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Export Credit Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003

Submission Regarding Australia's Export Credit Arrangements

I was until recently the President and CEO of Equinox Minerals Limited, a company that I co-founded in 1994 that was taken over by Barrick Gold Corporation in mid-2011 for \$7 billion. Equinox had risen from a junior explorer to the world's 18th largest copper producer, with a market capitalisation of \$7 billion rating it as the 7th largest listed mining company in Australia and Australia's 37th largest company.

This Australian success story resulted fundamentally from the development of the Lumwana Copper Mine in Zambia which commenced production in 2009 after ten long, hard years of exploration, feasibility, financing and construction at a total cost of about \$1 billion for development. When we started on this development story in 1999, Equinox had a market capitalisation of about \$10 million and faced a challenging path ahead to finance a project which at that time we thought would cost over \$500 million. However, through persistence we were able to ultimately finance development through a combination of debt and equity. EFIC played a key role in the financing that facilitated development of this world class project.

EFIC's involvement with the Lumwana financing commenced in mid-2005 as part of the banking syndicate to provide US\$305 million in debt financing for the project. The final funding package of US\$584 million was secured in late-2006, with EFIC providing a significant portion of the US\$173 million "Development Funding Institution" tranche. More importantly, EFIC undertook to provide the critical political risk insurance guarantee that was required by all of the commercial lenders that were providing the bulk of the project financing. The project would never have achieved financing without this key commitment.

The Lumwana Mine now provides about 20% of Zambia's copper exports which in total constitute over 75% of Zambia's foreign exchange. The economy of this very poor country in central Africa is highly dependent on the copper mining industry. Through development, Lumwana has provided employment for over 4,500 local people in a region that was previously dependant on subsistence agriculture, having one of the lowest levels of earnings per capita in Africa. The company has played a key role in the development of social infrastructure in the region, in the last few years having built over 20 schools, as well as health clinics, libraries and women's community centres. Lumwana has supported many key health and education programs in the local region. Regional infrastructure has also developed as a consequence of Lumwana, including the upgrading of the original track to a highway and the extension of the Zambian power grid for over 100 kms into the region. Lumwana makes a major contribution directly to the Zambian economy through tax (corporate tax 30%) and royalties (6% royalty on copper), as well as indirects such as income tax from employees and withholding tax on foreign contractors and consultants.

So Lumwana has made a significant positive impact on Zambia, but how has it impacted Australia? Equinox has always been seen as an Australian company in Zambia, with most of the company's management and 300-400 expat employees onsite, being Australian. Furthermore, most of the contractors engaged for the construction of Lumwana were Australian companies, with Ausenco being the key construction contractor. A

significant proportion of the equipment and hardware at Lumwana have been sourced from Australia. Australian investors dominated the register of Equinox Minerals, with many of them deriving substantial benefits from the share price increase of over 10,000% over the last decade. These benefits will have been passed through to Australian superannuation funds by our many institutional investors, with flow on tax benefits to the Australian Government. Reputationally, the Lumwana development has been a showcase of Australian expertise and investment into the developing world, especially into a country as poor as Zambia.

Would all of this have happened without EFIC? We probably would have found alternative financiers and providers of PRI, however in 2005 this would have been very difficult and likely have resulted in project delays and cost blowouts. The involvement of EFIC in a showcase development by an Australian company gave the other financiers, both debt and equity, the confidence critical for investment that ultimately resulted in a great Australian mining success story.

Yours faithfully,

Craig R Williams
Director
Orpheus Geoscience Pty Ltd