



Copperbelt Energy Corporation Plc
[Incorporated in the Republic of Zambia]
Company registration number: 39070
Share Code: CEC
ISIN: ZM0000000136
[“CEC Plc” or “the Company”]

PROPOSED DEMERGER OF CEC AFRICA FROM THE CEC GROUP

INTRODUCTION

In compliance with the Listings Requirements of the Lusaka Securities Exchange (“LuSE”), shareholders are advised that on 28 October 2016, the Board of Directors of Copperbelt Energy Corporation Plc (“CEC Plc” or the “CEC Group”) has proposed, subject to shareholder approval and lender consent the restructuring of the CEC Group by means of a distribution, via a dividend in specie, of ordinary shares in CEC Africa Investments Limited (“CEC Africa”) to shareholders of CEC Plc in the ratio of one (1) ordinary share in CEC Africa for every CEC Plc share held on the “Proposed Demerger”), being the record date of the Proposed Demerger (“Proposed Demerger Record Date”).

BACKGROUND AND RATIONALE FOR THE PROPOSED DEMERGER

In 2013, CEC Plc established CEC Africa as an investment platform through which it could channel its investments in the power sector across Sub-Saharan Africa. CEC Africa was capitalized with USD100 million, being seed capital for its operations, and received a further injection of circa USD50 million through shareholder loans. The original strategy for CEC Africa was for it to be an investment platform through which investors could access power infrastructure assets that were well diversified by region and technology.

In 2016, various factors have adversely affected the value of CEC Africa, including but not limited to:

- Low power generation in Nigeria compared to Multi Year Tariff Order forecast;
- Liquidity challenges facing the Nigerian energy sector;
- The effect of the depreciation of the Naira on CEC Africa’s USD debt obligations; and

- Limited enforcement of the Nigerian power sector regulatory regime due to various factors.

These and other general matters have significantly impacted the fair value of CEC Plc's investment in CEC Africa.

Accordingly:

- a. In compliance with IFRS 9, the Board of CEC Plc has considered an impairment of CEC Africa based on professional advice, and in applying the IFRS principles of determining fair value;
- b. The Board has, therefore, determined an impairment of USD99,999,999 million, which implies that the carrying value of CEC Africa in CEC Plc books reduces from USD100 million to USD1;
- c. The Board has further determined that the likelihood of deriving economic benefit from the CEC Africa receivable in excess to USD50 million, in accordance with the accounting policies and accounting standards, is low;
- d. The Board is of the view that the current challenges facing CEC Africa may be addressed, even though the timeline for resolution remains uncertain; and
- e. Until the current challenges are resolved, CEC Africa's financial performance will distort the strong performance of the CEC Plc business, which will continue to hinder CEC Plc from seeking further equity funding for progressing the project pipeline.

In recognition of the above, the Board is proposing the Demerger. This will result in the shareholders of CEC Plc holding their proportional interest in CEC Africa directly, while retaining their shareholding in CEC Plc. The Board believes the Proposed Demerger will remove the impact of the CEC Africa financial performance on CEC Plc and will allow the market to more appropriately value CEC Plc. In addition, shareholders will be able to retain their exposure to CEC Africa with a view to recover value from CEC Africa when the business issues identified above resolve. CEC Africa will remain unlisted on the LuSE and any other securities exchange, immediately post the distribution. CEC Africa will be quoted on the LuSE but full listing may be contemplated in the future.

TERMS OF THE PROPOSED DEMERGER AND SHAREHOLDER APPROVAL

Subject to shareholder approval, the Proposed Demerger will be implemented at a ratio of 1 CEC Africa share for every CEC Plc share held at the close of business on the Proposed Demerger Record Date.

IMPLICATIONS OF THE PROPOSED DEMERGER AND PRO FORMA FINANCIAL EFFECTS

The Proposed Demerger:

- would not affect the beneficial shareholding of the CEC Group;
- would result in the de-consolidation of CEC Africa's financial statements from the CEC Group, and the reporting of CEC Plc financial performance excluding CEC Africa;
- would move ownership of CEC Africa from CEC Plc to CEC Plc Shareholders in proportion to their shareholding in CEC Plc on the Proposed Demerger Record Date;
- would not result in a change in the economic ownership;
- would entail Qualifying Shareholders receiving 1 CEC Africa Share for every 1 CEC Plc Share held;
- would result in CEC Africa no longer being a wholly owned subsidiary of CEC Plc;
- would result in CEC Africa being registered as a foreign company under the Companies Act; and
- would, subject to the registration of CEC Africa shares with the Securities and Exchange Commission ("SEC"), result in the quotation of CEC Africa on the LuSE.

The pro forma financial effects of the Proposed Demerger on CEC Plc are expected to be as follows:

	Currency	Before	Pro forma adjustments	After	Percentage Change (%)
EPS	USD	(0.08)	+0.15	0.07	+190%
NAV per share	USD	0.18	+0.05	0.23	+30%
Ordinary Shares in issue		1,625,000,597	0	1,625,000,597	0%
Weighted average Ordinary Shares in issue		1,625,000,597	0	1,625,000,597	0%

EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

In compliance with the LuSE Listings Requirements and the Securities Act:

- a. A notice of Extraordinary General Meeting ("EGM") to consider the Proposed Demerger will be published on or about **15 November** 2016; and
- b. A Circular, containing further details of the Proposed Demerger, will be distributed to Shareholders on or about **22 November** 2016.

Shareholders of CEC Plc are accordingly advised to exercise caution when dealing in securities of the Company until further information is published.

By order of the Board

Julia C Z Chaila (Mrs)
Company Secretary