

## PROJECT SUMMARY INFORMATION: KANSHANSHI COPPER MINE AND POWER SYSTEM (ZAMBIA)

### 1. Private sector Operation

### 2. The Project

The Kansanshi copper project is the development of a new open-pit copper mine at Kansanshi in north west Zambia, together with the associated investment in a new power transmission system.

The mine is designed for the production of 60,000 t/y of copper cathodes and up to 70,000 t/y of copper concentrates for an initial lifetime of 16 years.

The power transmission component of the project will provide the necessary power to the mine. *[observation in July 2007: this power component has finally not been part-financed by the EIB]*

### 3. Financing Proposal

Borrower: Kansanshi Mining Plc., a Zambian company 80% owned by FQM and 20% owned by ZCCM, for the mine component.  
FQM Zambia, a Zambian company wholly owned by FQM, for the power line component.

Promoter: First Quantum Minerals Ltd ("FQM"), a public company listed on the Toronto Stock Exchange.

Amount: EUR 34 m subordinated participating loan for the mine component  
EUR 16 m ordinary loan for the power component  
EUR 50 m total, on Investment Facility ("IF") resources.

Mandate: Cotonou Agreement Investment Facility

Government opinion: Has been requested.

Commission opinion: N.A. (Cotonou Agreement Investment Facility)

Financing plan:

	EUR m	%
Senior debt	102	42
Other loans, leasing and stand-by facilities	41	16
Proposed financing from the Investment Facility	50	21
Equity	50	21

### 4. Value added identification

The project is a private sector, profitable project in the mining sector in Zambia. Assistance by the Bank for mining projects is specifically mentioned in the Country Strategy Paper for Zambia under Cotonou. Senior debt finance is available for the project, in particular from commercial banks under export credit insurance arrangements, and shareholders are subscribing further equity. To complete the financing plan junior debt was required in the form of subordinated debt, which is an instrument ideally suited to the Investment Facility of Cotonou.

## **5. Key issues**

### Environmental impact

Under Zambian environmental and mining law, the Kansanshi project required acceptance of the Environmental Project Brief (EPB) by the competent regulatory body, the Environmental Council of Zambia (ECZ), which has been accepted. Mine and plant design appears to be compliant with international best practice and national laws. Some negative project impacts were mitigated during the project layout due to the early involvement of the independent environmental consultant. The relevant environmental issues have been properly addressed by the promoter and mitigating measures been applied or foreseen according to best industry practice. The project thus complies with the Bank's principle of minimisation of negative environmental impacts. It is therefore deemed environmentally acceptable.

CEC as the developer has commissioned an environmental impact study for the routing and design of the transmission line and still has to obtain the necessary environmental permits and to acquire the way leaves for the line. Satisfactory conclusion of the procedure and submission of the documentation as well as integration of the recommendation in the project design and the construction documentation is a condition for the Bank's loan.

### Procurement

Procurement procedures appear to be in the best interest of the project, leading to the most advantageous project cost and the shortest implementation delays, and are or will be with regard to the contracts to be financed by the Bank, i.e. the EPCM contract and the subcontracts, in accordance with EIB's rules for funds from the Investment Facility. They are therefore considered acceptable.

## **6. Previous Relations with the Borrower/Promoter**

In August 2002 the Bank signed a finance contract of 14m EUR on risk capital resources under Lomé IV bis with a subsidiary of FQM, for the Bwana Mkubwa project. The loan has been fully disbursed and repayment is scheduled over 2003-2008. The project is successful and relations with the borrower/promoter are excellent.

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