

26 February 2016

ASX Code: **RER**

## KALONGWE MINING UPDATE

### Execution of formal agreements

Regal Resources Limited (ASX: RER) ("Regal") is pleased to advise that Regal and its joint venture partners Traxys Europe S.A and Traxys Projects L.P. ("Traxys") and La Générale Industrielle et Commerciale au Congo SARL ("GICC") have entered into a formal Shareholders' Agreement to govern the joint venture conducted through Kalongwe Mining S.A ("Kalongwe Mining").

Kalongwe Mining has entered into a Marketing Agreement with Traxys for any copper, cobalt, gold, ores, concentrates, metals or solutions originating or produced from the permit held by Kalongwe Mining.

The Shareholders' Agreement is largely consistent with the original binding joint venture agreement between the parties. A summary of the material terms is below.

- Exploration costs: Regal and Traxys are responsible for funding all exploration costs in accordance with the Board approved budget. The costs will be capitalised.
- Kalongwe Board: Regal/Traxys has the right to appoint up to five persons to the Kalongwe Board; GICC up to three and the DRC Government one.
- Share transfers: Pre-emptive rights and consent requirements and certain tag and drag-along rights apply to share transfers from the parties to the shareholders' agreement to third parties.
- Development costs: All development costs incurred after board approval of the feasibility study shall accrue as shareholder loans. Each shareholder shall have the right to loan its pro-rata share, on which interest shall be payable. The shareholder loans will be repaid out of the profits of Kalongwe Mining.
- Royalty: Following three successive months of nameplate capacity of plant production GICC is entitled to royalties on the copper produced so long as the copper price is US\$ 3,000/t or more at a rate of between US\$15/t and US\$30/t depending on the LME copper price and on the cobalt production for so long as the Metal Bulletin Quotation Reference cobalt price is US\$12/lb or more at a rate of US\$100/t. Royalties will be paid out of free cash flow.
- Services Agreements: Kalongwe Mining will enter into arms length services agreements with an affiliate of GICC for civil engineering, surface and construction works and customs

clearances subject to normal conditions relating to market rates, requisite capacity and availability.

- Additional shareholding: Once certain conditions have been fulfilled, Regal/Traxys have the right to purchase an aggregate of half of GICC's shares ("Additional Shares"). The conditions comprise: completion of the feasibility study that supports the viability of a mining operation on the permit, obtaining all necessary approvals from the DRC Government and authorities, securing funding for the mining operations from a recognised financier, and completion of regional exploration. The purchase price for the Additional Shares shall be either agreed, or determined by an independent expert.

## Shareholdings in Kalongwe Mining

In accordance with the DRC Mining Code the shareholders are in the course of completing the transfer of the 5% of the share capital of Kalongwe Mining to the DRC Government which will result in the respective shareholdings in Kalongwe Mining being Regal 28.5%; Traxys 28.5%; GICC 38%; and the DRC Government 5%.

---

### For further information, please contact:

**Patrick Holywell**

*CFO/Company Secretary*

Ph: +61 (0)8 9288 4485

Email: [info@regalresources.com.au](mailto:info@regalresources.com.au)