

# Equatorial Resources Limited

## Mayoko-Moussondji Transport Infrastructure Update

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Perth, Australia (ABN Newswire) - [Equatorial Resources Limited](#) (ASX:EQX) is pleased to announce it has commenced formal negotiations with the ROC Ministry of Transport in relation to access to government owned rail and port facilities that are available to service the Company's 100% owned Mayoko-Moussondji Iron Project ('Mayoko-Moussondji' or 'the Project').

Equatorial's Managing Director and CEO, Mr John Welborn, said: 'I am delighted with the progress we have made on delivering transport solutions for our Mayoko-Moussondji Iron Project. We continue to receive strong support from the ROC government on our structured plan to use the existing rail and port facilities. I am encouraged by the latest round of meetings with the new Minister of Transport who was supportive of our plans and who emphasised our shared belief that the state-owned rail and port infrastructure will be made available to multiple users'

### STAGED APPROACH TO PROJECT DEVELOPMENT

Equatorial's strategy for Mayoko-Moussondji is to deliver premium iron products to global markets in the near term utilising existing transport infrastructure. Equatorial is targeting the publication of a maiden JORC resource at Mayoko-Moussondji during the first quarter of 2013. The resource estimate will continue to be linked with the progress of the Company's metallurgical test program. This is expected to allow the in-situ resource inventory to be linked to reliable estimates of the final product potential.

Equatorial has appointed a project management team of highly experienced and well-credentialed industry experts to complete feasibility studies and supervise the Project's development. The Company has investigated the potential for a staged approach to production in order to accelerate initial production timelines and minimise capital expenditure. This approach has identified a fast track to initial low volume production which has resulted in Equatorial commencing negotiations with the Ministry of Transport and the relevant government agencies, to agree on commercial terms for the use of existing rail and port infrastructure. The initial stage of low volume production will be followed by a ramp up phase where on-going refurbishment is expected to increase capacity. A third stage of expansion will involve the development of additional facilities to significantly boost production capacity. Details of the phased approach to project development will be released in the form of a Scoping Study following publication of the maiden JORC resource estimate for the Project.

### REPUBLIC OF CONGO TRANSPORT AUTHORITIES - NEGOTIATIONS COMMENCED

During late October 2012, Equatorial's Managing Director & CEO, Mr John Welborn, conducted a series of meetings in Brazzaville and in Pointe Noire with senior officials from the Ministry of Transport, from the state owned railway company Chemin de Fer Congo Ocean ('CFCO') and from the state owned port company, the Port Authority of Pointe-Noire ('PAPN').

The purpose of the meetings was to present the results of Equatorial's preliminary rail and port feasibility studies and to commence formal negotiations for commercial rail and port agreements.

The ROC Transport Ministry is responsible for the administration of the CFCO and the PAPN. Following parliamentary elections in August 2012, a new Minister for Transport was elected, Mr Rodolphe Adada, a senior politician who has held previous positions as Minister of Mines & Oil and as Minister of Foreign Affairs.

The meetings held between Equatorial and the Transport Ministry allowed the Company to introduce its plans for the phased development of Mayoko-Moussondji and to discuss the proposed commercial terms for use of the existing state owned transport infrastructure.

Mr Adada was supportive of Equatorial's plans and reaffirmed the Ministry's, and the ROC Government's,

stance that public infrastructure will remain available to multiple users.

## **COMMERCIAL CONTRACT FOR RAILWAY**

Mayoko-Moussondji is serviced by an existing railway line that links the project directly to the deep water port of Pointe-Noire along 465km of rail track. The ROC railway system is under the control of the CFCO, a state owned and operated railway company, administered by the ROC Ministry of Transport.

Equatorial has signed two previous agreements with the CFCO in relation to the usage, financing and operations of the railway line for commercial transport. Under these agreements Equatorial was granted immediate access to the railway line and undertook to work together with the CFCO to complete a study for the use of the railway line to transport iron ore from Mayoko-Moussondji to the port of Pointe-Noire. The agreements, in the form of 'Protocole D'Accords' (Memorandums of Understanding or 'MOU'), also specified the framework of future commercial arrangements. This framework was confirmed by the recent meetings in Brazzaville with the Minister of Transport and with the CFCO and can be summarised as follows:

- Equatorial will own, operate, and maintain its own fleet of locomotives and rolling stock;
- The CFCO will retain ownership of the 'below rail' and will be ultimately responsible for maintenance and refurbishment of the railway system;
- Equatorial may pre-finance required upgrades to the railway line as identified in a detailed work program;
- The CFCO agrees that the capital cost of any work approved by the CFCO and financed by Equatorial will be treated by the CFCO as a prepayment made by Equatorial against future rail transport charges; and
- The final commercial arrangements will take the form of a 25 year User Agreement which will define all the commercial terms and operating parameters of Equatorial's use of the railway including the 'cost per tonne' tariff for commercial transport.

During 2011, the Company, with the assistance and cooperation of the CFCO, appointed independent engineering experts to conduct a railway engineering study. Upon completion of this study Equatorial commissioned R&H Railway Consultants (Pty) Ltd ('R&H') from South Africa to conduct a critical review of the study and to design an Operations Blueprint outlining key parameters for commercial bulk commodity transport from Mayoko to Pointe-Noire. This work has formed the base for Equatorial's Rail Studies Manager, Mr John Dorotich, to prepare a detailed Railway Feasibility Study as contemplated within the agreements signed between Equatorial and the CFCO. Mr Dorotich has considerable experience in bulk commodity railways having served previously as head of rail at Fortescue Metals Group Ltd and at African Minerals PLC.

The detailed Railway Feasibility Study expected to be completed during the current quarter is based on the phased ramp up of rail operations servicing Mayoko-Moussondji. The study will model the capital and operating cost estimates for proposed ramp up scenarios based on different train configurations and train cycle times and draws on previous rail studies conducted by R&H and Engenium Pty Ltd.

During the recent series of transport meetings in the ROC Equatorial presented the initial findings from the study to the CFCO. These findings, and a description of Equatorial's phased development plans, allowed Equatorial and the CFCO to discuss the operating parameters of the first phase of Equatorial's planned production from Mayoko-Moussondji and commence preparation and negotiation of a commercial contract for the use of the railway line.

The CFCO have agreed to work with Equatorial on developing the commercial contract on the basis that the Company provides them with the final version of the study and all other relevant details of its transport needs.

## **PROGRESS ON PORT SOLUTIONS**

The PAPN operates the port of Pointe-Noire, one of Africa's largest deep water ports and a major transport hub for Central and West Africa. The existing port was developed and used by COMILOG, the French manganese producer who constructed the Mayoko railway system, to transport up to 3mtpa of ore between 1962 and 1991.

Several international mining companies, including Xstrata, Evergreen, Cominco and Exxaro, are working with the ROC government on plans for the development of additional port facilities at Pointe-Indienne.

Pointe-Indienne is an area 10km to the north of Pointe-Noire where the government is supporting the construction of a multi user bulk commodity and minerals port.

Equatorial's port strategy is to partner with the government and other mining companies to facilitate the development of new large scale bulk commodity port facilities at Pointe-Indienne or another suitable location. As this solution is expected to take time to develop, Equatorial has also been focused on a short term strategy to utilise the existing infrastructure in the port of Pointe-Noire for the initial first phase operations.

Under an MOU between Equatorial and the PAPN signed in February 2011, the parties committed to the completion of a feasibility study for the use of the port for the export of iron ore. A team of engineers from Murray & Roberts in conjunction with materials handling specialists Demcotech Engineering, both from South Africa, completed Equatorial's Port Feasibility Study which identified a number of potential port solutions at the existing port of Pointe-Noire as well as longer term, larger scale solutions at Pointe-Indienne.

Subsequent to this study, Equatorial's internal project management team completed further studies including:

- A detailed wave study;
- Completion of a transshipment study to assess various options of barging, onshore and offshore storage, reclaiming and ship loading;
- Redrafting of proposed port layouts; and
- A detailed assessment of port development costs.

At the recent series of transport meetings in the ROC Equatorial presented the results of the completed studies to the PAPN, focusing on the opportunity to develop small scale mobile iron ore export facilities at the existing port of Pointe-Noire.

The PAPN agreed that Equatorial's planned stage 1 transport operation could be possible at the existing port and agreed to work with Equatorial to identify suitable areas for development, berthing and loading capacities, and to define potential commercial terms. The PAPN agreed to assist Equatorial in negotiations with other existing users to obtain required storage space. Equatorial and the PAPN are confident the facilities at the existing port of Pointe-Noire can support the Company's plans for initial export operations.

## POTENTIAL FOR COLLABORATION

Equatorial is seeking opportunities to cooperate and collaborate with other mining companies in the ROC over the development of shared transport infrastructure solutions. The Company sees considerable benefit in sharing development costs and operating control with other companies looking to build new or utilise existing rail and port infrastructure.

Equatorial is in dialogue with a number of mining companies operating in the ROC to agree frameworks for cooperation, joint study timelines and financing. A particular focus of such partnership opportunities is in relation to the development of long term port facilities at the proposed new minerals port of Pointe-Indienne to service later phases of development from Mayoko-Moussondji.

View the complete Equatorial Resources announcement including Figures at the link below:  
<http://media.abnnewswire.net/media/en/docs/ASX-EQX-613272.pdf>

## About Equatorial Resources Limited:

[Equatorial Resources Limited](#) (ASX:EQX) is focused on the exploration and development of two 100% owned potentially large-scale iron ore projects located in the politically stable and investment friendly Republic of Congo (ROC) in the emerging global iron ore province of Central West Africa.

The Mayoko-Moussondji Iron Project, located in the southwest region of the ROC, has an estimated global exploration target of between 2.3 and 3.9 billion tonnes<sup>1</sup> of iron mineralisation at a grade of 30% to 65% Fe. The project has access to a rail line running directly to the deep-water port of Pointe-Noire, where the Company's operational office is located.

The Badondo Iron Project, in the northwest region of ROC, covers 998km<sup>2</sup> and includes a ridgeline more than 7km long of outcropping iron mineralisation. The project is located within a regional cluster of

world-class iron ore exploration projects including Sundance Resources' Mbalam and Nabeba projects.

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