Funding the Golden Fleece:
An A to Z of commodity financing

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Australian Government

EFIC
Export Finance & Insurance Corporation

Overcoming financial barriers for exporters

About EFIC

- Australia's export credit agency (ECA)
- Purpose is to support growth of Australian business internationally
- Provides financial and insurance solutions for Australian exporters and offshore investors
- Fills 'market gap' when commercial finance unavailable/insufficient
- Role complementary to commercial lenders
- 100% owned by the Commonwealth of Australia
- EFIC debt securities rated AAA (S&P)
- Over 50 year's experience

EFIC financial solutions

Pre-shipment

- Working capital guarantees
- Advance payment and performance bonds
- Inventory finance
- Producer Offset loans
- Foreign Exchange
- Project Finance

Post-shipment

- Working capital guarantees
- Risk participation in overseas receivables
- Inventory Finance
- Documentary credit guarantees
- Finance to overseas buyers
- Project finance

Offshore investment

- Working capital guarantees
- Export finance guarantees
- Political risk insurance

Case Study

AgCo

- Agricultural trading business specialising in supplying agricultural product to China, South-East Asia, the Middle East and Russia.

- AgCo needs short-term pre-shipment finance to fulfil contracts (circa $10m each) to ship product.

- AgCo needs to pay suppliers and accumulate product prior to bulk shipment. Typical financing period 90 days. Once goods are shipped documents are presented to their bank for presentation under a confirmed sight L/C.

- Their bank is only willing to provide finance with a third party guarantee for repayment.

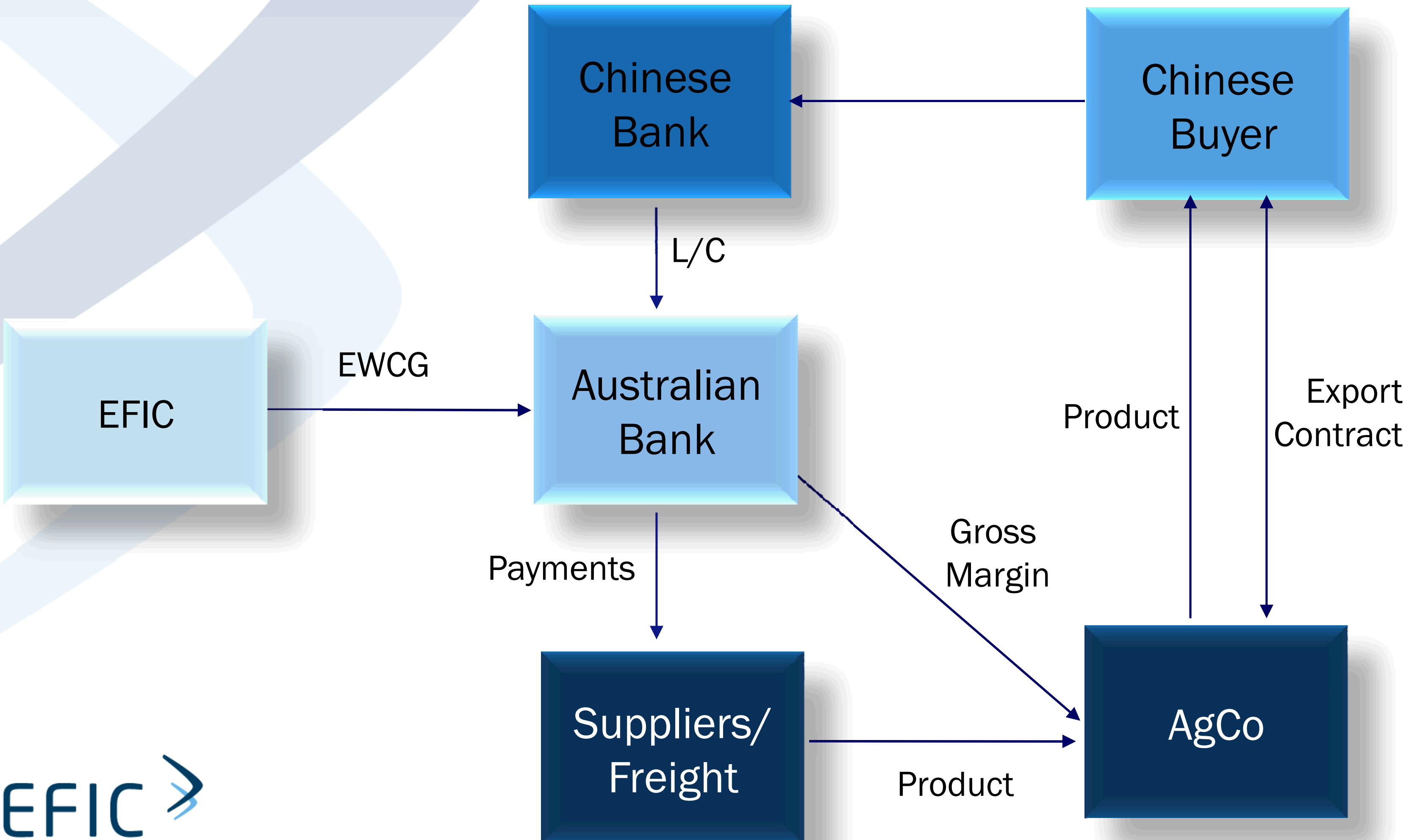
AgCo

- Under a Master Export Working Capital Guarantee, EFIC provides the bank with a three month guarantee for each of AgCo's shipments.

- Repayment of the EFIC guarantee comes from proceeds of the L/C.

- Fully self-liquidating pre-shipment finance facility where EFIC bears the entire credit risk on the exporter. EFIC has first ranking fixed and floating charge over AgCo. The bank takes second ranking security.

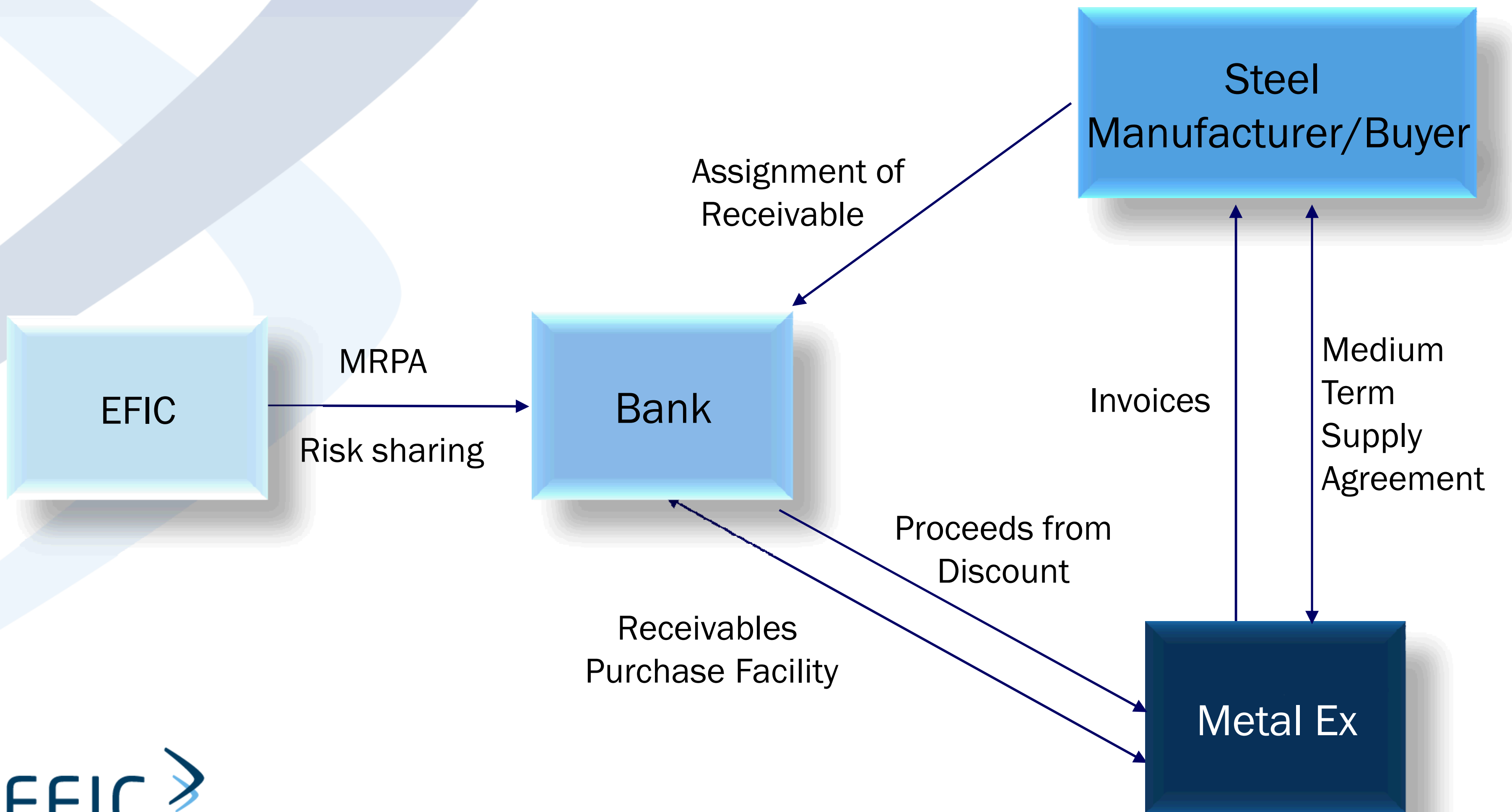
AgCo Structure



MetalEx

- Large coal mining company with multiple operations in QLD and NSW. Output exported globally to large and small buyers.
- Increasing coal prices and tonnages resulted in the company requiring a larger receivable finance facility against receivables due from a large steel manufacturer.
- MetalEx's bank has reached its internal counterparty ceiling on the buyer.
- EFIC enters into a Master Risk Participation Agreement with the company's bank. This enables the bank to increase the receivable finance facility with EFIC taking 25% of the facility risk on a pari passu basis.
- Each receivable is due 180 days after the bill of lading date. MetalEx sends bills of lading, commercial invoice and analysis certificates to the Buyer. MetalEx assigns the receivable to their bank. The buyer issues a letter to MetalEx's bank confirming the invoice value is correct, consent to the assignment and an irrevocable undertaking to pay the amount on the due date to the bank.
- There is no right of recourse to MetalEx.

MetalEx Structure



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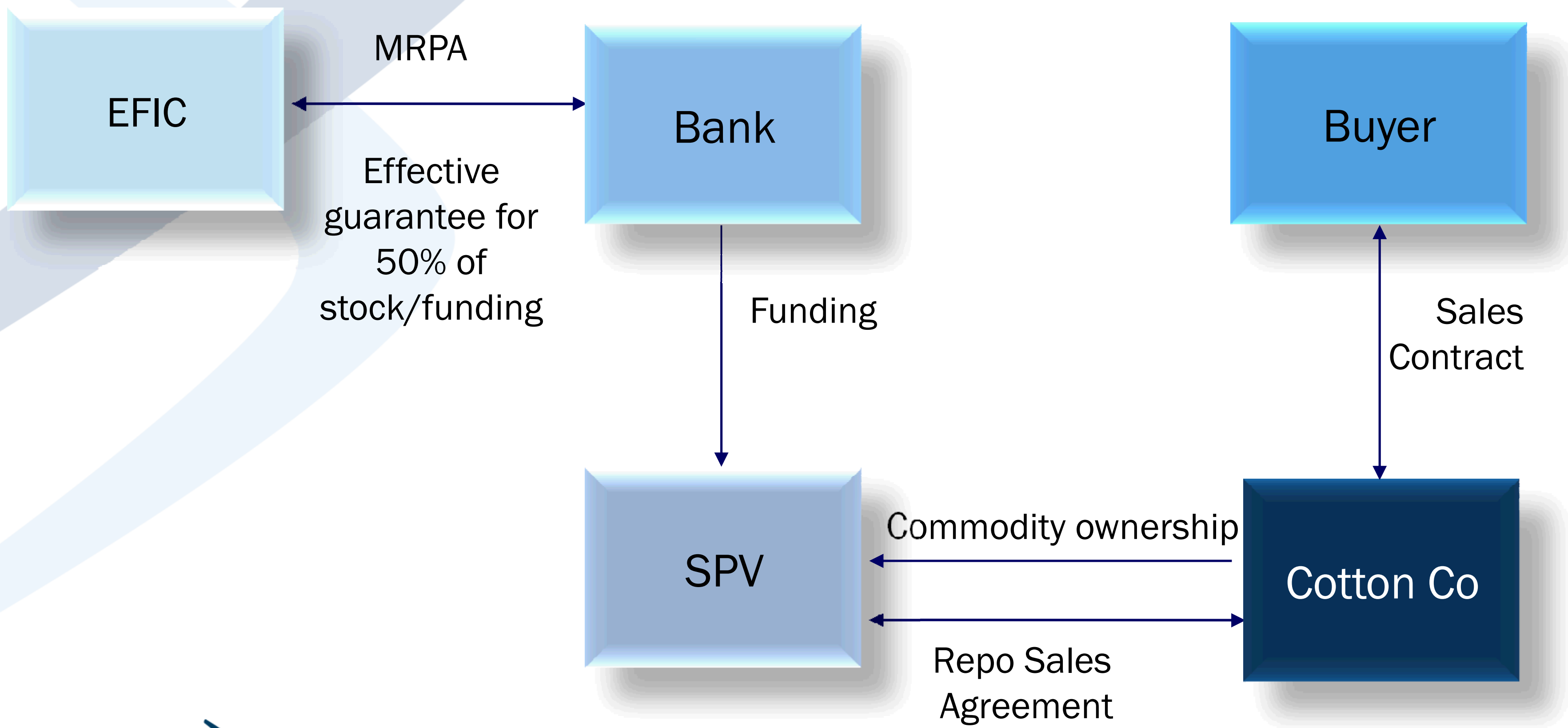
CottonCo

- Cotton exporter who purchases cotton from Australian farmers, processes it and then sells to overseas buyers.
- CottonCo wish to store cotton in China for just in time delivery to their buyers.
- Bank not fully comfortable with storage and legal risks in China, therefore seeking EFIC participation in the facility in order to risk share.
- EFIC and the bank use a Master Risk Participation Agreement to document EFIC's participation into an inventory finance repurchase agreement.
- Under the repo agreement, a SPV wholly owned and funded by the bank agrees to purchase agreed quantities of cotton in warehouse in China. The SPV agrees to sell back the same quantities of cotton each fortnight and at the same price.
- The cotton is marked to market each day and margin calls may be made on CottonCo should the market price of the cotton fall below a certain percentage of the purchase price.

CottonCo Structure



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