THE DEAL FOR DEZIWA

CNMC, Gécamines and the future of
DRC's copper trade

August 2020

Michael Fuller / Getty Images

CONTENTS

IS CNMC THE NEXT BIG PLAYER IN DRC'S MINING SECTOR?

In 2015, China Nonferrous Metal Mining Group (CNMC) signed a deal reportedly worth two billion dollars with Gécamines, the Democratic Republic of Congo's (DRC) state-owned mining company. This deal included access to Gécamines' flagship site, the Deziwa mine.[1] The resulting joint venture company officially launched production at Deziwa in January 2020.[2] CNMC, a broadly diversified Chinese State-Owned Enterprise (SOE), now appears to be setting itself up to become a major player in DRC's copper and cobalt business, with Deziwa the centre piece in a growing network of mines and offtake deals across the country.

CNMC's two billion dollar deal with DRC, which reportedly covers five different sites including Deziwa, remains shrouded in secrecy. Barely any documents relating to the deal have been made public; only one contract for CNMC's Deziwa deal has been published, and it does not tell the whole story of even that specific project. The key details, including costs and potential profit from the Deziwa deal, are left to subsequent contracts that remain unpublished. Even then, the figures that are in the contract could be misunderstood. For example, the contract indicates that Gécamines will receive a $55 million dollar signature bonus for Deziwa, but the deal it signed means it is effectively only getting half of that. Even less has been published on the other projects in the two billion dollar mega deal.

CNMC had been active in DRC in the years before signing its accord with Gécamines. A pivotal DRC fixer in that period appears to have been Siu Kam NG, a little-known mineral trader and businessman who has bragged in Chinese media about bribing DRC officials to ease CNMC's path into DRC's mining sector. Siu Kam Ng is currently a major shareholder in several of CNMC's DRC businesses. His brother and occasional business partner, Siu Hong, is an influential member of the Chinese diaspora in Africa, with links to senior political figures in China and across the African continent.

The contract for Deziwa estimates the project should cost $800m to set up, all of which will be funded by a loan from CNMC. This is equivalent to 10 percent of DRC's overall foreign borrowing. This is particularly important as the IMF has recently evaluated DRC for possible debt relief, taking into account its levels of indebtedness.

However, it appears that this significant debt may not have been included in the IMF's figure for DRC debt, which could possibly have skewed the results of its evaluation of the health of DRC's finances.[3]

Deziwa has already been the subject of controversy due to debts run up to acquire it. After an unsuccessful attempt at a joint venture project, with a different partner, to bring Deziwa online drew to a contested close, Gécamines reacquired full control of Deziwa by buying out its partner using a 2012 loan of almost $200m from a company belonging to the controversial mining magnate Dan Gertler.[4]

The collateral for this loan included Gécamines' rights to receive payments, known as 'royalties', from a different mining project called KCC.[5] KCC is a huge copper and cobalt mine owned and operated by the Swiss commodities giant Glencore; royalties from the project are potentially worth several tens of millions of dollars per year.[6] Gécamines reportedly defaulted on its loan, and in January of 2015, in an undisclosed arrangement, ceded its rights to those payments to one of Gertler's offshore companies.[7] Gécamines appears to have paid a steep price for its deal to resume control of Deziwa, making it even more important that the state-owned company brokers a good deal for the site in its agreement with CNMC.

CNMC is far from the only Chinese mining company in DRC. The past decade has seen billions of dollars of Chinese investment pour into DRC mining. By 2017 over a quarter of all payments by mining companies to the DRC government came from companies owned by Chinese investors.[8] DRC's mining sector has long been affected by corruption, opacity and mismanagement, and there are ongoing high-profile corruption investigations underway in the UK, Switzerland and US linked to past mining deals in the country.[9] This does not seem to have put off Chinese investors.

The shift in ownership, away from predominantly western companies, does not seem to have led to a radical change in how business is done in DRC. Global Witness' investigation into CNMC's deal for Deziwa has found that corporate and contractual secrecy, colourful middlemen and questionable deals by the Congolese state are still the order of the day.

Aside from the Deziwa project, CNMC has built a huge copper smelter and acquired rights to several mining licences covering parts of DRC's rich seam of copper and cobalt. These metals are strategically important to China as it seeks to develop its high tech manufacturing industries. They are also a key component in many of the renewable technologies that can help tackle the climate crisis, and could be central to a sustainable and more equitable future.

When Global Witness contacted Gécamines and CNMC for their response to our research, neither party was willing to talk. DRC's mineral reserves should place it at the centre of the renewable energy revolution and could be a significant source of revenues for the country. Yet as this report shows, very little is known about how these minerals are being sold off and what the Congolese people stand to gain in reality.

Global Witness wrote to all the parties mentioned in this report, in order to put to them the factual points and allegations concerning their activities and give them the opportunity to comment on the findings. Most did not respond at all; where we received responses we have included them.

Chinese expansion into DRC's mining sector

CNMC's arrival in DRC was part of a broader expansion of Chinese foreign investment across the globe since 1999, under the country's 'Going Out' policy. Chinese companies have risen to the level of global competitors in the international market for commodities and now control a proportion of the world's natural resource assets that is comparable to their western counterparts.[10] The pace and scope of investments has slowed in recent years and the 'Going Out' strategy has shifted from natural resources to focus more on high technology and consumption-oriented sectors. [11] [12] However, places rich in the kind of metals that are central to China's domestic tech ambitions and its role as a manufacturer for global goods continue to be a key focus for investments.[13] One such place is DRC's Copperbelt in the south of the country, which produced 64 percent of the global cobalt supply in 2018 and is home to half of the world's estimated cobalt reserves.[14] [15]

Around 2002, DRC began pursuing a policy of opening the country up to foreign investment in the mining sector, under pressure from the World Bank and IMF. The first wave of companies to arrive in the country were, for the most part, based in the US, Switzerland, UK and Australia. However, it was not long before Chinese companies were on the scene. The first mega deal came in 2007 in the form of a $9 billion mines-for-infrastructure collaboration known as Sicomines (it was later scaled down to $6 billion).[16]

Since then, Chinese firms have become increasingly important in the Congolese mining sector. While Swiss commodities giant Glencore is still a huge copper and cobalt producer in DRC, Chinese owned companies market share has grown dramatically. Today the largest copper mine and two of the top five cobalt mines in the country are run by Chinese owned companies.[17]

In the wake of the 2008 global financial crisis, cash for risky mining projects was hard to come by for many prospective investors. But Chinese companies backed by the state were willing to commit, especially when it came to mining for metals that were considered strategically important to China's manufacturing industry.[18] [19] [20] As in many nations, Chinese SOE's play a key role in pursuing the country's commercial and political objectives at home and abroad.[21] The

The sun sets on one of the open pit copper mines in the Zambia - DRC Copperbelt, where the Deziwa mine is located.
Paul Almasy /Getty Images

trend – of Chinese capital funding acquisitions of mining assets when other buyers were unavailable – was further magnified by a downturn in the price of metals from 2011 to 2015.[22] Moreover, in that same period, there was increased scrutiny of corrupt practices by large western mining firms in DRC, including a huge fine handed out to Och-Ziff Capital Management for alleged bribery and the imposition of US sanctions on mining magnate Dan Gertler citing "opaque and corrupt mining and oil deals". This made DRC a more risky and complicated proposition for investors in Europe and the US.[23]

In total, Chinese mining enterprises invested at least US$10.5 billion in DRC's formal copper mining sector between 2005 and 2018, with the majority of these investments coming after 2012. The result is that today, in a sector once almost completely dominated by European and American firms, a mix of Chinese state-owned enterprises (SOEs) and private companies are now responsible for a large proportion of copper and cobalt production in DRC.[24]

CNMC'S ENTRY INTO DRC

CNMC's arrival into DRC was an important part of the growth of Chinese SOEs in the country. In order to access DRC's mining riches, CNMC needed the help of people who had connections in the country. In 2010, several years before CNMC managed to land its mega deal with Gécamines, it signed several deals with Siu Kam Ng.[25] This partnership resulted in a processing plant being established in DRC, largely using CNMC's money, but under the guidance of Siu Kam Ng and his business partners.

Siu Kam Ng has been active in the DRC mining trade for over a decade. Yet he remains an obscure figure, rarely giving interviews or making public appearances. Originally from Fujian Province in China, Siu Kam Ng reportedly moved from Hong Kong to South Africa in the late nineties before moving onto Zambia and then DRC in pursuit of minerals, where he has enjoyed considerable success.

CNMC signed a deal with Siu Kam Ng in 2010, which gave it access to contractual rights held by his company, Huachin Mining Sprl.[26] In a foreshadowing of subsequent deals struck with Gécamines, Siu Kam Ng provided mining rights and a supply of ores in return for CNMC investing to build facilities and supplying the technical knowhow to operate them.

The majority of CNMC's operations in DRC and Zambia (with the notable exception of Deziwa), are held by its publicly listed Hong Kong subsidiary, China Nonferrous Mining Corporation Limited (CNMCL).[27] According to CNMCL's annual reports, Siu Kam Ng owns shares in three of CNMCL's six DRC subsidiaries.[28] Siu Kam NG indirectly holds 32.5 percent of Huachin Leach Metal SA and 35 percent of CNMC Huachin Mabende.[29] These two companies were originally formed as joint ventures between one of CNMC's Zambian subsidiaries and Siu Kam Ng, as part of the deal to get access to the mining operations held by Siu Kam Ng's company.

Siu Kam Ng's partnership with CNMC is apparently very lucrative. Two of CNMC's projects in which he has shares – Huachin Leach and CNMC Huachin Mabende – produced almost $300 million worth of copper cathode in 2018, accounting for just over half of CNMCL's Congolese and Zambian production.[30]

CNMCL's annual report also states that Siu Kam Ng is the majority shareholder of Mabende Mining, a DRC company from which CNMC purchased $14 million worth of copper ore in 2018 and over $60 million dollars' worth of ore in the past five years.[31] [32] [33]

SIU KAM'S INFLUENTIAL BROTHER

Siu Kam Ng is not the only member of his family to have a stake in DRC copper mining. Siu Kam Ng's brother, Siu Hong NG (also known as Wu Shaokang), is also involved. Together the brothers own Huachin Minerals SA, registered in South Africa.[34]

Siu Hong is a wealthy businessperson and an influential member of the Chinese diaspora in the region.[35] [36] He is the sole director of a South African company called FLT Holdings.[37] On its website, FLT describes itself as one of the earliest privately-owned Chinese companies to have invested in Africa.[38] It claims that it has been operational in DRC since 2004, working under the trading name of Huachin Minerals, where it is in joint ventures with CNMC in Likasi and Mabende.[39]

Siu Hong is also the honorary president of the 'The All-Africa China Peaceful Reunification Promotion Association', a local chapter of the 'Council for the Promotion of the Peaceful Reunification of China'. (CPPRC).[40] The CPPRC has chapters in dozens of countries across the globe, which work to "support China's peaceful reunification" as well as foster cooperation between China and foreign countries.[41] Siu Hong is involved in not just a South African chapter of the organisation, but the overarching branch for the African continent. He has a lengthy biography on the CPPRC's website, where he is praised for his commitment to furthering China's image and aims abroad.

Siu Kam Ng has described his partnership with CNMC as critical to the company's success in DRC, claiming that it had tried and failed three times to enter the country before teaming up with him.[42] In an extraordinary interview with Chinese media in 2016, Siu Kam Ng claimed that his understanding of how best to bribe Congolese officials had been one of the factors underpinning CNMC's success in DRC. [43] While CNMC and Siu Kam Ng are partners in several DRC mining operations, he does not appear to be directly involved in the Deziwa deal. There is no evidence CNMC have instructed or encouraged him in any way to pay illegal bribes on their behalf.

The interview, published by the outlet Netease News, covers the colourful history of Siu Kam Ng's entry into mining in sub-Saharan Africa. It quotes Siu Kam Ng saying that he would take Congolese officials out for dinner but that they would usually tell him "why not just give me the money". Siu Kam Ng elaborates in his interview:

"I'm now used to doing this and think it's simpler than in China. It's quite straightforward [in DRC]. Make it clear how much money he wants, and then just give it to him in a formal way."

Siu Kam Ng told the Netease journalist that managers of Chinese state-owned companies faced difficulties paying "tips" to Congolese officials, because they must report even low level payments to Beijing. He then indicated that his value to CNMC was that he did not need to report such "tips", saying: "Could state-owned companies make it [in DRC] in such a context? As the private owner of a company, I can make it."

Indeed, this seems to be what Siu Kam Ng saw as the basis for his partnership with CNMC. He spoke cryptically at times in the interview, but implied that CNMC provided financing which he then used to pay off DRC officials, while he and his associates actually made the payments:

"CNMC could operate here without me, but they would have accomplished none of this without me…because they are in charge of (the factory) and we coordinate the external affairs. Whenever money is involved, they are responsible for paying it. Take a look at the past few years since CNMC came to invest here. Who has come to trouble them? But they have to pay for it."

In June 2012, when CNMC Group floated CNMCL on the Hong Kong stock exchange, the company published several contracts for deals it has struck with Siu Kam Ng. These contracts go some way to confirming his characterisation of his general role in the partnership.

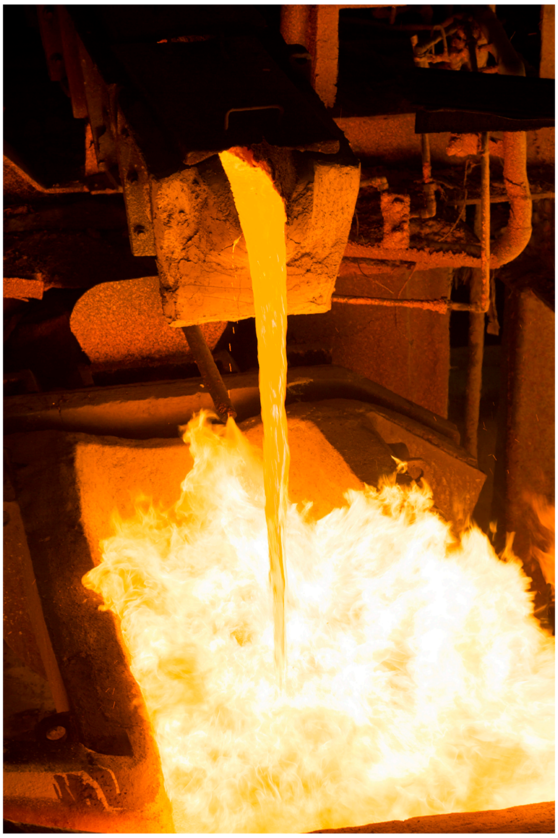
One of the contracts sets out the terms for a joint-venture between Siu Kam Ng and CNMC. The partnership aims to exploit mining operations that Siu Kam Ng's company has secured.[44] The contract states that CNMC will fund the majority of the operation and Siu Kam Ng will be responsible for ensuring that the operations of the newly formed joint-venture company "will not be terminated or cancelled by authority of DRC".[45] If he fails in this, the contract will be terminated and Siu Kam Ng will be made to refund all investments made by CNMC.

Another contract sets out a deal in which Siu Kam Ng and CNMC will create a joint-venture to build a copper processing plant.[46 47] Under the terms of the contract, CNMC will again provide almost all of the finance and the technical skills while Siu Kam Ng will prepare the environmental impact assessments, secure tax exemptions and deal with other administrative and regulatory documents. Once again, CNMC provides the cash and Siu Kam Ng deals with the officials and paperwork.

Even though these contracts pre-date the Deziwa deal, and it does not seem the Siu Kam Ng is involved in CNMC's Deziwa project, he still remains a significant partner of the company in DRC. Siu Kam Ng's comments about his style of doing business should be a cause for concern for CNMC. CNMC's partnership with Siu Kam Ng raises serious questions about the kind of practices the company is willing to accept from its partners, as well as how it has been able to secure and maintain its licences in DRC. Global Witness contacted CNMC about its relationship with Siu Kam Ng, asking if he acted as a fixer for the company or bribed DRC officials on their behalf, but they did not respond to our questions. Global Witness contacted Siu Kam Ng asking if he used corrupt connections to DRC officials to obtains mining rights, if he acted as a fixer for CNMC or paid bribes on their behalf, but he did not respond to our questions.

CNMC'S MEGA DEAL

Deziwa is not a standalone deal; it sits inside a much broader understanding between Gécamines and CNMC. In the middle of 2015, several years after CNMC had established a foothold in DRC, the company struck a 'strategic cooperation agreement' with Gécamines, covering five mining projects. The deal was enormous, potentially worth over two billion dollars, and constitutes a significant piece of bilateral cooperation between China and DRC.[48] A deal on this scale has important implications for DRC's mining sector, and therefore its economy more broadly. However, the terms of this accord remain closely guarded secrets, despite stipulations in DRC's mining law that mining contracts be published within 60 days of being signed.[49] Global Witness asked Gécamines and CNMC to provide details of the accord but they did not respond to our request.



Alongside the Deziwa mine, CNMC has opened a huge copper smelter in Lualaba. This project, aims to produce 120,000 tonnes of blister copper annually. Anders Pettersson/Getty Images

Given the history of chronic corruption and mismanagement at Gécamines, the opacity around its deals with CNMC is a cause for concern. The DRC government has not published any of the contracts between Gécamines and CNMC, despite a legal obligation to do so.[50] The Extractive Industries Transparency Initiative (EITI) has released some of these contracts, however they lack the key details required to fully understand the deals. It is worth noting that the DRC mining law requires contracts to be published on the website of the Ministry of Mines, publication by third parties such as EiTi, does not constitute compliance by the government.

The Congolese government has not officially confirmed which five projects make up the cooperation agreement, let alone the terms agreed with CNMC. Gécamines representatives have justified this opacity by saying that the deal is an 'accord' rather than a contract, and therefore not covered by the transparency legislation in DRC's mining law.[51] However, this seems to be a purposefully narrow interpretation of a law designed to shed light on mining deals.

Despite this lack of official clarity over the five projects, some details have emerged. Most notably, the jewel in the crown of the strategic accord is the Deziwa mine site in Kolwezi. Deziwa is one of the largest greenfield copper discoveries ever made in DRC and has been described by Gécamines in the past as its 'flagship' project.[52 53] It was hoped that the site could power a turnaround in the company's ailing fortunes by becoming a source of substantial revenues.[54] However, the story of Deziwa's development has not been smooth, and it has involved several decisions by Gécamines (See Annex 3) that cast doubt on its ability to use this flagship to sail out of troubled water.

The mine sites and projects covered by the accord could give a good indication as to CNMC's plans for DRC and as such, possibly the future shape of the DRC mining copper mining as a whole. Media reports from 2016 that discussed Deziwa named a smaller refinery at Kambove as another of the projects connected to the accord.[55] The EITI later published documents linked to both Deziwa and Kambove, as well as a contract from November 2015 in which CNMC is granted the right to process mineral tailings at a site known as Panda; this therefore appears to be a third project linked to the accord.[56] In 2016 CNMC began building a large copper processing plant in Lualaba in partnership with another Chinese SOE, the Yunnan Copper Group,[57] which is perhaps the fourth project. The fifth remains unconfirmed. Global Witness contacted both Gécamines and CNMC asking them to confirm the five projects that make up the accord, but they did not respond.

THE DEZIWA CONTRACT: AN INNOVATIVE DEAL?

Gécamines framed the deal it struck with CNMC as an innovative new way to exploit its assets.[58] The contract is certainly structured quite differently to most other mining contracts in DRC, but the complexity of the deal, coupled with a lack of transparency from Gécamines, make it difficult for observers and citizens to understand its ramifications for DRC.

In return for rights to extract and sell a portion of the copper at the Deziwa mine, CNMC committed to build and run the mine and to construct a refinery on the site, which it will eventually hand over to Gécamines. This will be funded by a loan from CNMC that will be paid back from the mine's profits.

This type of deal structure is known as 'Build Own Operate Transfer' (BOOT) financing. It is more commonly found in public-private-partnerships to build large infrastructure, such as toll highways or railways, which, once handed back to a government, can act as long-term, relatively fixed income streams. It is less common for so-called 'consumable' assets that have a limited lifespan, such as a copper mine.[59] Global Witness asked Gécamines why they had opted for a BOOT model but they did not respond.

The only document available in public records relating to the US$880 million deal for Deziwa is a joint-venture convention between CNMC and Gécamines, and even this was only published online by independent transparency initiative EITI, rather than by the Congolese government or Gécamines.

The convention lays out the rules for establishing the joint-venture company, called Somidez, that will build and run Deziwa, and sets out the basic relationship between CNMC and Gécamines during the project. However, much of the detail is left to subsequent, underlying contracts that are mentioned in the convention but have not been published.

Under the agreement, CNMC will loan the money needed to develop the mine and refinery to Somidez, the joint venture company. CNMC will then manage Somidez and the site, using revenues from Deziwa's mineral sales to reimburse the loan, including interest.

Reasonable Profit?

Once the debt is paid in full, the mine and refinery should be transferred entirely to Gécamines. Before handing over the project to Gécamines, however, CNMC is also entitled to make a 'reasonable profit'. No details have been published on what constitutes a 'reasonable' profit, and in the absence of such information, it is extremely difficult to assess the fairness of this deal for DRC.

The reasonable profit is clearly a crucial aspect of the contract, as it is the trigger for the transfer of CNMC's shares in Somidez to Gécamines. Without a more detailed explanation of what constitutes 'reasonable profit', the term is meaningless. Although it is a key concept in the convention, it is not defined, so it remains unclear. Instead, the contract states that 'reasonable profit' will be determined by a feasibility study, which itself will contain a financial model for the initial phase of the project. The feasibility study, and therefore the financial model, has not been published. These key documents remain secret.

According to the convention, the feasibility study was due to be led by an expert unilaterally selected and arranged by CNMC. The initial feasibility study was done prior to the signing of the convention. Under the convention Gécamines accepted that it would have no say in the process or the selection of the expert. The convention states that once the partners have signed the covering agreement for Deziwa, a financial expert will be appointed to review the feasibility study, calculate the loan repayment period, and propose a final figure for the 'reasonable profit', on which both sides will then sign off.

Signature Bonus

Global Witness's analysis has raised concerns over the true value of the $55 million signature bonus paid to Gécamines for Deziwa.[60] The convention states that the signature bonus will be paid by the joint-venture company Somidez for the rights *granted* to CNMC.[61] In mining, signature bonuses are usually an agreed payment directly from a contracting company (in this case CNMC) to the owner of the mining licence (Gécamines) upon the signature of an agreement for the contractor to exploit the licence.

The agreement provides that the signature bonus payment will come from the loan that CNMC has made to Somidez.[62] As Gécamines owns 49% percent of Somidez, it is responsible for paying back 49% of Somidez's loans – presumably including the money used to pay the signature bonus.

In practice, then, the so-called 'signature bonus' for Gécamines is not $55m, but rather 51% of $55m – approximately $28m. The balance – around $27m – is effectively a form of loan to Gécamines. This is further impacted by the fact that interest will be owed to CNMC on the initial loan, which could further reduce the net amount received by Gécamines.

Furthermore, by adding $55m to the overall loan, the repayment period is necessarily extended, delaying the point at which Gécamines can take full control of Somidez, and the point at which it can maximise profits from the operations at Deziwa. Or, put another way, the increase in the value of the loan (as a consequence of the signature bonus being part of it) is likely to reduce Somidez's eventual profits distributable to its shareholders.

At a minimum, how the signature bonus seems to be structured has provided a sizeable headline figure of $55m, when in reality Gécamines will net around half – or even less – of that sum. For the people of DRC to understand the value of the deal, the actual amount should be clear and unambiguous. That is far from the case in this agreement. Global Witness asked CNMC and Gécamines about the structure of the signature bonus and the implications of the deal for DRC, but they did not respond.

Handover

Finally, one of the central conditions of the deal is that when CNMC returns the site to Gécamines it must still contain commercial viable volumes of copper.[63] However, the convention does also leave open the option for a second phase of the agreement after the initial loan has been repaid.[64] This would mean that CNMC could continue to run Somidez and expand production capacity, in return for lending Gécamines more money against the volume of copper left in Deziwa. In effect, Gécamines may opt to never regain control of Deziwa. Gécamines' track record – it has frequently chosen to accept money now rather than invest in long-term productive assets – makes this a very real possibility. In this instance, if Gécamines chooses not to take full control of Deziwa, it may miss out on the full potential of the site.

Annex 1 contains a detailed analysis of other aspects of the Deziwa convention between CNMC and Gécamines.

Under Wraps

Gécamines officials promote the deal for Deziwa as a new business model that will allow the company to resurrect its fortunes. Yet, despite the deal being heralded as a positive win-win, the majority of the key aspects of the agreement remain under wraps and cannot be assessed.

The opacity around the total size of the loan, its repayment period, the value of CNMC's 'reasonable profit' and the ambiguous nature of the signature bonus casts serious doubt over the fairness of this contract for Gécamines and for DRC. There is a risk that the deal might allow CNMC to extract a vast amount of profit from Gécamines' 'flagship' while leaving the state company with comparatively little to show for it, all while the joint-venture company Somidez is spending money borrowed against the value of DRC's sovereign mineral wealth. Global Witness asked Gécamines and CNMC to clarify the full value of the loan for Deziwa, its repayment period, what was meant by reasonable profit and the expected net value of the signature bonus for Gécamines and to respond to the concerns over the value and fairness of the deal for Gécamines and DRC, but they did not reply.

A clear step towards avoiding the risk of mismanagement of this crucial asset would be to make the full terms of the deal public, including all the additional contracts and underlying agreements, so that the Congolese people know what they are getting in return for their copper and cobalt.

CONCLUSION

DRC's finances are largely dependent on mining revenues, and specifically earnings from its copper and cobalt assets. Sales of those two minerals alone constituted around 70 percent of its export earnings in 2017.[65] To have a major stake in DRC's mining sector is to have a significant role in DRC's economy as a whole.

The management of mining revenues by the DRC government and Gécamines will go a long way to determining whether the people of DRC benefit as they should from this mineral wealth. This report is, therefore, as much about the system in which CNMC operates – DRC's notoriously corrupt mining sector – as it is about CNMC itself.

CNMC's importance in DRC is only set to rise, as the Deziwa mine moves into production and its Lualaba smelter comes online. CNMC is a state-owned company, and one of the first to take part in China's 'Going Out' strategy: it could be considered a standard-bearer for Chinese companies abroad.

In the past a few years, the Chinese government has introduced regulations and guidance for Chinese companies working abroad,[66] requiring them to comply with the laws and regulations in host countries and resist bribery,[67] as well as calling on all parties in the Belt and Road Initiative (BRI) to develop a transparent framework of rules and governance for BRI.

CNMC should ensure all of its investments in DRC comply with the Congolese mineral law and urge its local partner Gécamines to publish all of the contracts it has signed with CNMC. The company should also ensure that its investments in DRC are in line with the principles set out by the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC) in its 'Guidelines for Social Responsibility in Outbound Mining Investments', although it appears that the company is not a member, nor is it required to be.[68] In particular, and as part of a move towards greater transparency over its business practices in DRC, CNMC should clarify its relationships with brokers and middlemen in DRC and produce detailed information on the source of all of its copper and cobalt.

The DRC government should publish all the contracts Gécamines has signed with CNMC (and other mining partners), in line with its own laws and its commitments to EITI, including the financial model that underpins the modalities of the initial phase of Deziwa project. This would give observers, including the Congolese public and civil society, a clear figure for the 'reasonable profit' that CNMC expects to make before handing the reins over to Gécamines.

As the project proceeds, the areas of concern (detailed in Annex 1) around metals sales, subcontracting and the eventual return of Deziwa to Gécamines must all be addressed. Finally, Gécamines should explain how much Somidez has borrowed and what it expects to make from the Deziwa deal.

The metal CNMC extracts from DRC will find its way into many of the devices that dominate the everyday lives of people around the world. It is the responsibility of both the DRC government and CNMC that these minerals are mined and sold in a fair and equitable manner, so that the people of DRC benefit from their country's mineral wealth. Equally, the industries which buy the minerals, have a duty to ensure their supply chains are transparent and free from exploitation.

CNMC's partnership with Gécamines is based in large part on the present and future value of copper and cobalt, crucial minerals in the technologies that can help ease the world's dependence on fossil fuels. The deal represents an opportunity for DRC to be a major economic beneficiary of a green technology revolution, yet the risks of opacity, corruption and mismanagement could jeopardise these prospects.

ANNEX 1: DETAILED ANALYSIS OF CONTRACT

The Key Terms:

Financial model

Perhaps the most important document mentioned in the Deziwa convention between Gécamines and CNMC is a 'financial model', which apparently sets out the length of the repayment period, how much copper should be used to repay the CNMC loan, and how much 'reasonable profit' CNMC should make during the repayment period.[69] According to the convention, this model sits within a 'feasibility study' that should explain, among other things, the precise amount of the loan from CNMC to Somidez, the minimum annual production required for the repayment and the maximum operational expenses allowed. [70]

An initial version of the feasibility study, including the financial model, had already been drawn up at the time the convention was signed. It was prepared by specialists hired by CNMC.[71] The convention states that both parties will ultimately approve the feasibility study before it is sent to an independent expert, who will use it as the basis for the final financial model.[72] Once the parties agree on the financial model, the project will advance based on its calculations.[73]

Work on Deziwa began in 2018, so these documents have presumably already been agreed upon and concluded. They must now be made public. Until they are, the true value of this deal for DRC will remain unclear. Global Witness asked both Gécamines and CNMC if they would publish the feasibility study, including the financial model, but they did not respond.

Subcontractors

The convention between CNMC and Gécamines cites two documents that cover the building and maintenance of Deziwa. These are presumably the two most significant costs to be financed by the loan. One is an 'Engineering, Procurement and Construction' (EPC) contract to be drawn up between Somidez and CNMC for the construction of the refinery at Deziwa.[74] The other is the 'Initial Budget and Plan', which lays out the activities for the first year, along with a detailed budget of all investments, acquisitions and planned loans or credits.[75] The plan will include a list of the subcontracting agreements to be concluded, and the companies deemed eligible to carry out the work.[76]

CNMC has subcontracted its own subsidiaries to carry out the majority of the building work at Deziwa. This means CNMC is on both sides of these subcontracting deals: it is running Somidez and hiring its own companies to work on the site. This kind of arrangement can present a risk that project costs could be inflated or not properly controlled.

The subcontracting arrangements for other aspects of running Deziwa, such as cleaning or catering services, are potentially lucrative. Without transparent and public tendering there are risks for example that these contracts could be quietly awarded to companies that benefit local politicians or elites, rather than to the best value providers.

Global Witness asked CNMC and Gécamines about all these concerns and risks, and also asked if they would publish the EPC contract, the Initial Budget and Plan and subcontracting agreements relating to Deziwa so that their terms could be subject to scrutiny, but they did not respond.

Without knowing which suppliers and subcontractors have been hired to build and maintain Deziwa, it will be impossible to know where a large portion of the CNMC loan provided to Somidez has ended up. To ensure good value subcontracting, the EPC contract, Initial Budget and Plan, list of approved sub-contractors and the deals struck with them should all be made public.

Sales of metals

The convention states that CNMC will have an exclusive right to purchase all minerals produced at Deziwa until the loan is fully reimbursed and the project is handed over to Gécamines. The sales will be at rates that will be determined by Gécamines, including any 'haircuts'.[77] The term 'haircuts', commonly used in finance, indicates the reduction in the calculated value of an asset used as collateral for a loan, to take into account potential future devaluation of the asset.[78]

In addition to its right to purchase all minerals during the loan-repayment period, CNMC can also arrange the sale of Somidez products to a third party. In such instances, Somidez will give a percentage of the value of the sale to CNMC.[79] The full details of mineral sales will be governed by a contract between Somidez and CNMC referred to in the convention at the 'offtake agreement', which is also unpublished.[80]

There are two other documents relating to mineral sales mentioned in the convention, these will have started being produced now that the mine is active. One is a record of all Somidez customers and the volumes they have purchased.[81] The other is Somidez's quarterly accounts, which will include details of minerals sold and the royalties paid to Gécamines.[82] The royalties are calculated as two percent of Somidez's annual gross sales, which, given projected production, would be a significant income stream for Gécamines.[83]

It is encouraging that Gécamines is responsible for setting the price at which Somidez will sell minerals, as this should ensure that the price that CNMC in effect sells to itself is set fairly. If copper were to be sold to CNMC below market prices, Somidez would lose out and CNMC could pocket the profits. Keeping the details of all sales and buyers open to public scrutiny would limit this possibility.

Furthermore, given Gécamines' history of opacity around the mining revenues it receives, it is important that Somidez publishes precise details of its quarterly royalty payments to Gécamines, so that the Congolese public have a record of exactly what has been paid to the company.[84]

Return of Deziwa to Gécamines

The handover of the project to Gécamines is covered by two sets of agreements. One is the handover contract, which will have the 'conditions and modalities' of Gécamines receiving all the shares in Somidez after the repayment period.[85] The second sets out the transfer of technology and know-how to Gécamines staff so that they can run the site effectively.[86]

The detail of these handover contracts is important, as the successful transmission of the required skills and knowledge to Gécamines staff is central to the viability of the project following the handover. If Deziwa is truly going to revitalise Gécamines and transform it into a world-class mining company, a well run handover is as important as the revenue that Gécamines will receive.

The Loan

At the heart of this deal is the money borrowed by Somidez on behalf of Gécamines. Publically filed Somidez documents, with details of the loan, show more precise figures, which have not been reported elsewhere.

The joint-venture convention, signed in 2016, estimates that the project would require a loan of $800 million.[87] By April 2018 CNMC officials reportedly stated that the company's investment in the project was $880 million.[88] The documents seen by Global Witness show a figure roughly in line with this; the total loan available to Somidez is $735 million for construction and other set up costs plus $70 million for initial running costs,[89] with the maximum interest payable capped at between eight and nine percent of the value of the loan.[90] This means the total loan offered is $805 million, and Somidez would repay around $880 million.

The same, Somidez internal documents state that the maximum Somidez will pay CNMC for building Deziwa's refinery is $636,595,730, almost $100 million less than the loan it can take out to cover construction and project set up costs.[91]

We asked CNMC and Gécamines how much had actually been borrowed and what it was being spent on, but they did not respond to our enquiries.

The difference between the potential value of the loan Somidez has taken and the actual cost of building Deziwa's refinery exposes the sheer scale of the project and cuts to the heart of why is it so important that the full details of the deal are made public.

ANNEX 2: EXTENT OF CNMC'S

MINING BUSINESS IN THE REGION

CNMC has a sprawling network of assets in DRC, including exploration licences, mines, smelters, refineries and trading companies, while in neighbouring Zambia it runs yet more mines, a large refinery and farms. These businesses trade among themselves under complex offtake agreements. CNMC's construction arm has been involved in several prominent mines in DRC, and CNMC has put in place deals to buy up the production of several other major producers in the country. When these different aspects of its business are taken into account, CNMC has a much wider and deeper reach in DRC's mining sector than is immediately obvious.

CNMC's mining licences in DRC

1. Société Miniere De Deziwa Sas (Somidez SAS)
   1.1. Permis d'exploitation 660
2. Huachin Metals Leach SA
   2.1. Permis d'exploitation de la Petite Mine 6307
3. CNMC Huachin Mabende Mining SPRL
   3.1. Permis d'exploitation 13119
4. Sylver Back Resources SARL (SBR) / Silver Back Resources
   4.1. Permis d'exploitation 5276
5. Lualaba Copper Smelter SAS
   5.1. Permis d'exploitation 14044
6. Kambove Mining SAS
   6.1. Permis d'exploitation des Rejets 13229
   6.2. Permis d'exploitation des Rejets 13230
   6.3. Permis d'exploitation 465
   6.4. Permis d'exploitation 13832

Building Work - 15MCC

The major construction arm of CNMC in DRC is China No.15 Metallurgical Construction Group Co., Ltd. (15MCC). 15MCC has been involved in building work at Deziwa. According to its website, 15MCC has also been involved in projects across DRC's Copperbelt, including mines owned by Sicomines,[92] MKM Mining Co., Ltd,[93] China Railway Resources Group Co., Ltd (CREC),[94] The Shanghai Pengxin Group, [95] Norinco International,[96] Zhejiang Huayou Cobalt Co., Ltd,[97] Sheng Tuen Mining[98] and MMG.[99]

15MCC has also been involved in construction at Roan Tailings Reclamation project, known as Metalkol, which is owned by Kazakh mining company Eurasian Resources Group (ERG).[100] [101] In 2015 ERG entered in an agreement with China Nonferrous Industry's Foreign Engineering and Construction Co (NFC), a subsidiary of CNMC, to develop the Metalkol site.[102]

As part of the deal, NFC arranged financing for the project from Chinese banks.[103] A key stipulation of this financing was that ERG sell all of Metalkol's copper cathode production to NFC. An additional condition was that ERG would pledge shares in another of its DRC projects, the Frontier Mine, to NFC as collateral.[104] While it is not clear how much control, if any, the share pledge could give NFC over Frontier Mine, it could potentially mean that ERG would have to hand over control of Frontier mine to CNMC's subsidiary NFC if it failed to repay its debt.

Though the financing from NFC required ERG to sell Metalkol's copper to NFC, the Kazakh company put in place a scheme to buy the copper back. Company records publicly available in DRC show that, alongside the offtake agreement pledging Metalkol's output to NFC, a parallel offtake agreement was drawn up at the same time. It states that all of the copper cathode purchased by NFC will then be sold back to ERG. This would mean that the copper passes from ERG's Metalkol to NFC then back to another ERG company.

Furthermore, in June of 2016 ERG announced a deal under which the Frontier mine would supply a CNMC smelter in Zambia with the majority of its output.[105] Taken together, the terms of these contracts have arguably put NFC, and therefore CNMC, in a position of significant influence in relation to ERG's copper production. ERG could be considered one of CNMC's main competitors in the sector, but it appears that after ERG obtained financing from Chinese banks for Metalkol's development, it has drawn closer to CNMC's DRC network.

We contacted ERG to ask about its relationship with CNMC and the logic behind the double offtake agreement. They did not provide specific answers on the offtake mechanism and refuted any suggestion that CNMC was in a position of influence over their copper production, saying "ERG's copper business operates under the sole control of the Group and is delivering on its production plan and fulfilling commercial orders to customers."

It is possible that CNMC and its construction subsidiaries have other offtake agreements linked to the financing and construction of competitors' mines in DRC. However, as these are largely private it is not possible to know. We asked CNMC how much copper and cobalt it bought from other producers annually and about whether it was in a position of influence over ERG's copper production in DRC, however they did not respond to our questions.

CNMC's Third Partner: Chebib Mouckachar

Alongside Siu Kam Ng, CNMC has another partner in its DRC business: Abu Chebib Mouckachar, a Lebanese businessperson who is a director of CNMC's subsidiary CNMC Huachin Mabende Mining SA, a company in which he holds a five percent stake.[106]

Chebib Mouckachar is also the director of Mabende Mining, a company from which CNMC has bought millions of dollars' worth of ore in the past five years, in order to feed the leaching plant run by Huachin Mabende Mining SA.[107]

Mouckachar has been active in DRC mining for some time. Chebib Mouckachar was a shareholder in Huachin Mining Sprl, the company controlled by Siu Kam that assigned its mining rights to CNMC in 2012, at the start of CNMC's entry into the Congolese copper business.

Mabende Mining is jointly owned by Siu Kam Ng and Mouckachar.[108] According to sources consulted by Global Witness, Mabende Mining sources ore by trading with artisanal miners, through either spot purchases or small-scale supply contracts.[109] Mabende Mining shares an address with Green Mining, a company made up of three artisanal mining cooperatives that is run by a man who appears to be a relative of Chebib Mouckachar. These factors taken together appear to lend some weight to the suggestion that Mabende Mining's business depends at least in part on artisanal material. [110]

According to DRC's online mining cadastre, Green Mining owns a mining licence just to the south of CNMC's Mabende operation. The three artisanal cooperatives that make up Green Mining are called Hopra, Renaissance and Heshima.[111]

Mabende Mining, the company run by Chebib Mouckachar, is selling a large quantity of minerals to CNMC. It is therefore possible that the source of some of the copper being bought by CNMC is untraceable, or that it is blending its industrial production with artisanal production. The sourcing of minerals with artisanal origins can potentially bring in environmental, human rights and corruption risks to downstream companies' supply chains.

We asked CNMC about its purchases from Mabende Mining and the source of these minerals, but it did not respond. We asked Chebib Mouckachar about Mabende Mining's relationship with Green Mining, if Mabende Mining sources ore by trading with artisanal miners and if it was able to trace the source of all the minerals it sold to CNMC, but he did not respond to our enquiries.

ANNEX 3: A HISTORY OF DEZIWA

Following the end of the Second Congo War in 2003, a transitional government led by President Joseph Kabila and advised by the World Bank and IMF pioneered a liberalisation of DRC's mining sector. In previous decades, mining sites had been largely operated by the state-owned mining company, Gécamines, which produced half a million tonnes of copper a year at its peak. Under Kabila that would change.

From 2003, while Gécamines did still operate some mines, its primary focus of business would be in bringing international mining companies to DRC in joint-venture agreements. Under this model, Gécamines would sell off rights to mining licences and take a stake in a joint-venture company set up with the private mining firm that would lead exploration and exploitation operations. The mining company entering into partnership with Gécamines would usually pay a signature bonus upon completion of the joint-venture contract, and Gécamines would normally be entitled to receive royalty payments and a share of eventual profits.

Deziwa is one of the key mines that Gécamines sought to monetise in this way. In 2005 Gécamines struck a deal with a company called Platmin Congo Limited to explore the Deziwa site. Platmin was a subsidiary of Copperbelt Minerals Limited, a company with unknown owners, registered in the British Virgin Islands.[112]

After exploration produced promising results, Gécamines and Platmin set up a joint-venture to further explore and exploit the discovery. By 2010, with significant reserves confirmed, Platmin opted to seek to sell its stake in the project, and attempted to strike a deal with Chinese mining firm Zijin.[113] However, the deal was reportedly blocked by the Congolese state, which claimed it had not been properly informed about the sale.[114]

After several years of wrangling, a settlement was reached in which, rather than allowing Platmin to sell its stake to a third party, Gécamines agreed to buy Platmin's share of the project for a reported US$185 million.[115] [116]

At the time the settlement was reached Gécamines did not have the cash to pay Platmin, so in order to fund the purchase Gécamines took a loan from the controversial businessman Dan Gertler.[117] As collateral for the loan, Gécamines used interests in two other valuable projects, Glencore's Kamoto Copper Company (KCC) and Eurasian Resource Group's (ERG) Metalkol project.[118]

Gécamines failed to keep up with its repayments on its debt to Gertler. [119] Media reports have suggested that Gécamines has ceded its rights to royalties from KCC to Gertler, as a result of defaulting on this loan. The status of the rights to payments from Metalkol also remain unclear. In order to regain Deziwa, it appears Gécamines has lost out on lucrative royalty rights from the huge KCC project, and it may have also lost out on its rights to income from Metalkol as well. Global Witness asked Gécamines about the loan and the consequences of defaulting on it but they did not respond. Gécamines will presumably hope that the deal with CNMC over Deziwa will prove so money-spinning that it justifies these losses. However, the preceding analysis of the scant available documentation does nothing to encourage such hopes.

ENDNOTES

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'Dizwa Mining has been fully completed and put into production', 16/01/20, https://mp.weixin.qq.com/s/4RQgFu3j5YGC_Jtfmcx4Sg from News section of http://www.somidez.com/

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[9] Och-Ziff to Pay Over $400 Million in Bribery Settlement https://www.nytimes.com/2016/09/30/business/dealbook/och-ziff-bribery-settlement.html

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Glencore under investigation by US commodities regulator https://www.ft.com/content/f73b3906-6781-11e9-9adc-98bf1d35a056

[10] "Devised at the turn of the century, the [Going Out] policy encouraged Chinese enterprises, backed by the country's foreign-exchange reserves, to acquire assets and expand business overseas." … "Over the past decade, Chinese companies 'Going Out' have fixated around acquisitions of natural resource assets" 'China 'Going Out' 2.0: Dawn of a New Era for Chinese Investment Abroad' The Huffington Post, 04/11/2015 https://www.huffpost.com/entry/china-going-out-20-dawn-o_b_7046790

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[26] "Party A [Ng Siu Kam] makes investment through cash of eight hundred fifty seven hundred [sic] USD and contractual rights obtained from the contract (No.N06/987/CABMIN/MAF/KAT/2009) signed between Huachin Mining SPRL and ministry of mines DRC" ... "Party B [SML] makes investment of two million one hundred and forty three thousand USD by cash", Joint Venture Agreement between Siu Kam Ng and Sino Metals Leach Zambia Ltd, 09/09/2010, from China Nonferrous Mining Corporation Limited Prospectus for Hong Kong stock exchange June 2012. The shareholders of Huachin Mining Sprl as listed in the same prospectus, are Siu Kam NG, Ding Ji PAN and Chebib Moukachar.

[27] "China Nonferrous Mining Co., Ltd. (referred to as "China Nonferrous Mining") is a leading global copper producer. It specializes in the vertical integrated business of copper mining, beneficiation, wet smelting,

pyrometallurgy and sales in Zambia. The company's controlling shareholder is China Nonferrous Mining Group Co., Ltd." http://www.cnmcl.net/

For a list of CNMCL's subsidiaries, see pg 226/227 of CNMCL Annual Report 2018. Available online here: http://www.cnmcl.net/Managed/Resources/docs/report/ar2018cnmc_e.pdf

[28] "Huachin Leach and CNMC Huachin Mabende are 32.5% and 35%, respectively, indirectly owned by Mr.

Ng Siu Kam," pg. 115 of CNMCL Annual Report 2018. " 95% of the issued and paid-up ordinary share capital of SBR [Sylver Back Resources SARL] is directly held and controlled by CHM [CNMC Huachin Mabende]" pg. 227 of CNMCL Annual Report 2018 Available online here: http://www.cnmcl.net/Managed/Resources/docs/report/ar2018cnmc_e.pdf

[29] The third company Siu Kam Ng holds shares in is Silverback Resources SARL (also spelt Sylver Back Resources). 95 percent of Silverback is owned by CNMC Huachin Mabende, meaning Siu Kam holds his share of Silverback via his holding in CNMC Huachin Mabende.

[30] According to CNMCL's 2018 annual report, total production in 2018 of copper cathodes was 96,870 tonnes (pg 7), and the average selling price per tonne was $6013 (pg 9). Huachin Mabende produced 34,702 tonnes and Huachin Leach produced 14,780 tonnes (pg 34) making a combined total of 49,482 tonnes. As this annual report is of a subsidiary which has control of operations in Zambia and DRC (but not Deziwa), the production figures do not reflect the whole CNMC group. China Nonferrous Mining Corporation Limited, Annual Report 2018, http://www.cnmcl.net/Managed/Resources/docs/report/ar2018cnmc_e.pdf

[31] "Mr. Ng Siu Kam, who also owns 70% interest in Mabende Mining", Pg 116 of CNMCL Annual Report 2018. Available online here: http://www.cnmcl.net/Managed/Resources/docs/report/ar2018cnmc_e.pdf

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from Mabende Mining." China Nonferrous Mining Corporation Limited, Annual Report 2018, pg 116 http://www.cnmcl.net/Managed/Resources/docs/report/ar2018cnmc_e.pdf

[33] "During the year ended 31 December 2015, the Group purchased ores amounting to US$13,451,000 from Mabende Mining" - CNMCL Annual Report 2015

"During the year ended 31 December 2016, the Group purchased ores amounting to US$9,927,000 from Mabende Mining," - CNMCL Annual Report 2016

"During the year ended 31 December 2017, the Group purchased ores amounting to US$23,090,000 from Mabende Mining," - CNMCL Annual Report 2017

"During the year ended 31 December 2018, the Group purchased ores amounting to US$14,126,000 from Mabende Mining" – CNMCL Annual Report 2018

The total dollar value of ore purchased from Mabende Mining since 2015 to $60,594,000

[34] Huachin Mining Sa, Enterprise / Tracking Number: 2008/056550/23, Directors: Siu Hong Ng and Siu Kam Ng, as listed on the South Africa Companies and Intellectual Property Commission database. https://eservices.cipc.co.za/Search.aspx

[35] Siu Hong Ng (Wu Shaokang / 吴少康) was born in China in 1960, Jinjiang City, Fujian Province, he moved to Hong Kong and then to South Africa where he sold household appliances. He is the chairman of South Africa's largest Chinese language newspaper 'The African Times' and now owns a large network of shopping malls and real estate across the country and in China.

Wu Shaokang, Honorary President of the African-Chinese Association for the Promotion of Peaceful Reunification http://www.zhongguotongcuhui.org.cn/hnwtchrw/201211/t20121105_3348114.html

Ambassador Tian Xuejun and His Wife Attend the Ceremony Celebrating the 10th Anniversary of African Times, Embassy of the People's Republic of China in South Africa, 2015/05/19 http://za.china-embassy.org/eng/sgxw/Achive/t1265218.htm

Trade Delegations head for Chenzhou and Xiamen, Progressive Leader issue 12, https://pbf.org.za/

'Wu Shaokang, a Chinese leader from South Africa, visited the Happy Harle Headquarters', Happy Hale, http://www.akx666.com/m/kxzx_ppdt/fhfghj.shtml

[36] Siu Hong is involved in South African politics via the Progressive Business Forum (PBF). The PBF is a membership organisation that, for substantial fees, grants businesses people access to ANC politicians and party figures at events, special dinners and even offers the chance to accompany them on international trade delegations. 'Participants Benefits', PFB Website, http://pbf.org.za/show.php?id=3532

The PBF has been thought a controversial fund raising vehicle for the ruling political party the ANC. 'ANC to probe the influence of business in politics', Mail & Guardian, 08/03/11 https://mg.co.za/article/2011-03-08-anc-to-probe-the-influence-of-business-in-politics

In 2014, when a South African trade delegation visited Chenzhou in China, they stayed in Siu Hong's five star hotel in the city. A PBF publication documenting the trip includes a profile of Siu Hong, describing him in glowing terms, stating that he has been a "PBF member since 2010 and since then has spent a lot of time and effort participating in all PBF events". 'Progressive Leader' Issue 12.

[37] Company information accessed at South Africa Companies and Intellectual Companies Commission, online here https://eservices.cipc.co.za/Search.aspx

[38] "FLT is one of the earliest privately-owned Chinese companies investing in Africa." About Us, FLT Website, http://www.flt-global.com/

[39] "The company currently operates two joint ventures with China Non-Ferrous Metals Corporation (HK Stock Exchange 1258.HK) in Likasi and Mabende", Huachin Minerals, FLT Website, http://www.flt-global.com/

[40] Wu Shaokang, Honorary President of the All-China Association for the Promotion of Peaceful Reunification, CCPPR Website, 23/08/11 http://www.zhongguotongcuhui.org.cn/hnwtchrw/201211/t20121105_3348114.html

[41] 'Introduction of China Association for the Promotion of Peaceful Reunification', China Council for the Promotion of Peaceful National Reunification, official website,

http://www.zhongguotongcuhui.org.cn/bhjs/201210/t20121011_3169352.html

General Assembly to Celebrate the 30th Anniversary of the Promotion of China's Peaceful Reunification, http://www.xinhuanet.com/politics/2018-10/25/c_1123614262.htm

The 16th Chairman's Meeting of the China Council for the Promotion of Overseas Development was held in Beijing, http://depts.taiwan.cn/news/201810/t20181026_12106000.htm

[42] *跟着200亿，来非洲挖矿的中国人们(English: Following 20 billion, the Chinese people coming to Africa to mine)*, Netease, 2016. Link: http://renjian.163.com/16/0809/21/BU2B0T15000153N3.html

[43] *跟着200亿，来非洲挖矿的中国人们(English: Following 20 billion, the Chinese people coming to Africa to mine)*, Netease, 2016. Link: http://renjian.163.com/16/0809/21/BU2B0T15000153N3.html.

[44] Joint Venture Agreement between Siu Kam Ng and Sino Metals Leach Zambia Ltd, 09/09/2010, from China Nonferrous Mining Corporation Limited Prospectus for Hong Kong stock exchange June 2012.

[45] Joint Venture Agreement between Siu Kam Ng and Sino Metals Leach Zambia Ltd, 09/09/2010, from China Nonferrous Mining Corporation Limited Prospectus for Hong Kong stock exchange June 2012

[46] Huachin Sprl and Sino Metals Leach Zambia, Joint Venture Convention, 30/05/2012 from China Nonferrous Mining Corporation Limited Prospectus for Hong Kong stock exchange June 2012

[47] Huachin Sprl and Sino Metals Leach Zambia, Joint Venture Convention, 30/05/2012 from China Nonferrous Mining Corporation Limited Prospectus for Hong Kong stock exchange June 2012. In this contract Huachin Sprl, undertakes to supply all the ore produced at the Mabende Mine exclusively to CNMCL, with the exemption of 40,000 tons of copper that it has agreed to supply to MCK SPRL, under what was said to be an agreement dated 12/05/2011. MCK SPRL is a company set up in 1997 by Moise Katumbi. He was the governor of Katanga Province from 2007 to 2015. Global Witness wrote to Moise Katumbi to ask about the deal, he told us that when he became governor of Katanga in 2007 he relinquished all control over MCK SPRL and, to avoid conflicts of interest, transferred his shareholding in MCK SPRL over to a separate company owned by his family. He went onto state that MCK SPRL had not signed an agreement with Huachin Sprl dated 12/05/2011, and more broadly, that it had never received copper from Huachin. In further correspondence Mr Katumbi's lawyer stated that his client had "never personally done business with Huachin, nor had any of his companies or any of the companies controlled by a member of his family".

[48] 'CNMC and Gecamines signed strategic cooperation agreement in Lubumbashi in DRC on 21st June 2015', CNMC Press Release, 23/06/18 http://www.cnmc.com.cn/detailen.jsp?article_millseconds=1435645497343&column_no=0114

"Cet accord a pour objet de définir les principes de la future coopération des parties concernant cinq grands projets miniers", 'Signature d'un Accord-cadre avec China Nonferrous Metal Mining', Press Release, Gecamines.

The value of the five project deal has not confirmed by either party, but Kandolo Mafuta, Gecamines' director of partnerships, was quoted in August 2016 as saying, "Total investment could be $2 billion," when discussing Deziwa. Given that the Deziwa investment is valued at around $800 million, the $2 billion figure appears to be a reference to the total value of the five project deal. https://www.bloomberg.com/news/articles/2016-08-15/congo-copper-deal-with-china-may-draw-2-billion-of-investment

[49] Loi n°18/001 modifiant et complétant la Loi n° 007/2002 du 11 juillet 2002 portant Code minier, col. 1. https://eiti.org/files/documents/j_o_ndeg_speicial_du_28_mars_2018_code_minier.pdf

[50] The contract is not on the DRC Ministry of Mines webpage for Gécamines partnership and contracts or on the its online contract database. However, it is on the EITI's DRC page https://www.itierdc.net/carte-de-la-rdc-cliquable/contrats-miniers/

[51] "Il s'agit d'un accord de coopération, ce n'est pas un contrat" reported quote from Jacques Kamenga a Gecamines employee, explaining why the convention had not been published, ' La Gécamines signe deux accords avec deux sociétés minières chinoises', MediaCongo, 14/07/15 https://www.mediacongo.net/article-actualite-11318.html

Gecamines Congo Signs Mine Deals With Two Chinese Companies, Bloomberg, 13/07/15, https://www.bloomberg.com/news/articles/2015-07-13/gecamines-signs-congo-deals-with-huayou-cobalt-china-nonferrous

[52] "Yuma said he was particularly excited about having purchased the minority shareholding in the Deziwa and Ecaille C copper and cobalt mines in Katanga, which Yuma said would be Gécamines' flagship mines." Mining: More digging, more problems, The Africa Report, 9 July 2014, https://www.theafricareport.com/4196/mining-more-digging-more-problems/

[53] "This financing resulted in Gecamines regaining full control and ownership of one of the largest greenfield copper discoveries in the DRC [Deziwa]," Gertler group loaned Congo's Gécamines $196 mln for mine buyout, Reuters, 29/4/14 www.reuters.com/article/congodemocratic-mining-loan/gertler-group-loaned-congos-gecamine-196-mln-for-mine-buyout-idUSL6N0NL67P20140429

[54] "'This is all part of our strategy to become a major producer...Gecamines needs reserves to develop its own activities,' Ahmed Kalej Nkand told Reuters by telephone", Congo's Gecamines buys out partner in copper joint venture, Reuters, 10/09/2012 https://uk.reuters.com/article/congo-democratic-mining-idUKL5E8KAIHT20120910

[55] On Jan 13th 2016 GCM and CNMC reportedly signed a 'non-binding memorandum of understanding' relating to Deziwa and Kambove 'Congo state miner signs MOU with Chinese firm to raise copper output' Reuters, 25/01/16 https://www.reuters.com/article/congodemocratic-mining/congo-state-miner-signs-mou-with-chinese-firm-to-raise-copper-output-idUSL8N1591PU

[56] Deziwa : 'Convention de JV pour expolitation du polygone deziwa deziwa. No DEZIWA 1612/12033/SG/GC/2016'

Kambove : 'Protocole d'accord pour financement de la construction d'une usine métallurgique à KAMBOVE pour GCM. N 1542/12620/SG/GC/2015'

Panda Tailings : 'Contrat amodiation CNMC n° 1566-12659-SG-GC-15' EL 2356 – Panda Tailings 1 and 2'

All are available online here : https://www.itierdc.net/carte-de-la-rdc-cliquable/contrats-miniers/

[57] CNMCL press release on the Lualaba smelter is available online here http://www.cnmcl.net/Managed/Resources/docs/news/lcs1_eng_0404.pdf

[58] "Mulimbi [Albert Yuma] points to two most recent projects at Deziwa and Kingamyambo/Kilamusembo that are not traditional JVs as examples of its new business model. "For the first, it is a fixed-term JV, with a Build Operate Transfer contract, which guarantees us that after a period of nine to 11 years, we will become the only owner of this 80 000 tpa copper plant built by our partner CNMC."", 'Gécamines: New direction, same objectives', Mining Review, May 13, 2019, https://www.miningreview.com/central-africa/gecamines-new-direction-same-objectives/

"The Congolese miner in June described the agreement, through which CNMC will finance, build and operate a copper-processing facility at the Deziwa concession before transferring full ownership back to the state-owned miner, as a "new type of partnership" designed to increase revenue for the state," Congo Copper Deal With China May Draw $2 Billion of Investment, Bloomberg 15/08/16 https://www.bloomberg.com/news/articles/2016-08-15/congo-copper-deal-with-china-may-draw-2-billion-of-investment

[59] "reliance on a future stream of income as a reward to the investors led the BOOT procurement to be advocated mainly for schemes for which there was a clearly defined income source, for example a tolled road, bridge or tunnel." A Comparison Of PFI, BOT, BOO, And BOOT Procurement Routes For Infrastructure Construction Projects, R. Akbiyikli, D. Eaton, Research Institute for Built and Human Environment

University of Salford, https://www.irbnet.de/daten/iconda/CIB16757.pdf

[60] The EiTi DRC Conciliation report for 2017 also shows some confusion on the payment of the signature bonus. The report states that Somidez told the EiTi it had paid the $55 million, whilst Gécamines said the money had come from CNCM. However, neither party provided the EiTi with admissible proof of the payment. 'Rapport de conciliation ITIE-RDC 2017' available online here https://www.itierdc.net/

[61] Somidez Joint-Venture Convention Article 14.1.1, available online as 'Gecamines, China Nonferrous Metal Mining, Convention de JV pour expolitation du polygone Deziwa No DEZIWA 1612/12033/SG/GC/2016', here https://www.itierdc.net/carte-de-la-rdc-cliquable/contrats-miniers/

[62] Somidez JV convention, Définitions : 'Investissement' Initial and 'Prêt d'Associé Initial' pg 15 and pg 17

Somidez JV convention, Article 14.1.2 "Sans préjudice de l'Article 14.1.3, GÉCAMINES ne pourra être tenue de rembourser le Pas de Porte. Le montant du Pas de Porte sera toutefois intégré dans l'Investissement Initial."

[63] Somidez JV convention, Article 9.3.6 "Les Parties conviennent expressément et irrévocablement que la Phase initiale ne pourra avoir pour effet de consommer l'intégralité des Réserves certifiées dans l'Étude de Faisabilité Actualisée."

[64] Somidez JV convention, Article 9.1 (ii) "Une seconde phase consistant à construire une capacité additionnelle de production des Installations de cent vingt mille tonnes de cuivre par an (120,000 tCu/an) et à Exploiter et Traiter les Réserves Additionnelles (la « Phase Additionnelle »)"

[65] According to the OEC website, based on UN Comtrade date, DRC's exports for 2017 were worth $7.23 Billion dollars, of this around $5.8 billion is attributed to copper and cobalt. Available online here https://oec.world/en/profile/country/cod/

[66] These regulations and guidelines are discussed in detail in Inclusive Development International's publication Safeguarding People and the Environment in Chinese Investments: A Reference Guide for Advocates (Second Edition), which published in May, 2019 - https://www.inclusivedevelopment.net/wp-content/uploads/2019/05/2019_IDI_China-Safeguards-Guide-FINAL.pdf

[67] See Article 20 of Measures for Foreign Investment Management, Ministry of Commerce PRC, released in September 2014, "Article 20 The investing enterprises shall require its overseas firms in which they invest to comply with investment destination laws and local customs, social responsibility, environment and labour protection", http://www.mofcom.gov.cn/article/b/c/201409/20140900723361.shtml

The full text of the Beijing Initiative for the Clean Silk Road, announced in the Second Belt and Road Forum for International Cooperation in April, 2019 is available here: https://www.chinadaily.com.cn/a/201904/26/WS5cc301a6a3104842260b8a24.html

[68] Of note is principle 2.2 "Adhere to ethical business practices through sound systems of corporate governance, eliminate all forms of corruption, adhere to fair operating practices, and ensure that all operations contribute to economic, environmental, and social progress." Available online here: https://www.followingthemoney.org/wp-content/uploads/2019/02/2017_CCCMC_Guidelines-for-Social-Responsibility-in-Outbound-Mining-Investments_E.pdf

[69] Somidez JV convention, Article 13.1 covers the Establishment of the financial model for the initial phase.

[70] Somidez JV Convention, Article 9.3.6 (ii) « L'Etude de Faisabilité Actualisée devra mentionner : »

[71] Somidez JV Convention, Article 8.1.1 explains that the study has already begun at the time the convention was signed. Article 8.1.2 (ii) explains that the cost of the study will become part of the loan to Somidez.

[72] Somidez JV Convention, Article 8.1, sets out the timeframe for Gecamines and CNCM to review and approve the pre-prepared study. Articles 10.1, 10.2 and 10.3 set out the duties of the financial expert that will create the financial model based on the approved feasibility study.

[73] Somidez JV Convention, Article 10.4. gives details of the agreement to launch the initial phase.

[74] Somidez JV Convention, Article 9.3.1 (i) « La SOCIETE et CNMC (ou toute Entité Affiliée à CNMC que cette dernière souhaiterait se substituer) concluront un contrat de type EPC (Engineering Procurèrent, Construction) aux termes duquel CNMC(ou son Entité Affilée) sera chargée de la fourniture clé en main de l'Usine a la SOCIÉTÉ »

[75] Somidez JV Convention, Article 26.1. 'Programme et Budget Initiaux'

[76] Somidez JV Convention, Article 26.1. (iii) and (iv)

[77] Somidez JV Convention, Article 11.1.1 "Achat exclusif de la Production par CNMC". Article 11.1.3 (iii) states that Gecamines will control and validate the annual price formulas for minerals including any 'haircuts'.

[78] 'What are Haircuts?', European Central Bank, https://www.ecb.europa.eu/explainers/tell-me-more/html/haircuts.en.html

[79] Somidez JV Convention, Article 11.1.3 (iv) states that Somidez will pay CNMC a marketing fee of 0.8% of the value paid by CNMC to Somidez for products that it buys and then sells onto none affiliated third parties.

[80] Somidez JV Convention, Article 11.1 'Achat exclusif de la Production par CNMC'

[81] Somidez JV Convention, Article 11.1.4 states that CNCM will keep Gecamines informed of all final buyers and the volumes purchased by them.

[82] Somidez JV Convention, Article 14.3.2, Royalties will be recorded in quarterly accounts that will be shared with Gecamines, payments will be made in the month following the quarterly report.

[83] Somidez JV Convention, Article 14.3.1, « En contrepartie de la consommation du Minerai contenue dans le Gisement dans le conditions prévue par la présent convention, la SOCIETE paiera a GECAMINES, au titre de chaque Exercice Financier des Royalties calcule sur la base de deux pour cent (2%) du Chiffre Brut d'Affaires (les « Royalties »). »

[84] Details of revenue mismanagement by Gecamines are covered in Regime Cash Machine, Global Witness, 2017 https://www.globalwitness.org/en/campaigns/democratic-republic-congo/regime-cash-machine/

[85] Somidez JV Convention, Article 10.5.4

[86] Somidez JV Convention, Article 25.3 'Transfert de technologie et Formation'

[87] Somidez JV Convention, Definitions, « Investissement Initial: … Le montant de l'Investissement Initial sera déterminé par l'Étude de Faisabilité Actualisée et est estimé, à la date des présentes, à huit cent millions (800.000.000) USD »

[88] 'Mine : la Gecamines scelle le projet minier « Deziwa » avec CNMC pour 880 millions USD d'investissement !' MediaCongo, 05/04/18 https://www.mediacongo.net/article-actualite-37060_mine_la_gecamines_scelle_le_projet_minier_deziwa_avec_cnmc_pour_880_millions_usd_d_investissement.html

"CNMC had announced in early 2018 that it would be injecting $880 million into the project, of which it holds 51%", 'Deziwa copper on target for start-up by the summer', Africa Intelligence, 19/02/2019 https://www.africaintelligence.com/ama/exploration--production/2019/02/19/deziwa-copper-on-target-for-start-up-by-the-summer,108345414-art

[89] Minutes from Somidez, Annual General Meeting, 29/06/18.

[90] Minutes from Somidez, Annual General Meeting, 29/06/18, state that the loan available for construction is 735 million plus a maximum interest of 66,800,000 (Total 801,800,000). The interest for this loan is calculated at 8 percent, plus the 6 month US Dollar (USD) LIBOR interest rate, though the total percent of interest should not exceed 9 percent. In addition there is a loan of 70 million with an interest rate of between 8-9 percent (though the document states this is to be repaid within three years, it does not state that the total interest is not capped). An interest rate of Libor plus 8 rate of interest is considered high for many parts of the world, however, mining industry experts consulted by Global Witness did not think it was unusual for investments in DRC's mining sector, which are considered risky by funders.

[91] « Contract EPC avec CTCL [CNMC Trade Company Limited], au titre duquel CTCL est responsable de la fourniture cle-en-main de l'Usine a la Societe contre le paiement d'un prix maximum de six cent trente-six millions cinq cent quatre-vingt-quinze mille sept cent trente (636.595.730) USD », Minutes from Somidez, Annual General Meeting, 29/06/18.

[92] http://www.cn15mcc.com:81/paper_view.asp?id=2510

[93]https://www.cnmn.com.cn/ShowNews1.aspx?id=327751

[94]https://www.cnmn.com.cn/ShowNews1.aspx?id=327751

[95]https://www.cnmn.com.cn/ShowNews1.aspx?id=327751

[96]https://www.cnmn.com.cn/ShowNews1.aspx?id=327751

[97]http://www.cn15mcc.com/English/index.php/news/show/id/1525.html?name=News

[98] http://hy752800.com/Industrynews/1130.html

[99] http://xyh.hgu.edu.cn/info/1004/1706.htm

[100] http://www.cfi.net.cn/p20170911001401.html

[101] 'Metalkol RTR', ERG Africa website, https://www.ergafrica.com/cobalt-copper-division/metalkol-rtr/

[102] 'Eurasian Resources Group enters into a principal agreement with China's NFC to complete the construction of its project in Africa; EXIM and ICBC to support the financing, Sinosure to provide the insurance', Eurasian Resources Group website, 02/09/15 https://eurasianresources.lu/en/news/eurasian-resources-group-enters-into-a-principal-agreement-

NFC successfully signed EPC general contract for Congo (DRC) RTR project, NFC Website, 08/07/16

http://www.nfc.com.cn/templates/T_new_list/index.aspx?nodeid=13&page=ContentPage&contentid=3828

[103] Metalkol AGM minutes from 2018, state that financing would be provided by China Exim Bank (CEXIM) and Industrial and Commercial Bank of China (ICBC), which would be guaranteed by China Export & Credit Insurance Corporation (Sinosure).

[104] It is not clear from the documents seen by Global Witness how much control, if any, the share pledge gives NFC over Frontier Mine.

[105] 'Eurasian Resources Group and China Nonferrous enter into a strategic long-term sales agreement for the delivery of copper concentrate from the Frontier mine in the DRC",

Eurasian Resources Group website, https://www.eurasianresources.lu/en/news/eurasian-resources-group-and-china-nonferrous-enter-into-a-

[106] CNMC Huachin Mabende Mining, Company statutes.

[107] "The ores supplied by Mabende Mining will mainly be used for the DRC project held by CNMC Huachin Mabende", Revision Of Annual Caps Of Continuing Connected Transactions, China Nonferrous Mining Corporation Limited, , 23/04/18 https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423009.pdf

[108] Mabende Mining, Acte Constitutif, May 2018.

[109] Interview mining specialists.

[110] The address 747, quartier Joli Site, commune Annexe, à Lubumbashi is shared with Huachin Sprl, Kisma Sarl, Mabende Mining and Green Mining.

[111] Company documents for Green Mining state that the three have come together as Green Mining in order to exploit a specially assigned artisanal mining zone, ZEA 299

[112] The International Consortium of Investigative Journalists published details of the shareholders of Platmin Congo Limited (BVI) on its Offshore Leaks database https://offshoreleaks.icij.org/nodes/10131931 The list of shareholders includes investment funds, wealth managers and private individuals, as such this list does not represent the full beneficial ownership of the company.

Zijn Mining Group published an announcement about its planned purchase of Platmin in 2010. In the announcement it describes Copperbelt Minerals as the 'parent company' of Platmin Congo Limited. Zijn states that in order to purchase Platmin Congo Limited they will purchase all the issued shares in a separate company called Platmin Congo (BVI), this would entitle them to all of Copperbelt's interests in the project. The announcement does not describe Copperbelt Minerals as the sole shareholder of Platmin Congo Limited, nor does it divulge any information on the owners of Copperbelt. Available online at http://www.zjky.cn/Portals/1/LTN20100507861.pdf

[113] 'Zijin says China, Congo will probably approve deal', China Daily, 05/12/2010 http://www.chinadaily.com.cn/business/2010-05/12/content_9841180.htm

[114] 'Is what is good for Zijin good for Congo?', Africa Confidential, 17/06/10, https://www.africa-confidential.com/article/id/10412/Is_what_is_good_for_Zijin_good_for_Congo

Announcement by Lion Selection Group (a shareholder in Copperbelt) that the deal with Zijn had collapsed https://www.nsx.com.au/ftp/news/021723146.PDF

[115] GCM completes Deziwa and Ecaille C buy, African Intelligence, 29/01/2013, the article puts the full amount paid at 191 million due to fines and penalties owed by Gecamines. https://www.africaintelligence.com/ama/exploration--production/2013/01/29/gcm-completes-deziwa-and-ecaille-c-buy,107941885-art

A Joint Press Release by Copperbelt Minerals and Gecamines on the settlement can be found in this 2011 EiTi report https://eiti.org/sites/default/files/documents/2011_drc_eiti_complementary_report_en.pdf pg 73

[116] Copperbelt Minerals Mining Deposits Transfer in Africa, Simmons & Simmons press release on the deal, http://www.simmons-simmons.com/en/news/2013/02-feb/copperbelt-minerals-mining-deposits-transfer-in-africa

[117] 'Gertler group loaned Congo's Gecamine $196 million for mine buyout', Reuters, 29/04/19 https://www.reuters.com/article/congodemocratic-mining-loan/gertler-group-loaned-congos-gecamine-196-mln-for-mine-buyout-idUSL6N0NL67P20140429

[118] Gertler group loaned Congo's Gecamine $196 mln for mine buyout, Reuters, 29/04/19 https://www.reuters.com/article/congodemocratic-mining-loan/gertler-group-loaned-congos-gecamine-196-mln-for-mine-buyout-idUSL6N0NL67P20140429

[119] Trouble in the Congo: The Misadventures of Glencore, Bloomberg, 16/11/18, https://www.bloomberg.com/news/features/2018-11-16/glencore-s-misadventure-in-the-congo-threatens-its-cobalt-dreams

Congo Signs Over Potential $880m Of Royalties In Glencore Project To Offshore Company Belonging To Friend Of Congolese President, Global Witness, 15/11/16. Accessible here: https://www.globalwitness.org/sv/press-releases/congo-signs-over-potential-880m-royalties-glencore-project-offshore-company-belonging-friend-congolese-president/