



ASX: EQX | 10 December 2014 | ASX RELEASE

MINING CONVENTION SIGNED FOR MAYOKO-MOUSSONDJI

Includes Rail and Port Agreements

HIGHLIGHTS

- Equatorial Resources Limited and the Republic of Congo Government have signed a Mining Convention Agreement for the development and management of the Mayoko-Moussondji Iron Project.
- The Mining Convention Agreement defines the fiscal rights and legal obligations of both the government and Equatorial with respect to the operation of the Mining Licence for the Mayoko-Moussondji Iron Project.
- Equatorial will benefit from various taxation concessions and guarantees which include a total corporate tax holiday for the first five years of production followed by a reduced corporate tax rate of 7.5% for a further five years and then a maximum corporate tax rate of 15% for the life of mine.
- The Mining Convention also provides Equatorial with guaranteed access to the state owned railway and port facilities and included the signing of a separate Rail Agreement with the state-owned Chemin de fer Congo-Ocean and a separate Port Agreement with the Port Autonome de Pointe-Noire.
- Having previously secured a 25 year Mining Licence for Mayoko-Moussondji, and validation of the Company's Environmental and Social Impact Assessment, the Mining Convention Agreement is the final step in the permitting process for the construction and operation of the Mayoko-Moussondji Iron Project.
- The Republic of Congo Government will benefit from a mining royalty equal to 3% of the mine gate value of the ore extracted and will receive a 10% shareholding in the Mayoko-Moussondji Iron Project.
- The Mining Convention Agreement demonstrates the Republic of Congo Government is a key stakeholder in the Mayoko-Moussondji Iron Project and is strongly supportive of Equatorial's development ambitions.

Equatorial Resources Limited ("Equatorial" or the "Company") is pleased to announce the Company and the Republic of Congo ("ROC") Government have signed a Mining Convention Agreement ("Mining Convention") for the Mayoko-Moussondji Iron Project ("Mayoko-Moussondji" or the "Project"). Signing of the Mining Convention follows the granting of a 25 year Mining Licence for the Project in March 2014 (refer ASX Announcement 31 March 2014).

The Mining Convention was signed at a ceremony in Brazzaville on 9 December 2014 attended by senior members of the ROC Government and Equatorial's Managing Director & CEO, Mr John Welborn. Mr Welborn commented that the signature of the Mining Convention for Mayoko-Moussondji demonstrated the strong ongoing support received from the ROC Government for Equatorial's planned development of the Project.

"Mayoko-Moussondji is a robust iron ore project as demonstrated by Equatorial's recently completed Pre-Feasibility Study. Securing the Mining Convention represents the last required administrative approval and indicates Equatorial has advanced a green field acquisition in 2010 to a fully permitted project opportunity. The government's strong ongoing support will be essential as Equatorial confronts the current difficult market for iron ore and explores financing opportunities."

The Mining Code of the ROC stipulates that, following the grant of a Mining Licence, a Mining Convention is signed between the holder and the government. The Mining Convention defines the fiscal rights and responsibilities of both the government and the holder with respect to the operation of the relevant Mining Licence. The negotiation of a Mining Licence and Mining Convention agreement is carried out on an individual basis between the ROC Government and each mining company and is guided by the terms of the Mining Code, the specific attributes of the mining project, and the precedent of previously granted conventions and legislation. The Mining Code has a number of favourable terms for miners. The government is entitled to a 3% royalty on revenues and a 10% free interest in the mining project.

The corporate tax rate for mining companies in the ROC is currently 30% and mining companies have been able to negotiate tax holidays of up to five years from first production and a range of other investment incentives.



Figure 1: The official signing of the Mayoko-Moussondji Mining Convention by (L to R) Mr. Pierre Oba, ROC Minister of Mines, Mr. Rodolphe Adada, ROC Minister of Transport, & Mr John Welborn, Managing Director & CEO of Equatorial



Figure 2: Mr Rodolphe Adada, ROC Minister of Transport, presents Mr John Welborn, Managing Director & CEO with the signed Mining Convention for Mayoko-Moussondji

The key benefits and advantages provided to Equatorial within the signed Mining Convention and the Rail Agreement and Port Agreement are:

- A 25-year unrestricted right to mine all forms of iron ore within the Mining Licence area which is renewable for further terms of 15 years;
- Access to the railway and port facilities for an initial period of 25 years with guaranteed capacity commencing at 500,000 tonnes per annum in year 1 and increasing to 12 million tonnes per annum in year 7;
- The ROC Government to participate as a shareholder;
- Equatorial will have access to the lowest priced fuel in the ROC at a subsidized rate established by statute; and
- Taxation concessions, benefits, and exemptions including;
 - Total corporate tax holiday for the first five years of production;
 - A reduced corporate tax rate of 7.5% for a further five years;
 - A maximum corporate tax rate of 15% for the remaining period of the Mining Convention;
 - Various advantageous treatments of depreciation and deductions;
 - Exemption from Value Added Tax on imports required for mining operations;
 - No fees, levies, or taxes charged in respect of the export of iron ore; and
 - Reduced customs regime during the construction period.

The Mining Convention is subject to conditions precedent including the official granting to Equatorial of access to the mining area, the signing of various implementation agreements, and the publication of the ratifying law in the official gazette of the ROC. Consistent with the ROC Mining Code, the Mining Convention requires Equatorial to commence construction within 12 months of the Mining Convention coming into effect, unless agreed otherwise between the parties.

Upon satisfaction of the conditions precedent the Mining Convention will be submitted to the ROC Parliament where it is expected to be ratified and become legislation.

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