

PROJECT SUMMARY INFORMATION: African Lion Mining Fund (Regional African Mining Fund)

Regional fund to provide early stage equity in mineral resource companies throughout Africa, principally targeting advanced exploration/feasibility and development projects

1. Private sector operation

2. The Project:

Equity participation by the Bank in a regional fund (Africa African Lion Limited - AFL) to provide early stage equity in mineral resource companies throughout Africa from risk capital resources under the Lomé IV Convention. The Bank's investment would be up to EUR 8m, or 20% of the Fund's capital.

3. Financing Proposal:

An equity participation on the following terms and conditions:

Company: African Lion Limited (AFL)

Amount: Up to EUR 8m from risk capital (corresponding to 20% of the target share capital of the AFL)

Term: 10 years, extendable to 14 years.

Remuneration: Remuneration, consisting of dividends, capital gains, and interest, will be shared by investors prorata to their shareholdings.

Article 28 Opinion: The Article 28 Committee gave a FAVOURABLE OPINION on the proposed operation at its meeting on 13 September 2001

Mandate: Lomé IV bis

4. Value-added information

Based on the Bank's experience with the mining sector in the ACPs so far, the regional approach to funding this type of early-stage mining project appears to be the most appropriate, particularly bearing in mind that the target projects are more suitably financed by equity and would ordinarily be too small to warrant any direct EIB intervention. Furthermore experience to date with venture capital funds indicates that a "hands-on" approach by the fund manager to individual sub-projects is necessary to ensure the success of the portfolio, and this is the approach adopted by Lion for the AFL fund.

Africa is a continent with major resources whose exploration and development can contribute in a substantial way to the development of the countries' economies. For reasons associated with overhead costs and lack of flexibility, exploration activities are shifting away from the large mining corporations to the more specialised "junior" exploration and mining companies. Junior companies are often under-capitalised and have difficulties to raise financing on the Stock Exchanges. Hence the AFL fund can play a useful role in providing equity finance – on a rigorously selective basis – to these junior mining companies, and the Bank can fulfil one of its roles under the Lomé Convention to support productive projects in the mining sector in the ACP countries by contributing to the AFL fund.

5. Key issues

AFL makes investments with full regard to environmental factors and in accordance with best international practice. Environmental analysis according to guidelines acceptable to the Bank (AFL uses World Bank guidelines) is and will continue to be part of AFL's due diligence process in the appraisal of sub-projects.
