

Equatorial Resources Limited (ASX:EQX) Railway Funding Agreement Signed on Completion of Rail Study for the Mayoko-Moussondji Iron Project

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Perth, Australia (ABN Newswire) - Equatorial Resources Limited (ASX:EQX) is pleased to announce it has signed a further agreement with the CFCO following the positive completion of a railway engineering study over the operational bulk commodity railway line that links the Company's Mayoko-Moussondji Iron Project directly to the deep water port of Pointe-Noire.

The Republic of Congo ('ROC') railway system is under the control of the Chemin de Fer Congo Ocean (CFCO), a state owned and operated railway company, administered by the ROC Ministry for Transport. Construction of the North-South section of the railway line between Mayoko and Mont-Belo was completed in the 1960s by the French manganese producer COMILOG. COMILOG built and operated the railway line for the transport of the entire production of their mine (approximately 3mtpa of manganese ore) from 1962 to 1991. In 1991, COMILOG ceased using the railway line and the line has since been used only for the provision of a weekly passenger service operated by the CFCO.

The railway line is comprised of narrow gauge track of 1067mm (3'6") as used extensively for bulk commodity transport in Southern Africa, Australia and Indonesia. The line was originally designed and constructed to support 15t axle loads which could potentially be upgraded to 20t or beyond as part of future operations.

In September 2010, Equatorial signed an MOU with the CFCO granting the Company immediate access to the railway line and committing the parties to cooperate to complete an engineering study of the railway. The Company, with the assistance and cooperation of the CFCO, appointed independent engineering experts to conduct the engineering study between January and March 2011. Upon completion of this initial study Equatorial commissioned 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.

The terms of reference of the engineering study included:

- An analysis of the state of rail infrastructure for the transport of bulk commodities from Mayoko-Moussondji to Pointe Noire including: a rail capacity estimate; description of the current status of substructures and superstructures; and recommended actions required for the track to support a total capacity of 10mtpa. This analysis included a detailed physical inspection of the entire railway track between Mayoko and Pointe- Noire by carriage.
- Identification and recommendation of the elements of transport, namely train and traction equipment based on lengths of stations and towns along the route, track gauge and structure condition, and speed and terrain constraints based on the transport of 5mtpa;
- Identification of station, signalling and servicing infrastructure in place and recommendations for maintenance and refurbishment.

Rail Study Findings

The completed engineering study supports previous assessments that the railway is capable of transporting

10mtpa based on the completion of an accelerated maintenance program, the upgrading of communications infrastructure, and the reopening of existing passing loops and stations along the line.

At Equatorial's request, R&H assessed the transport of 5mtpa and have advised this can be achieved using 8 dedicated daily ore trains operating 350 days per annum. The recommended train configuration is 38 wagons with two locomotives resulting in a payload of 1,748 tonnes per train based on a 15t axle load.

The departure schedule from the mine and port was provided for as follows:

- 8 ore trains daily
- Up to 1 daily goods train for the mine
- Up to 3 spare slots at specific times to allow for occupations by maintenance teams and allow for 'catchup' potential.

This proposed schedule allows for continuous track maintenance and the provision of a daily goods train conveying fuel, parts and equipment to Mayoko. The schedule would necessitate the use of crossing loops at 30km intervals, including approximately 5 to 7 minutes for passing of trains provided that section throughput times are relatively equal.

The estimated total turnaround time (TAT) was given at 40 to 44 hours, although detailed runtime simulations were outside the scope of the studies and are to be confirmed during the railway DFS. Lower cycle times could possibly be achieved with improved scheduling which would have a significant impact on rolling stock fleet size and capital cost.

No consideration was given to extending the train lengths by employing distributed power (DP) in order to reduce in-train forces. Again this will be evaluated in more detail in the railway DFS.

The locomotives required by Equatorial and recommended by R&H for the intended operations are available from a number of international suppliers with lead times of a maximum of 18 months. Wagons are also readily available and are estimated to have lead times of a maximum of 12 months.

Transport Ministry Summit

Equatorial's Managing Director & CEO John Welborn presented the key findings of the engineering study to the Minister of Transport of the ROC, the Director General of the CFCO, and a senior representative from the Port Authority of Pointe-Noire ('PAPN') at a summit held in Brazzaville, ROC, in late August 2011.

The summit led directly to the successful negotiation and signature of the updated agreement between Equatorial and the CFCO and is testament to the strong working relationship, ongoing communication and rapport between Equatorial's senior management and the government in the ROC. The Company meets regularly with the Transport Ministry and the Ministry of Mines and Geology and has received strong support for Equatorial's work program and strategy.

Rail Funding Agreement

Following the completion of the engineering study, Equatorial has signed an agreement with the CFCO that details the terms on which Equatorial will invest to refurbish the railway line and outlines the responsibilities of the parties in relation to commercial transport. The agreement signed between the parties is in the form of a 'Protocol d'Accord' (Memorandum of Understanding) and comes under the jurisdiction of the Commercial Court of Pointe Noire in the ROC.

The key terms of the agreement are:

- CFCO and Equatorial will cooperate to conduct a DFS of the railway analysing the capital required and the operating parameters for the transport of iron ore from Mayoko-Moussondji. The DFS will be funded by Equatorial. The CFCO has undertaken to make available the necessary information and non-financial resources to carry out the study.
- The railway DFS will accurately identify the works and costs required to upgrade and maintain the railway line. The DFS will also identify the parameters and terms of a Tariff Agreement or 'Contrat Commercial' to be signed between Equatorial and CFCO, as contemplated in the Memorandum of Understanding of 23 September 2010 between the parties.
- Equatorial will pre-finance the required upgrades to the railway line as identified in a detailed Work Program that will be defined in the railway DFS. CFCO agrees that the capital cost of any work approved by the CFCO and financed by Equatorial will be treated by CFCO as a prepayment made by Equatorial against any

future rail transport charges.

- If Equatorial purchases locomotives, rolling stock or machinery to contribute to completion of the Work Program, CFCO agrees that this equipment remains the property of Equatorial and agrees to contribute to the operation of this equipment according to generally accepted technical and commercial provisions.

- A Tariff Agreement shall be concluded between CFCO and Equatorial before any pre-financing will occur.

Railway Definitive Feasibility Study

Equatorial is already in contact with a number of internationally credentialed railway consultants including R&H.

The Company intends to immediately prepare and issue Letters of Invitation to Tender to a selected group of railway engineering consultants for the completion of the railway DFS.

The railway DFS is scheduled to commence before the end of 2011 and will provide detailed capital and operating cost estimates for rail operations and well as a Work Program in relation to accelerated maintenance and refurbishment activities on the line.

Completion of the railway DFS during 2012 will allow for the negotiation of a Tariff Agreement with the CFCO and is a key aspect of Equatorial's strategy to progress development of Mayoko-Moussondji by taking advantage of the project's access to operational transport infrastructure.

Mr John Welborn, Managing Director and CEO of Equatorial, said 'the completion of the railway engineering study and resulting signing of a further agreement with the CFCO is a key development milestone for the Mayoko- Moussondji Iron Project. The prepayment arrangement we have negotiated will allow us to commence the work we have identified as being required and has the potential to benefit Equatorial considerably upon the commencement of production. We continue to work closely and cooperatively with the CFCO and will progress with the Definitive Feasibility Study on the railway line as the next step in our ongoing successful partnership.'

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 tonnes¹ 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 998km² 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 Resources²; Mbalam and Nabeba projects.

Source:

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