCM's value using a dubious DCF model to justify reversing prior impairments. This approach ignores the off-balance-sheet liabilities that would crystallize if KCM ever generated cash flow.

These liabilities would make such income non-distributable. The very premise that KCM could become profitable under current conditions is absurd.

- KCM's accounts indicate that $1.8b of liabilities to the Zambian Government and state-owned utility ZESCO were restructured down to roughly $600m, a maneuver that in substance appears to have simply shifted the debt off-balance sheet.

(a) firstly, on a pari passu and pro rata basis towards; the Class 2 (Option 2) Scheme Creditors on account of the Option 2 Payments on the basis that if, in any year, any Option 2 Payments are not made by the Company then the Option 2 Accrued Payment(s) will be capitalised onto and form part of the annual payments payable in the subsequent year;

(b) secondly, once all Option 2 Accrued Payments have been made in full, towards 100% of all interest and 50% of all capital then due and payable under the New Vedanta Shareholder Loans; and

(c) third, towards, and in each case on a *pari passu* and *pro rata* basis amongst:

(i) the remaining balance then due and payable under the New Vedanta Shareholder Loans (including all accrued interest);

(ii) all of the following Liabilities as at the Record Date (after deduction of the Option 2 Accrued Payments), which shall be paid in the following proportions on a *pari passu* and *pro rata* basis:

(A) The entitlements in respect of the Admitted Claims of any Class 2 (Option 3) Scheme Creditor: 70%;

(B) (x) the remaining debt owing to Class 2 (Option 2) Scheme Creditors in respect of Admitted Claims after payment of the Option 2 Payments and Option 2 Accrued Payments, as applicable, and (y) the outstanding portions of the entitlements in respect of Admitted Claims of Class 2 (Option 1) Scheme Creditors: 30%.

Figure 15 – KCM Scheme Explanatory Statement

- The scheme dictates that, should KCM ever generate free cash flow, then it will have to pay "Class 2" creditors (VRL, ZESCO and the Zambian Government) pari-passu with respect to their *original* claims.
- The liabilities recorded are simply NPVs of the original claims, discounted at a 10% rate.
- If VRL manages to find $1.0b to finance this project, and it turns a proft, then the $1.2b off-balance sheet liabilities owed to Class 2 creditors are written back on book.

VRL's DCF based valuation is worthless to debt holders. Any positive cash flows will never reach VRL, much less be used to service or repay its debts.

2. KCM Operations

Our team visited the following sites in August 2025 and spoke to workers and locals employed in adjacent industries to better understand the state of VRL's investment in Zambia's Copperbelt.

Figure 16 – Map of Locations visited by Viceroy

Production Decline

KCM's gross copper production has collapsed to a fraction of historic levels. In 2017 and 2018, the company produced nearly 180,000–195,000 tonnes of finished copper annually, placing it among Zambia's largest producers[7].

KCM Historic Copper Production	2017	2018	2019*	2020 - 2024	2025
Copper Production	179,800	195,300	177,035	no data	45,000
					*total mine production

Figure 17 – KCM Historic Copper Production[8]

The scale of this decline demonstrates that KCM is no longer a functioning integrated producer but rather a marginal operator propped up by reprocessing waste dumps. VRL's claim that the company can reach 300,000 tonnes per annum is not credible when output has fallen below one quarter of historic levels.

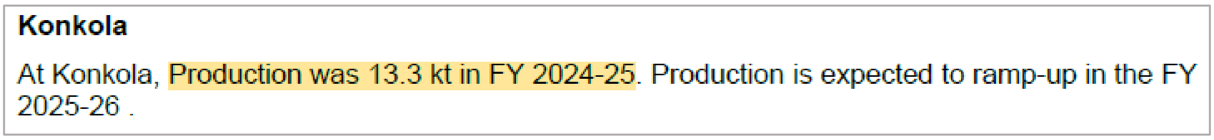
[7] https://www.zccm-ih.com.zm/investments/mining-assets/konkola-copper-mines-plc/#latest-annual-report-extracts

[8] No credible production data was published from 2020 through 2024 as government intervention and caretaker management left operations in limbo. https://www.zccm-ih.com.zm/2018/03/31/kcm-extract-from-2018-annual-report/

Konkola Mine

The Konkola Mine at Chililabombwe is widely regarded as KCM's prize asset, anchored by the long-delayed Konkola Deep Mining Project (KDMP). Initially conceived as a flagship expansion, KDMP is now ~17 years behind schedule, with little evidence of meaningful progress.

In FY25 the Konkola Mine produced a meager 13,300 tonnes of mined metal, compared to 37,316 tonnes in 2018[9]. In other words, the Konkola Mine is currently operating at 36% of the output achieved 7 years ago.



Konkola

At Konkola, Production was 13.3 kt in FY 2024-25. Production is expected to ramp-up in the FY 2025-26 .

Figure 18 – VRL FY25 Financial Results

- Current employees estimate the Konkola Mine's current cost of production at ~$7,000 per tonne, among the highest in the world and far in excess of $2,500 - $4,000 per tonne average.
- Only Shafts 1 and 3 are reported to be in limited production. The mine currently extends to a depth of approximately 1,500 metres, but operations are crippled by extreme water inflows.
- Konkola is among the wettest mines in the world, with a water-to-ore ratio of 113:1[10]. A report estimated that as much as 360,000 cubic metres of water must be pumped daily to keep workings accessible.
- Present dewatering efforts are unsustainable: internal sources confirm that 60MW of the 88MW available power is consumed solely by pumping, leaving little capacity for productive mining. Personnel estimate that the mine is operating at around 10% of its intended capacity.
- The ore/waste dump has visibly shrunk since 2020, suggesting re-handling of historic material to maintain appearances rather than genuine new production.

Figure 19 – Ore/Waste Dump satellite imagery dated February 2019 and May 2025

- Our team saw no evidence of new plant or equipment other than security cameras. KCM personnel informed us that operations rely on the cannibalization of parts from idle sections of the facility.
- A KCM employee stated "our cost of production is the highest in the world because of the dewatering". The mine currently consumes 60MW of power on dewatering alone and is forecast to consume up to 80MW simply to dewater the mine.

[9] https://miningdataonline.com/property/3164/Konkola-Mine.aspx
[10] https://link.springer.com/chapter/10.1007/978-94-011-3656-3_32

- Infrastructure is deteriorating. The rail link to the mine is non-operational: crossings are buried under dirt and satellite time-series show inactivity dating back at least to 2020.

Figure 20 – Konkola Mine Railway Link

- Only a minimal workforce and vehicles were observed during a workday. Nearby parking lots were similarly empty during the workday.

Figures 21 & 22 – Northwest and Southeast Carparks

- Only two of the four grinding mills were observed in operation, underscoring severe underutilization of plant capacity. The remainder of the milling circuit was inactive, highlighting the facility's inability to sustain full-scale processing.

Figure 23 – Konkola Mine Grinding Mill (those highlighted in red were operating)

- The thickener tanks at Konkola are dry, with one overgrown by vegetation. This is clear evidence that the concentration circuit at the site has been idle for an extended period.

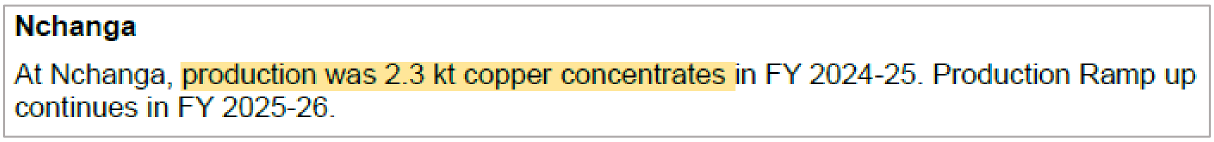
Figure 24 – Konkola Mine thickener tanks

In its current state, the Konkola Mine is not a growth engine but a flood-prone liability being kept on life support. The mine will require significant investment, which VRL cannot afford, even to return to its 2018 level production.

Nchanga Refinery and Smelter

KCM's Nchanga complex in Chingola, once among Africa's largest integrated concentrator, smelter, and refinery operations, is now running at only a fraction of its designed capacity, likely less than 10%.

In FY25, the Nchanga complex produced only 2,300 tonnes of copper concentrate, a collapse from the 112,000 tonnes in 2018[11]. **In other words, the Nchanga plant is currently operating at 2% of the output achieved 7 years ago.**



Nchanga

At Nchanga, production was 2.3 kt copper concentrates in FY 2024-25. Production Ramp up continues in FY 2025-26.

Figure 25 – VRL FY25 Financial Results

- Site inspections and interviews confirm the facility is largely idle. No stack emissions or cooling tower activity were observed during our visit, evidence that smelting and refining have been suspended.

Figure 26 – Nchanga Emission Stacks

- The only parts of the Nchanga complex we could see operating were the milling and concentrator circuits, operating at a fraction of their nameplate capacity and fed primarily by historic waste dumps rather than fresh ore.
- We were informed that the Smelter at Nchanga is extremely inefficient, with slag copper content of 13%. This is an embarrassing loss of value and undermines VRL's claims of a "world class" operation.
- According to a former employee, Nchanga faces a chronic shortage of spare parts, forcing the shutdown of multiple thickeners and even entire stages of the refining process.
- The electrolytic tankhouse, once central to KCM's copper refining, appears to have been half-demolished or scavenged for parts between May and December 2021. This dismantling is a likely contributor to KCM's inability to process concentrates, forcing reliance on concentrate exports instead of domestic refining.

[11] https://miningdataonline.com/property/3165/Nchanga-Mine.aspx

Figures 27 & 28 – Nchanga Electrolytic Tankhouse on May and December 2021

- Nchanga's outbound trucks carry copper concentrate only, confirming the site functions only as a concentrator.

Figure 29 –Trucks loaded with copper concentrate leaving the Nchanga Complex

- Nchanga is currently refining waste rock from the Chingola Refractory Ore dump outside of town where a small settlement of wildcat miners are also scavenging.

Figure 30 – Ore trucks at the CRO dump heading for the Nchanga Complex

- The rail link to the smelter is non-operational: crossings are buried under dirt, the railway siding is dilapidated and satellite time-series show the last train present at the site was in 2019.

Figure 31 – Ore trucks at the CRO dump heading for the Nchanga Complex

- Interviews confirm that workers doubt the plant is even at 10% of its theoretical output. As with the Konkola mine, there is no sign of active development on the site.
- The above data supports current employee testimony that KCM's infrastructure was stripped and sold for scrap.

The Nchanga complex is not functioning as an integrated refinery or smelter. Instead, it is being kept nominally active through reprocessing old dumps, giving the appearance of production while no genuine mining feedstock is being processed. In its current state, Nchanga is a caretaker operation only able to generate copper concentrates.

Nkana Refinery

The Nkana Refinery, located just outside Kitwe, was officially announced as reopened in September 2024. It appears to be operating far below capacity.

VRL has not disclosed production figures for Nkana, but based on site inspections and company disclosures we believe it is the sole source of KCM's copper cathode output, which totaled just 45,000 tonnes. This equates to a utilization rate of only 15 percent compared to its 300,000-tonne nameplate capacity in 2010[12].

Production performance

Particulars	**FY2025**	**FY2024**	**% Change**
Production (kt)			
Total Mined Metal	32.6	-	-
Konkola	13.3	-	-
Nchanga	2.3	-	-
Tailings Leach Plant	17.0	-	-
Finished Copper	45.0	-	-
Integrated	27.2	-	-
Custom	17.8	-	-

Figure 32 – VRL FY25 Financial Results

- The only clearly functioning parts of the site are the milling and concentrator circuits. We presume that the electrolytic refinery is operating as with Nchanga's electrolytic refinery offline, Nkana is the only viable candidate.
- If Nkana were operating at anywhere close to its historic capacity, KCM would not be exporting such large volumes of concentrate. Zambia's waiver of export taxes on 255,000 tonnes of concentrate in 2024 underscores that downstream circuits at Nkana are either offline or incapable of absorbing mine output.

[12] There are references to a further expansion to 500,000 tpa but its unclear if this was ever completed.

- The Nkana refinery appears to be handling reclaimed tailings or low-grade stockpiles rather than fresh ore. Drone and satellite imagery confirm that nearby tailings dumps have shrunk significantly since 2019, in some places dropping several meters below the level of preexisting infrastructure.


Figures 33 & 34 – Nkana Refinery reclaimed tailings dump

- Instead of visible refurbishment or new construction, much of the site shows signs of asset stripping, demolition, or long-term mothballing. Equipment yards, tank foundations, and roofless structures stand as evidence of halted or abandoned works, not a genuine revival.


Figures 35 & 36 – Nkana Refinery satellite imagery dated January 2022 and August 2025

- As at Nchanga, we believe significant infrastructure at Nkana was stripped and sold for scrap during the years it was under liquidator control.

With Nchanga incapacitated, Nkana remains the only potential source of refined copper within KCM — yet the scale of concentrate exports confirms that it is operating far below capacity. Any narrative of a genuine revival is contradicted by the physical evidence of dismantling, underutilization, and reliance on waste material.

A Word from the Liquidators

KCM's liquidator explicitly states that the business' failures stem from persistent delays in expansion projects and insufficient sustaining capex in a brutal assessment of the mine's operational difficulties. **All of these issues stem from VRL's systematic failure to deliver on any capex projects across substantially all of its subsidiaries, which we continue to highlight.**

Currently, copper production has averaged 3 700 tonnes per month against the breakeven production of 8,500 tonnes per month. The major contributor to such diminished production is the delayed mining developments at the Konkola mine and Chingola Open Pit COP F&D. The said mines were scheduled for production, however, there has been lack of funding to enable normal operation and maximise production capacity. Further, insufficient funding has crippled mining operations due to deficient primary and secondary development. Mining works on the principle that you prepare in advance where you are going to mine the following day. Due to KCM's financial constraints, it has failed to prepare in advance (primary and secondary development) leading to mine development being done concurrently with production. This has led to low production. The status quo has impaired KCM's ability to adequately resource equipment required for normal production and running of the plant. This has further led to frequent machine breakdowns and the inability to repair machines when they breakdown due to unavailability of spares.

KCM runs one of the wettest mines in the world at Konkola Mine. It is essential for operational and safety reasons that water is pumped out of the Company's mines on an ongoing basis. Dewatering is becoming more challenging as the Company's pumping infrastructure has deteriorated on account of pumps, motors and gear boxes outliving their economically useful lifespan. Furthermore, the Company has been unable to consistently follow the maintenance schedule due to lack of funding, resulting in increased infrastructure failures and spares have not been purchased on a timely basis. Each of these factors substantially increases the risk of flooding at the mines if not urgently addressed.

On the part of Nchanga's COP F&D open pit mines, the Company has already spent money on waste stripping-(removing waste prior to accessing mineralized ore). However, the works have slowed down due to lack of funding to resource the mining contractors. As a result, the Company is running out of time to expose and extract the ore on account of the imminent rain season.

Due to the reduced revenue generation, KCM has not been able to meet its contractual obligations with respect to the supply of critical commodities such as diesel and heavy fuel oil which are necessary to operate the smelter and earth moving equipment at the open pits.

KCM smelter runs on both internally produced concentrate and concentrate procured from third parties and revenue is generated by treating both types of concentrate. More revenue is generated from internally produced concentrate, however in the absence of internally produced concentrate, concentrate procured from 3rd parties can fill the revenue gap. Currently KCM is not able to settle concentrate liabilities as they become due leading to an increased concentrate liability. This has negatively affected revenue generation as mines are no longer willing to supply concentrate to KCM smelter. KCM is losing out on treatment charges, refining charges and freight credit on account of suspended concentrate deliveries.

Furthermore, the infrastructure at the TLP has deteriorated and continues to experience failure at the Muntimpa pumps due to lack of pumps and spares. The TLP deposits its slurry into the tailings dams through the Muntimpa pump station. Muntimpa pump station is required to be in good running condition mainly the water bodies i.e., Kafue River and other streams. The operation continues to lose production averaging 2 000 tonnes translating to USD16 million per month due to the poor state of the plant. KCM needs to undertake a resuscitation and restoration project at the TLP in order to improve the plant availability and efficiencies. Some of the works comprise procuring pumps and pipes and

Figure 37 – KCM Scheme Explanatory Statement

3. Key takeaways

The situation for bondholders is stark. KCM's facilities are in disrepair, its refineries dismantled, and its mines flooded. Production has collapsed to a fraction of historic levels, and the promised $1.2b "revival" commitment is both unfunded and wholly inadequate, with only $12m of sustaining capex spent in FY25.

- **Overstated asset values:** VRL books its stake in KCM at more than $2.2b, while its government partner values the entire company at less than $500m. Inflated asset recognition weakens the credibility of VRL's balance sheet.
- **Hidden liabilities**: The scheme of arrangement leaves over $1.2b of debt off balance sheet, set to reappear if KCM ever generates cash. Any positive cash flow would go first to "Class 2" creditors, not to service VRL debt.
- **Negative cash flow**: KCM reported ($38m) EBITDA and ($196m) operating profit in FY25, proving it is a drain on group resources.
- **No capex, no revival**: With nearly half of FY26 gone, there is no evidence of capital projects at site. Assets are being stripped, not rebuilt.
- **Political and operational risk**: Zambia has already seized KCM once. With unrest in mining towns, unpaid suppliers, and a government losing patience, VRL risks a repeat.

KCM's booked value is overstated, its liabilities are concealed, and its future cash flows will never support VRL's debt obligations. VRL's balance sheet strength is materially weaker than reported, and its refinancing risk materially higher.

VRL's negative ESG impact at KCM will be explored in a subsequent report.

Annex: Various Interviews
Interview with KCM Engineer

Interviewer: So, what's happening with the dewatering?

Engineer: Let me explain. The ore body is sitting down below, but the water level is above it. So we drill and direct the water down into pump chambers. But to reach the ore, we need to go deeper, which means building a new pump chamber further down.

Interviewer: So the water is on top of the ore body?

Engineer: Exactly. Honestly, I find that system outdated. Why not just pump directly from the surface? Technology today allows you to pump from very deep using small but powerful pumps.

Interviewer: So why keep doing it the old way?

Engineer: It's just an old system. That's why I say it's archaic. It wastes energy. Right now, dewatering uses about 60 megawatts out of a total 88 megawatts available. That leaves only 18 megawatts for actual production.

Interviewer: That doesn't sound economical at all.

Engineer: It isn't. It really frustrates me. The country faces load shedding, yet 60 megawatts are being wasted just draining water.

Interviewer: So is KCM making the investments needed to fix this, or is it just "lipstick on a pig"?

Engineer: They do want to access the ore body — that's clear. We're talking about 154 million tons of defined ore beneath us. In total, it's closer to 300 million tons. That's why Vedanta fought so hard to get control back; they can't let that kind of resource go.

Interviewer: That's massive. Especially with the push for electric vehicles and green energy.

Engineer: Exactly. This ore is critical. But the way they're dewatering is the problem. It pushes our production cost to about $7,000 per ton of copper, while the world average is around $2,500–4,500 per ton. KCM ends up with some of the highest costs in the world, all because of outdated dewatering.

…

Interviewer: That sounds unbelievable.

Engineer: It's insane. If you could remove the same volume of water using half the energy, the savings would be massive. But they won't listen.

Interviewer: So KCM ends up with the highest cost of copper production anywhere?

Engineer: Exactly. And the electricity isn't even subsidized. We're paying full price for all that wasted power. And there's more — this dewatering has literally changed the Kafue River.

Interviewer: How so?

Engineer: Historically, the Kafue was seasonal. Because of constant dewatering from the mines, it became perennial. That's what destroyed the Kafue Flats ecosystem. The lechwe antelope almost went extinct because the wetlands dried up. Eventually, the UN had to fund construction at Itete to control water levels and restore the flats so the lechwe could survive.

Interviewer: That's a huge environmental impact.

Engineer: Exactly. And yet the company acts like it's just business as usual.

…

Interviewer: So, do you think KCM is serious this time?

Engineer: Yes, they are. They’re not playing around. They want to get that copper out as quickly as possible, especially before the government changes.

Interviewer: But you’ve said the method is wrong.

Engineer: Exactly. The dewatering system is too archaic. That means the cost of production will stay high. Right now, we’ve got the highest copper production cost in the world. The average elsewhere is around $2,500–4,500 per ton. Here, it’s closer to $7,000 per ton.

Interviewer: At that cost, who can afford to stay in business?

Engineer: That’s the question. Honestly, it feels like a Ponzi scheme. They polish up the mine, make it look good, but behind the scenes the fundamentals are weak. It’s like buying a car, spraying it to hide the smoke, and selling it quickly.

Interviewer: And that’s why the government took the mine away from Vedanta?

Executive: Exactly. The government saw what was happening. They appointed a liquidator, but unfortunately he just stripped infrastructure and sold it for scrap. Rail lines, equipment — gone. Scrap became a business.

…

Interviewer: Are they at least reinvesting in the smelter?

Engineer: They have no choice. The smelter isn’t working properly. Recoveries are terrible. We’re seeing 13% copper left in the slag — so bad that local people are literally panning slag in water to recover copper, like gold miners. They then sell it to others who smelt it again and export it as copper.

Interviewer: That’s shocking.

Engineer: It’s embarrassing. KCM is wasting huge amounts of copper because of poor smelting technology. And yet they claim they’re running a world-class operation.

Interview with Unemployed Local Miner

Interviewer: So, what's happening with KCM? Why don't you have a job?

Respondent: Apparently there are no jobs at KCM. They're not employing new people.

Interviewer: Why? They were supposed to bring in half a billion dollars.

Respondent: Yes, that's what we were made to believe. But we don't see it happening. Some of us aren't even sure Vedanta is really back, because they haven't hired anyone.

Another Voice: But the government has announced that Vedanta is back.

Respondent: That's what we're told. But is it happening? The actual mining hasn't started. They're only reprocessing residues — the tailings, the waste. That's what they're using. They haven't started real mining yet. So we're not happy with the so-called investment.

Interviewer: Because they're not developing the mine?

Respondent: Exactly. Instead of mining, they're just processing tailings. So what do you call that? Is that mining? (laughs)

Interviewer: So what do you think their game is?

Respondent: Personally, I feel if Vedanta had really come back, we would have seen new investment and new activity. But there's nothing. They say one thing to investors, but on the ground, nothing is happening.

…

Interviewer: And how is Chingola?

Respondent: Honestly, not good. Businesspeople are complaining, workers are complaining — no one is saying positive things. Even the cadres who fought so hard for this government are unhappy.

…

Interviewer: And you know, in India and the UK they're celebrating Vedanta's "big investment."

Respondent: We don't see it here. And now they're even introducing cyber laws to silence people. If we talk too much, we risk arrest.

Interview with Former KCM Mechanical Fitter

Interviewer: So tell me, what is going on at KCM now?

Former KCM Fitter: The main problem is spares. It's not like before, twenty years ago, when the plant had everything it needed. Now there are shortages of spares and some departments are closed because of that.

Interviewer: So you think it's a lack of investment?

Former KCM Fitter: Yes.

Interviewer: What's happening now at the mine?

Former KCM Fitter: They are shutting down some pumps and equipment because there are no spares for maintenance. Some departments are in care and maintenance.

Interviewer: But are they still mining?

Former KCM Fitter: There are a few people working underground, but not like before. There are far fewer workers now.

Interviewer: And what about Chingola? What is life like here with the mine in this state?

Former KCM Fitter: Chingola is just okay, but the mine is struggling. The problem is spares. Some departments are completely down because of this.

Interviewer: What do you think is the future for Chingola if things stay this way?

Former KCM Fitter: There can be a future if a new investor comes in — someone willing to buy the spares and keep mining going.

Interviewer: Why do you think a new investor is needed?

Former KCM Fitter: Because Vedanta isn't investing. They're not buying the spares needed to run the operations.

…

Interviewer: Why do you think the mine started having problems? When did it begin to go down?

Former KCM Fitter: About ten years ago, after Vedanta came in. That's when the problems started — because of spares. For example, at Muntimpa Pump Station, we used to run three stages. Now only two stages are running, the other was shut down. At the TLP plant, some sections have also closed because of lack of spares.

Interviewer: Vedanta says they are investing half a billion US dollars. Do you see it?

Former KCM Fitter: No, I haven't seen it. Maybe if a new investor comes, we'll see real investment.

Interviewer: So you believe Vedanta should go?

Former KCM Fitter: Yes. With a new investor, they could reopen the closed departments by buying spares and maintaining the equipment. Without investment, there is nothing.

Interviewer: What about other industries that used to support the mine?

Former KCM Fitter: Before, we had the machine works here. They supplied bolts, nuts, and other equipment. Now they are failing because the mine is not working properly.

Interviewer: So nothing is working?

Former KCM Fitter: Nothing.

Interview with Mine Supply Executive

Interviewer: So, you were saying just now that Vedanta, there wasn't due diligence done on the assets. Can you explain what that means?

Mine Supply Executive: So, where Vedanta sits now is the fact that KCM was in liquidation for over four years? Now, during that time of liquidation, obviously, there was no serious investment that was going in the business in terms of keeping the integrity of the asset. So, we are talking about the smelter, the underground operations, which is both at Nchanga and Konkola. Then we are talking about the concentrator, the West Mill, all those assets put together.

Now, when they came, obviously, they had to visit the sites here and there, and that time that was there was not enough to see them assess in terms of what would be needed to put in their business and then to bring it to an acceptable international level.

So, when now they took over the asset, they got in charge. So, in short, almost in every room they had to go in, and this is where they are, where they have found now that there is a lot more that needs to be done than what was projected.

Interviewer: You mean capital infrastructure?

Mine Supply Executive: Exactly, exactly.

Interviewer: Maybe you can explain that.

Mine Supply Executive: So, we are facing a challenge in terms of the smelter has to operate to full capacity. It has to be maintained. When you go to the concentrator, it's the same thing. When you go to underground operation, obviously, there is need for primary and secondary development to be moved. So, and then there is need for serious investment in terms of trackless equipment.

So, all these are needed to be done almost at the same time. So, that is the position we are at KCM.

So, it simply means that Vedanta now needs to divide whatever resources that they made a commitment on, like they said they will invest $1 billion in five years? So, that money, it simply means that it has to start coming like yesterday. That is where we are.

…

Interviewer: And if you think about from a union point of view, I was talking to some of the mine workers in in Chingola and all of them said that they expected to have more movement in terms of contractors being hired. From a union point of view, how do you see how they're doing right now?

Mine Supply Executive: So, this is what I'm just from talking about. What we had projected is Vedanta coming, contracts out, everyone hired. But look, the even if they hired everyone, they will not pay because already the smelter is struggling to give them the copper…

Interviewer: You mean in terms of dewatering?

Mine Supply Executive: Exactly, dewatering and also mine development because remember, in the four years, there was no serious primary and secondary development that was done.

So, in short, we don't have developed reserves in terms of where we can be producing from. All the slopes are almost exhausted. So, we need to do the primary development so that we we prolong the life of the mine, then we begin to produce from there.

…

Interviewer: And one of the miners was saying that the only thing that KCM is producing now is from the tailings. Is that true?

Mine Supply Executive: It may not be necessarily be true. Yes, they are getting material from there, but they are also producing from number one shaft and number three shaft.

Interviewer: That's Konkola.

Mine Supply Executive: Yes, because there are contractors there who are who are working. That I've verified. so, it's a blend. Yes, the tailings are giving them quick money, because the material is just there.

You transport, it's helping you with your production, but that is not their mainstay and it will not be good for anyone to allow them focus their energies on that because their energies must go towards primary and secondary development.

The KDMP project in Konkola must be able to run, the UOB must be able to run, the LOB must be able to run. Those are the things that we should see resources being tied to because the tailings, that is a short-term strategy.

Interviewer: It's not sustainable.

Mine Supply Executive: Yes.

…

Interview with an Adjacent Industry Executive

Interviewer: Please talk about the new smelter.

Executive: Yes, they're supposed to build a new smelter, or at least refurbish the one in Chingola so it can handle the new ore from Konkola Deeps.

Interviewer: But it doesn't look like anything is happening?

Executive: According to the miners I spoke to, the smelter is running at only 2–3% capacity. There's been no capital investment as far as they know. They're all waiting, but most say they don't trust Vedanta. Two out of three told me, "We need a new operator."

…

Interviewer: So Vedanta bought buses for football teams?

Executive: Yes, four buses for four teams they're sponsoring. Football in Zambia is what defines our weekends. All the mining towns have teams. Here in Kitwe we have Nkana, and today there's a game. If you try to meet miners this afternoon, you won't find them — everyone will be at the match.

Interviewer: Sponsored by Vedanta?

Executive: Yes, in Chingola. But the problem is, Vedanta is focusing too much on football sponsorship and publicity. The budget for football is small compared to what mining actually needs. What they should do is separate budgets — one for CSR, another for mining operations. Instead, they do small things like roads in the Minister of Mines' constituency just for political pressure, so the minister can say, "Look, they're even fixing roads."

Interviewer: So it's just for show?

Executive: Exactly. There's a lot of noise around CSR, but the mines themselves are not being run properly.