PROJECT SUMMARY INFORMATION: BWANA MKUBWA MINING EXPANSION (ZAMBIA)

1. Private sector Operation

2. The Project

Expansion of the Bwana Mkubwa hydrometallurgical copper production facility in Ndola (Zambian Copperbelt) from 10 000 t/a to 30 000 t/a of copper. The project cost encompasses equipment for the processing plant in Zambia, the mine in DRC and the cross-border transport of the ore.

3. Financing Proposal

Borrower:	Bwana Mkubwa Mining Ltd (Zambia).
Promoter:	First Quantum Minerals Ltd (Canada)
Amount:	Up to EUR 14m, from risk capital resources
Mandate:	Second Financial Protocol of the Lomé IV Convention (Rallonge).

Article 28 Member States' Committee*:* The Committee gave a favourable opinion on the proposal at its meeting of the 18/04/2002.

Financing plan: Total cost of the project is estimated at 35.5m EUR, to be funded essentially by recourse to loan financing. Shorter term financing is being provided by KBC Bank N.V., which has already contributed with 6.5m USD, and 12m USD are expected to be extended by Standard Chartered Bank Plc. This puts the Bank's longer term finance at 39% of project cost and 46% of total external funding.

4. Value added identification

Eligibility: Assistance to the mining sector is one of the tasks the Bank has been charged with under the Lomé Convention in the ACPs in general, and more particularly under the Zambian/EU indicative programme.

Value added: There is a strong case, from a developmental point of view, to support Zambia with projects, like the one under review, which are profitable even at the current low copper prices and are promoted by dynamic smaller companies with a focussed business strategy.

The project has attracted strong support from both Governments, witnessed by the speed with which all the necessary permits and fiscal arrangements have been obtained/put in place. The Bank's policy is to support projects that favour regional integration both within the European Union and outside the Union.

The Bank's Risk Capital Resources, with the possibility of sharing the political risk (as well as linking the remuneration to the copper commodity price), are particularly well suited for such a situation where copper ore supply interruptions due to a closure of the border cannot be excluded. Long term funding from commercial sources is either unavailable or prohibitively expensive.

The operation would allow the Bank to establish a business relationship with a junior mining house which has a proven track record in setting up this type of operation. It would put the Bank in a good position for the co-financing - under the future Cotonou Investment Facility - of a new major copper mine to be developed by the same promoter in Zambia starting in 2003 (the Kansanshi mine).

5. Key Issues

Environment

The governing environmental legislation for the project is the “Mines and Minerals Act, 1995” with the related “Mines and Minerals (Environmental) Regulations, 1997”. The operation is environmentally well managed. It complies with all relevant national legislation in force, applies best worldwide industry practice principles and fulfils the Bank’s environmental principles.

The project itself can be split into 2 parts with regard to location, environmental matters and applicable environmental legislation: the ore preparation and copper plant at the BMML site in Zambia and the Lonshi copper ore mine in the DRC:

Zambian project part: The state of the art project is built within the perimeter of an industrial site; air pollution will not change; liquid effluents will be reduced by changing over to the higher grade ore feed to the plant; adverse effects to flora and fauna, surface and groundwater do not exist; noise, particularly from the new mill, is within limits. The only impact of size is the additional road traffic both for ore and potentially for product transport. However, ore transport impacts are mitigated by a dedicated, almost exclusively used road between the mine and BMML, and product transport, exclusively to South Africa, is and will be using empty return sulphur trucks to the extent possible.

DRC project part: The medium size open pit mine is situated in a sparsely populated light to medium dense bush and forest type area. Unavoidable for mining operations, the project already has and will continue - at least temporarily – to consume land, albeit on a relatively small basis. Surface water is being diverted and groundwater abstraction, which is low, will be channelled into a retention basin. As the copper ore is completely oxidised, no acid is generated, unlike in copper sulphides mines. The Bank has verified on the ground to its satisfaction that the promoter and its mining contractor are committed to keep the impacts as low as possible. This is evidenced, for example, by a final waste dump area that has already (i.e. seven months only after operations start-up) been top soiled and is currently being revegetated.

All relevant issues have been properly addressed by the promoter and mitigating measures have been applied. Hence, the project complies with the Bank’s environmental principle of minimisation of negative environmental impacts, and is deemed environmentally acceptable.

Procurement

All major project related contracts have been awarded and most equipment and working capital requirements were procured either locally or from South Africa. The procurement procedures appear to be in the best interest of the project leading both to the most advantageous project cost and the shortest implementation periods. They are considered acceptable to the Bank.
