

# Equinox Minerals Limited announces recommended takeover of Citadel Resource Group Limited

24.10.2010 | [CNW](#)

TORONTO and SYDNEY, Australia, Oct. 25 - [Equinox Minerals Limited](#) (TSX and ASX: EQN) ("Equinox") is pleased to announce that it has entered into an agreement with [Citadel Resource Group Limited](#) (ASX: CGG) ("Citadel"), under which Equinox proposes to acquire all of the issued and outstanding shares of Citadel by way of a recommended takeover offer (the "Offer"). The Board of Citadel has recommended unanimously that Citadel shareholders accept the Offer, in the absence of a superior proposal.

The Offer comprises 1 Equinox share for every 14.3 Citadel shares, plus A\$0.105 per Citadel share in cash. The total value of the Offer is approximately A\$1.25 billion. After completion of the transaction, Equinox shareholders will own approximately 81% of the combined group and Citadel shareholders will own 19%.

All Board directors of Citadel who hold Citadel shares as well as certain key Citadel shareholders, in aggregate representing 19.9% of Citadel's outstanding shares, have entered into pre-bid acceptance agreements with Equinox under which they have agreed to accept the Offer in the absence of a superior proposal that is not matched by Equinox.

Equinox President and Chief Executive, Craig Williams, said "This transaction is a perfect fit with Equinox's strategy of delivering value accretive growth to shareholders through M&A as well as the execution of our organic growth projects. The acquisition of Citadel will achieve our stated goal of securing a significant near-term development project in a mining friendly jurisdiction. It also expands our pipeline of exploration projects and complements the long-term growth ambitions of the group."

## HIGHLIGHTS OF THE TRANSACTION

The combined group will be a leading independent copper producer with a portfolio of high-quality assets in Zambia, including the long-life Lumwana copper mine, and in Saudi Arabia, where Citadel is developing the Jabal Sayid copper-gold project.

Citadel shareholders will have the opportunity to realise an attractive premium and to share in the benefits of the combined group, including a growth pipeline with the potential to deliver in excess of 260,000tpa of copper production within four years, a strong balance sheet and an exceptional portfolio of exploration projects.

### The Offer:

- Delivers on Equinox's strategy of building a major global copper group with a diversified portfolio of high-quality long-life copper projects;
- Will be accretive for Equinox on an earnings and cashflow basis once Jabal Sayid is in production;
- Cements Equinox's market position as a leading independent pure-play copper producer;
- Enhances Equinox's growth pipeline, with an updated production target of more than 200,000tpa of copper once Jabal Sayid commences production and an objective of over 260,000tpa if the expansion of Lumwana (currently subject to a feasibility study) is implemented;
- Facilitates expansion and diversification into the highly prospective and underexplored Arabian Shield minerals province where Citadel's assets are located;
- Adds an advanced development project to Equinox's portfolio, with attractive capital costs;
- Lowers Equinox's average cash cost;
- Allows Equinox to leverage its financial strength and project development expertise in order to de-risk and

maximise the value of Jabal Sayid; and

- Allows Equinox to expedite near-mine exploration activities at the Jabal Sayid mine, as well as Citadel's extensive portfolio of exploration projects.

Equinox Chairman, Peter Tomsett, said "This transaction is an important step for Equinox in its evolution into a leading global copper producer. We believe Saudi Arabia is a very prospective minerals province and Citadel's assets are an excellent addition to Equinox's portfolio."

Equinox President and Chief Executive, Craig Williams, said "Equinox has been following Citadel's progress in Saudi Arabia for some time, with the Jabal Sayid project now positioned to become a significant copper mine. Citadel also holds an exciting portfolio of exploration properties in Saudi Arabia, having established itself as a "first mover" in this under-explored region. Citadel's assets are a natural fit with our existing operations and Equinox's financial strength and technical expertise will allow us to optimise the exploration and development of these projects. This is a combination that will create value for shareholders of both companies."

## OVERVIEW OF CITADEL

Citadel's flagship asset is the high-quality Jabal Sayid copper-gold development project, located in Western Saudi Arabia, which offers:

- Scale and grade that is comparable with other well known volcanogenic massive sulphide ("VMS") ore deposits in Canada and Australia, with a MI&I resource of 37.5Mt at a grade of 2.2% copper;
- A well advanced project schedule, with construction now under way after the DFS was completed in December 2009 and a mining license granted in May 2010;
- First production expected in late 2011 / early 2012, with an average LOM copper production target of 57,000tpa over 10 years;
- Low capital intensity compared to similar deposits, with a total estimated development cost of US\$305m, equivalent to approximately \$5,000/t annual copper (comparable to Lumwana and approximately half of the global industry average);
- Competitive positioning on the global cost curve with an estimated average C1 cash cost of US\$0.91/lb copper produced (at current benchmark TC/RCs); and
- Significant potential to extend the project's mine life and expand LOM production through near mine exploration.

Citadel has established a leading presence in the under-explored Arabian Shield and also owns a portfolio of advanced exploration projects in Saudi Arabia, which are considered to be highly prospective.

## TRANSACTION SUMMARY

Based on Equinox's volume weighted average share price ("VWAP") on the ASX of A\$5.96 over the 10 days to 22 October 2010 (being the last trading day prior to announcement of the Offer), the value of the Offer is A\$0.522 per Citadel share. This represents:

- a 21% premium to Citadel's 10-day VWAP prior to the Offer; and
- a 27% premium to Citadel's Enterprise Value(1) over the same period.

*(1) Enterprise Value is calculated as the 10-day VWAP for Citadel, less A\$0.086 per share in cash as at 30 September 2010*

Equinox has entered into a Bid Implementation Agreement with Citadel, which includes customary terms for a transaction of this nature including no shop and no talk provisions, a break fee of A\$12 million payable in certain circumstances, as well as providing Equinox with the right to match any superior proposal.

The Offer is subject to a number of conditions, including 90% minimum acceptances, no material adverse change occurring and certain key milestones being met in relation to the proposed acquisition by Citadel of an increased interest in the Jabal Sayid project. Equinox has already received approval for the Offer from

Australia's Foreign Investment Review Board.

The conditions to the Offer, as well as a summary of the key terms of the Bid Implementation Agreement, are provided in the appendices to this announcement.

Equinox's Bidder's Statement is expected to be despatched to Citadel shareholders, and the Offer to open for acceptance, in early November 2010.

## **ADVISERS AND COUNSEL FOR THE TRANSACTION**

Equinox's principal financial advisors are Rothschild, with CIBC World Markets Inc. ("CIBC") providing joint advisory services post the transaction announcement, its Australian legal advisor is Allen & Overy and its Canadian legal advisor is Blake, Cassels & Graydon LLP. CIBC has provided a private fairness opinion to the Board of Directors of Equinox.

## **AUSTRALIAN INVESTMENT MARKET CALL & WEBCAST**

Equinox and Citadel will host a joint conference call for Australian analysts and investors to discuss the transaction on Monday 25 October at 07:30 Perth / 10:30 Sydney time.

For further details, please see Appendix A to this announcement.

## **NORTH AMERICAN/EUROPEAN INVESTMENT MARKET CALL & WEBCAST**

Equinox will also be hosting a conference call for global analysts and investors to discuss the transaction on Monday 25 October at 09:00 Toronto / 14:00 London / 21:00 Perth time.

For further details, please see Appendix B to this announcement.

## **About Equinox**

Equinox Minerals Limited is an international mining company dual-listed on the Canadian (Toronto) and Australian stock exchanges.

The Company is currently focused on operating its 100% owned large scale Lumwana Copper Mine in Zambia, one of the largest new copper mines to be developed globally over the last few years.

Equinox acquired the Lumwana project in 1999 and following nearly 10 years of feasibility, financing and construction, commissioned the mine, plant and infrastructure in December 2008.

Situated 220 km northwest of the Zambian Copperbelt, Lumwana is now a major copper mine which has established Equinox as one of the world's top 20 copper producing companies.

Lumwana is mining and processing in excess of 20 million tonnes of ore per year, mined at an average life of mine strip ratio of (less than)3:1. Lumwana ore, which is predominantly sulphide, is treated through a large, yet conventional plant, producing a copper concentrate for sale to local and international offtakers. Equinox is on track to achieve its 2010 production guidance of 140,000t of copper in concentrate at a C1 cash cost of US\$1.35/lb of copper.

In addition, Equinox has been implementing a strategy of growth through organic expansion at Lumwana, with an objective of 35Mtpa throughput to produce approximately 200,000tpa of copper, as well as through an international search for acquisition opportunities.

For information on Equinox and technical details on the Lumwana Project please refer to the company website at [www.equinoxminerals.com](http://www.equinoxminerals.com)

## **About Citadel**

Citadel is an emerging ASX-listed base metals and gold company with a portfolio of development and exploration assets located in Saudi Arabia, within the highly prospective Arabian Shield minerals province. Citadel's flagship asset is Jabal Sayid, a copper-gold project located 350 kilometres north-east of the Red

Sea port city of Jeddah, the commercial capital of Saudi Arabia, and 120 kilometres south-east of Medina.

Jabal Sayid is on a scale that is comparable with other well known volcanogenic massive sulphide ("VMS") ore deposits in Canada and Australia. Jabal Sayid has M&I copper resources of 28.7Mt at a grade of 2.4%, for 687,000t of copper; and MI&I copper resources of 37.5 Mt at a grade of 2.2% Cu, for 827,000t of copper.

The Jabal Sayid Definitive Feasibility Study ("DFS") was completed in December 2009 and the Mining (Exploitation) License for the project was granted in May 2010. Under the DFS, the project is forecast to have a development cost of US\$305 million and to produce approximately 57,000t of copper in concentrate per year for 10 years from 2012, at an average C1 cash cost of US\$0.91/lb copper produced (based on 2010 benchmark TC/RCs). The deposit remains open at depth and is considered to have significant potential for future resource expansion.

Citadel is in the process of completing a transaction under which it would acquire 100% ownership of Jabal Sayid from its local Saudi Arabian partners.

Citadel also owns several other advanced exploration projects in Saudi Arabia, including the Jabal Shayban and Jabal Baydan gold-base metal projects, the Lahuf gold project, the Bari porphyry gold-copper project and the Wadi Kamal sulphide nickel-copper-PGM project.

### **About Saudi Arabia**

The Kingdom of Saudi Arabia is an Arab and Islamic sovereign monarchy with a legal system based on the Islamic Shari'ah. It enjoys a politically stable environment and has minimal security issues. It has a population in excess of 28 million, of which 20-25% are foreign nationals.

Saudi Arabia is one of the 25 largest economies in the world and is the largest economy in the Arab World. The country holds in excess of 20% of the world's proven oil reserves and the petroleum sector accounts for more than 30% of gross domestic product and 85-90% of exports. Saudi Arabia contains a significant portion of the Arabian Shield, a major geological shield that extends down the flanks of the Red Sea and which has been the location of base and precious metals mining for thousands of years.

Saudi Arabia is a member of the G20 Economic Forum and joined the World Trade Organisation in 2005. It has been ranked within the top tier of countries in terms of providing a favourable business environment and has an investment grade credit rating. In 2010 Saudi Arabia was ranked 13th in the World Bank "Ease of Doing Business" ratings globally. The government is promoting economic reform and diversification to generate growth, reduce Saudi Arabia's reliance on oil revenue and generate employment for its youthful population. The infrastructure of the country is of good quality and a focus of the Kingdom's development drive.

Saudi Arabia:

- Allows 100% foreign ownership in general commerce and business, other than for specific excluded activities;
- Allows for all foreign investment projects to enjoy the same privilege, incentives and guarantees as local projects;
- Has no restrictions upon foreign currency exchange or outgoing money transfers; and
- Has no restrictions upon repatriation or remittance of profits, capital or income.

The taxation regime in Saudi Arabia includes:

- A flat rate of 20% for companies and foreign citizens on all Saudi income;
- Withholding tax rates of 5% to 20% on certain payments made from Saudi Arabia to outside of Saudi Arabia; and
- Carrying forward of operating losses is allowed over subsequent years until the cumulative loss is recovered.

### **Cautionary Notes**

## **Forward-Looking Statements**

*Certain information contained or incorporated by reference in this press release, including any information as to the Company's strategy, projects, plans, prospects, future outlook, anticipated events or results or future financial or operating performance, constitutes "forward-looking statements" within the meaning of Canadian securities laws. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements can often, but not always, be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "predicts", "potential", "continue" or "believes", or variations (including negative variations) of such words; or statements that certain actions, events or results "may", "could", "would", "should", "might", "potential to", or "will" be taken, occur or be achieved or other similar expressions concerning matters that are not historical facts. Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made or incorporated in this press release are qualified by these cautionary statements.*

*Forward-looking statements are necessarily based on a number of factors, estimates and assumptions that, while considered reasonable by Equinox (the "Company") as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Such factors, estimates and assumptions of the Company contained in this news release include, but are not limited to: (i) the assumption that the Company will complete the Offer in accordance with the terms and conditions of the Bid Implementation Agreement; (ii) the accuracy of management's assessment of the successful integration of the combined companies upon completion of the Offer; (iii) the accuracy of the Company's and Citadel's mineral reserve and mineral resource estimates; (iv) management's expectation that Citadel's Jabal Sayid copper and gold project will be commissioned in late 2011; (v) the viability of Citadel's Jabal Shayban, Lahuf, Bari, Wadi Kamal, Murayjib-Bil'iwiy, and Jabal Baydan prospects on a basis consistent with the management's current expectations; (vi) management's expectations of the trading price of the Company's common shares and CHESSE depositary interests and of Citadel's ordinary shares; (vii) management's expectation of there being no significant risks relating to the Company's or Citadel's mining operations, including political risks and instability and risks related to international operations; (viii) management's expectation that exchange rates will be approximately consistent with current levels or as set out in this news release; (ix) certain price assumptions for copper, uranium, gold and base metals; \* certain price assumptions for natural gas, fuel oil, electricity and other key supplies remaining consistent with current levels; (xi) management's expectation of production forecasts; and \* management's expectations of permitting, development and expansion at the Company's existing properties. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

*Readers are also cautioned that forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Equinox and/or its subsidiaries to differ materially from those expressed or implied in the forward-looking statements, including the risk that the Offer will not be completed for any reason. Certain of these risks and uncertainties are described in more detail in the Company's Annual Information Form dated March 15, 2010 and in the Company's most recently filed Management's Discussion and Analysis, to which readers are referred and which are incorporated by reference in this news release. The Company's Annual Information Form and its most recently filed Management's Discussion and Analysis are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.equinoxminerals.com](http://www.equinoxminerals.com).*

*Although Equinox has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein are made as of the date of this document based on the opinions and estimates of management on the date statements containing such forward looking information are made, and Equinox disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information.*

*The Company will be filing important documents relating to the Offer with applicable Canadian securities regulatory authorities, including a copy of the Bid Implementation Agreement. The description of the Bid Implementation Agreement contained in this press release does not purport to be complete and is qualified in its entirety by reference to the full text of the Bid Implementation Agreement. Investors and securityholders are urged to carefully read the Bid Implementation Agreement and all such documents filed with applicable Canadian securities regulatory authorities. Such documents will be available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.equinoxminerals.com](http://www.equinoxminerals.com).*

### **Technical Information**

*Certain technical information in this press release has been summarized or extracted from the Technical Report on the Lumwana Project, North Western Province, Republic of Zambia dated June 2008 and re-filed in April 2009 (the "Technical Report"). Scientific and technical information concerning Equinox contained in this press release has been prepared under the supervision of Robert Rigo, BEng., FAusIMM, MIEAust, Vice President, Project Development of Equinox, who is a "Qualified Person" in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. Readers are cautioned not to rely solely on the summary of information contained in this release, but should read the Technical Report which is posted on Equinox's website at [www.equinoxminerals.com](http://www.equinoxminerals.com) and filed on SEDAR at [www.sedar.com](http://www.sedar.com) and any future amendments to such report. Readers are also directed to the cautionary notices and disclaimers contained therein.*

*The information in this announcement concerning Citadel's assets is based on publicly available information and has not been independently verified by Equinox.*

### APPENDIX A - AUSTRALIAN INVESTMENT MARKET CALL & WEBCAST

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Date: Monday, October 25, 2010

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Time: 07:30 HRS (Perth time)

----- 10:30 HRS (Sydney / Melbourne time)

00:30 HRS (London time)

01:30 HRS (Lusaka time)

19:30 HRS (Toronto time - Sunday, October 24, 2010)

19:30 HRS (New York time - Sunday, October 24, 2010)

Webcast: The Company's website at [www.equinoxminerals.com](http://www.equinoxminerals.com)

----- A replay of the webcast will be available until October 24, 2011.

Dial-in International: +1-412-317-6789

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Dial-in Australia: +1-800-822-994 (Toll-free)

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Dial-in North America: +1-877-317-6789 (Toll-free)

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Dial-in UK & EU: + 080-8238-9064 (Toll-free)

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Call Instructions: Please call in 10 minutes prior to the call and ----- reference "Equinox Minerals." An operator will be available to assist you.

Replay: A replay of the telephone conference will be ----- available approximately one hour after the completion of the conference and until November 24, 2010.

Replay Dial-in: +1-412-317-0088 (International) and ----- +1-877-344-7529 (North America).

To access the recording, please enter Conference No. 445707. An archived transcript of the call will also be available on the Company's website.

APPENDIX B - NORTH AMERICAN/EUROPEAN INVESTMENT MARKET CALL & WEBCAST

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Date: Monday, October 25, 2010

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Time: 09:00 HRS (Toronto time)  
----- 09:00 HRS (New York time)  
14:00 HRS (London time)  
15:00 HRS (Lusaka time)  
21:00 HRS (Perth time)  
00:00 HRS (Sydney / Melbourne time - Tuesday,  
October 26, 2010)

Webcast: The Company's website at [www.equinoxminerals.com](http://www.equinoxminerals.com)  
----- A replay of the webcast will be available until  
October 25, 2011.

Dial-in International: +1-412-317-6789

-----

Dial-in Australia: +1-800-822-994 (Toll-free)

-----

Dial-in North America: +1-877-317-6789 (Toll-free)

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completion of the conference and until November  
25, 2010.

Replay Dial-in: +1-412-317-0088 (International) and  
----- +1-877-344-7529 (North America).  
To access the recording, please enter Conference  
No. 445709. An archived transcript of the call  
will also be available on the Company's website.

APPENDIX C - BID CONDITIONS

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The Takeover Bid is subject to the following conditions which must be  
satisfied or waived in accordance with the Bid Implementation Agreement.

(a) No CGG Material Adverse Change

Before the end of the Offer Period, no CGG Material Adverse Change  
occurs, is discovered, announced, disclosed or otherwise becomes  
known to EQN or CGG (whether or not it becomes public).

(b) No CGG Prescribed Occurrence

Before the end of the Offer Period, no CGG Prescribed Occurrence  
occurs.

(c) Minimum Acceptance Condition

Before the end of the Offer Period, EQN has a Relevant Interest in  
such number of CGG Share as represents at least 90% in aggregate

of all CGG Shares on issue.

(d) Acquisition of Bariq Mining Limited

Before the end of the Offer Period:

(i) notarisation is obtained of the approval to the amendment of the Articles of Association of Bariq Mining Limited by the Saudi Arabian Ministry of Commerce and Industry in relation to the transfer from CMCI of a 20% equity interest in Bariq Mining Limited to Vertex Group pursuant to an agreement between the parties dated 18 June 2010; and

(ii) if any approval of CGG Shareholders is necessary for the 100% Bariq Acquisition, such approval is obtained in satisfaction of the condition set out in clause 2(c) of the Share Transfer Agreement.

(e) No regulatory intervention

During the period from the date of the Bid Implementation Agreement to the end of the Offer Period:

(i) there is not in effect any preliminary or final decision, order or decree issued by an authority; and

(ii) no application is made to any authority, or action or investigation is announced, threatened or commenced by an authority in consequence of or in connection with the Offer,

(other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act) which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit) or otherwise materially adversely impacts upon, the making of the Offer or any transaction contemplated by the Bid Implementation Agreement, the Offer or the rights of EQN in respect of CGG or CGG Securities or requires the divestiture by EQN or EQN Shareholders of any CGG Securities or the divestiture of any assets of the CGG Group, EQN, the EQN Group or otherwise.

## APPENDIX D - SUMMARY OF KEY TERMS OF BID IMPLEMENTATION AGREEMENT

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### 1. INTRODUCTION

EQN and CGG entered into a Bid Implementation Agreement on 24 October 2010. The Bid Implementation Agreement sets out the terms and respective obligations of the parties in relation to EQN's offer to acquire all of the issued ordinary shares in CGG by way of off-market takeover bid.

A summary of the key terms of Bid Implementation Agreement is set out below.

### 2. EXCLUSIVITY

#### (a) No Shop

During the Exclusivity Period, CGG and its representatives must not directly or indirectly solicit, invite or otherwise encourage or initiate any enquiries, negotiations or discussions or communicate an intention to do any of those things with a view to obtaining any expression of interest, offer or proposal from any person in relation to a Competing Proposal.

(b) No Talk

Subject to the exception set out in 2(e), during the Exclusivity Period CGG and its representatives must not directly or indirectly negotiate, enter into, continue or participate in negotiations or discussions with any third party regarding a Competing Proposal, even if:

(i) the Competing Proposal was not directly or indirectly solicited, initiated or encouraged by CGG or any of its representatives;

(ii) negotiations or discussions in relation to the Competing Proposal commenced before the date of the Bid Implementation Agreement; or

(iii) that third party has publicly announced its Competing Proposal.

(c) No Due Diligence

Without limiting the No Talk restriction but subject to the exception set out in 2(e), during the Exclusivity Period CGG must ensure that neither it nor its representatives:

(i) directly or indirectly solicit, invite, facilitate or encourage any party (other than EQN or its representatives) to undertake a due diligence investigation on any member of the CGG Group; or

(ii) make available to any person (other than EQN or its representatives) or permit any such person to receive any non-public information relating to any member of the CGG Group.

(d) Notification

During the Exclusivity Period, CGG must immediately inform EQN if CGG or any of its representatives is approached by any person to discuss or engage in any activity that would breach its obligations in relation to the No Talk and No Due Diligence restrictions.

Further, subject to the exception set out in 2(e), as soon as reasonably practicable, CGG must provide in writing to EQN the identity of that person and any person on behalf of which that person is acting, and details of the Competing Proposal sought to be discussed by the person making the approach or in relation to which the person making the approach wishes to engage in such activity.

(e) Exceptions

The No Talk and No Due Diligence and the second Notification restrictions do not apply in respect of a bona fide Competing Proposal that is received by CGG after the date of the Bid Implementation Agreement and which was not solicited, invited, initiated or encouraged by CGG or the CGG board in contravention of the No Shop restriction, if the CGG board, after having first obtained written advice from its legal and financial advisers, has determined in good faith that:

(i) the Competing Proposal in respect of which the restrictions and notification would otherwise apply is or may be reasonably expected to lead to a Superior

Proposal; and

(ii) failing to respond to such Competing Proposal would be likely to constitute a breach of the fiduciary or statutory duties of members of the CGG board.

(f) Matching Right

Before the CGG board withdraws or changes its recommendation after determining that a Competing Proposal constitutes a Superior Proposal, CGG must:

(i) provide EQN with sufficient details in relation to the Superior Proposal to enable EQN to respond to the Superior Proposal; and

(ii) give EQN at least 3 business days after the provision of details to respond to the Superior Proposal if EQN chooses in its absolute discretion to do so.

### 3. REIMBURSEMENT AMOUNT

(a) Payment by CGG

A reimbursement amount of \$12,000,000 will be payable by CGG if EQN does not proceed to acquire 90% of CGG Shares before the Long Stop Date and any of the following occur:

(i) at any time before the Long Stop Date, members of the CGG board (or any one or more of them) endorse or otherwise support a Competing Proposal made by a person other than a member of the EQN Group;

(ii) a person other than a member of the EQN Group:

(A) acquires or agrees (conditionally or otherwise) to acquire, any interest in Bariq Mining Limited or the Jabal Sayid Mining Project;

(B) acquires or agrees (conditionally or otherwise) to acquire control of CGG, within the meaning of section 50AA of the Corporations Act;

(C) acquires or agrees (conditionally or otherwise) to acquire, the whole or a substantial part of the business or assets of CGG or the CGG Group;  
or

(D) otherwise acquires or merges or agrees (conditionally or otherwise) to acquire or merge with CGG (including by reverse takeover bid or takeover bid, or by establishing a dual listed company structure or stapled security structure), where an agreement in relation to that acquisition is entered into on or before the Long Stop Date;

(iii) a Competing Proposal is announced before the Long Stop Date and, within 6 months after the Long Stop Date:

(A) the person making the Competing Proposal (whether alone or together with one or more associates (as defined in the Corporations Act) acquires a Relevant Interest in more than 20% of all CGG Shares (whether by way of acquisition of existing CGG Shares or issue of new CGG Shares);  
or

(B) if the Competing Proposal proceeds by way of takeover bid under Chapter 6 of the Corporations Act, the takeover bid is free or becomes free from defeating conditions and the person making the Competing Proposal acquires a Relevant Interest in more than 20% of all CGG Shares;

(iv) at any time before the earlier of the end of the Offer Period and the Long Stop Date, members of the CGG board (or any one or more of them) fail to make, or change or withdraw, a recommendation to CGG Shareholders to accept the Offer or otherwise make any public statement that suggests that the Takeover Bid is no longer recommended, other than because the Bid Implementation Agreement is terminated by CGG for material breach by EQN, an EQN Prescribed Occurrence or an EQN Material Adverse Change;

(v) on the date of the Bid Implementation Agreement CGG fails to release its announcement in the form agreed between EQN and CGG;

(vi) at any time before the earlier of the end of the Offer Period and the Long Stop Date, CGG is in breach of any of its exclusivity obligations, where such breach is material in the context of the Takeover Bid; or

(vii) EQN terminates the Bid Implementation Agreement for material breach by CGG or a CGG Prescribed Occurrence.

(b) Payment by EQN

A reimbursement amount of \$12,000,000 will be payable by EQN if:

(i) the Bid Implementation Agreement is terminated by CGG for a material breach by EQN or an EQN Prescribed Occurrence which results in a material adverse effect on the value of the Consideration or the Offer; or

(ii) EQN does not provide the Consideration to CGG Shareholders in accordance with the terms and conditions of the Offer.

#### 4. TERMINATION

(a) Termination by either party

The Bid Implementation Agreement may be terminated by either party if:

(i) a court or authority issues a final and non appealable order or ruling or takes an action which permanently restrains or prohibits the Offer;

(ii) EQN withdraws the Offer for any reasons including non-satisfaction of a Bid Condition;

(iii) the Offer lapses without the Bid Conditions being satisfied or waived;

(iv) the Long stop Date is reached and the Offer Period has not concluded; or

(v) the other party is in breach of a material term or a representation or warranty is untrue, inaccurate or

misleading in a material respect, other than as a result of a breach of the Bid Implementation Agreement by the terminating party, and the breach has not been remedied within 5 business days of the terminating party providing notice to the other party of its intention to terminate the Bid Implementation Agreement which sets out details of the matters and circumstances giving rise to the termination right;

(b) Termination by EQN

The Bid Implementation Agreement may be terminated by EQN if:

- (i) CGG is in breach of its exclusivity obligations;
- (ii) the CGG board or any one or more members of the CGG board change or withdraw their recommendation that CGG Shareholders accept the Offer in respect of all their CGG Shares, or make a public statement indicating that they no longer support the Offer or that they support a Competing Proposal;
- (iii) a CGG Prescribed Occurrence occurs; or
- (iv) a CGG Material Adverse Change occurs;

(c) Termination by CGG

The Bid Implementation Agreement may be terminated by CGG if:

- (i) the CGG board (or a majority of members of the CGG board) change or withdraw their recommendation in accordance with the Bid Implementation Agreement provided that CGG has complied with its obligations under 2;
- (ii) an EQN Prescribed Occurrence occurs as a result of which there is a material adverse effect on the value of the Consideration or the Offer; or
- (iii) an EQN Material Adverse Change occurs.

## DEFINITIONS

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100% Bariq Acquisition means the acquisition by Vertex Group of:

(a) a 20% equity interest in Bariq Mining Limited from Abdul Hadi Al Qahtani and Partners for Maritime and Oilfield Services; and

(b) a 10% equity interest in Bariq Mining Limited from Dr Said Al-Qahtani,

pursuant to the Share Transfer Agreement.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

Bariq Mining Limited means Bariq Mining Limited, commercial registration number 205133257, registered in the Kingdom of Saudi Arabia.

Bid Implementation Agreement means the bid implementation agreement between EQN and CGG dated 24 October 2010.

CGG Group means CGG and its related entities.

CGG Material Adverse Change means any event, matter or circumstance which individually, or when aggregated with all such other events, matters or circumstances:

(a) results in or could reasonably be expected to result in the value of the consolidated net assets of the CGG Group reported in CGG's financial statements for the year ended 30 June 2010 being reduced by \$70 million or more;

(b) results in or could reasonably be expected to result in the project development costs or the cash operating costs in respect of the development and operation of the Jabal Sayid Mining Project as disclosed to ASX before the date of the Bid Implementation Agreement being increased by 10% or more;

(c) results in or could reasonably be expected to result in a diminution in CGG's JORC compliant resources and reserves (as disclosed in to ASX before the date of the Bid Implementation Agreement) by 5% or more;

(d) results in, or could be reasonably expected to result in (now or at any time in the future) the termination or loss of, or a reduction in the CGG Group's interest in, any material licenses of the CGG Group; or

(e) results in or could reasonably be expected to result in completion of the 100% Bariq Acquisition not occurring in accordance with the Share Transfer Agreement,

other than an event, matter or circumstance:

(i) required to be done as a result of the Bid Implementation Agreement;

(ii) the occurrence of which was fairly disclosed to EQN or public filings with ASIC; or

(iii) that arises as a direct result of any reduction in the London Metals Exchange Cash Seller Settlement Price (in US Dollars per tonne) for Copper Grade A, as published in the London Metal Bulletin each day (based on Greenwich mean time days), from the amount of the London Metals Exchange Cash Seller Settlement Price (in US Dollars per tonne) for Copper Grade A published in the London Metal Bulletin on the date of the Bid Implementation Agreement.

CGG Prescribed Occurrence means any of the following:

(a) CGG converts all or any of its shares into a larger or smaller number of shares;

(b) any member of the CGG Group (other than a direct or indirect wholly owned subsidiary of CGG) resolves to reduce its share capital in any way or reclassifies, redeems or repurchases directly or indirectly any of its shares;

(c) any member of the CGG Group (other than a direct or indirect wholly owned subsidiary of CGG) enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) any member of the CGG Group issues securities or agrees to make such an issue or grants an option or performance right over any securities (including equity securities, debt securities or convertible securities) other than to CGG or to a direct or

indirect wholly owned subsidiary of CGG or pursuant to performance rights, the conversion of convertible securities or the exercise of options the existence of which has been disclosed to ASX before the date of the Bid Implementation Agreement;

(e) any member of the CGG Group amends or proposes to amend its constitution, other than proposed amendments to the Articles of Association of Bariq Mining Limited referred to in Bid Condition (d) and required to effect the 100% Bariq Acquisition and proposed amendments to the Articles of Association of Vertex Group pursuant to the shareholders resolution dated 5 September 2010;

(f) any member of the CGG Group creates or agrees to create any Encumbrance over the whole or any part of its assets or undertaking other than an Encumbrance arising in the ordinary course of business;

(g) an order or application is made or a resolution is passed for the winding up of any member of the CGG Group other than ADV Medical Holdings Pty Ltd and DBC Finance Pty Ltd;

(h) an administrator, liquidator, provisional liquidator, receiver or receiver and manager is appointed in respect of any member of the CGG Group or the whole or any part of the assets or undertaking of any member of the CGG Group, or any member of the CGG Group executes a deed of company arrangement;

(i) any member of the CGG Group other than ADV Medical Holdings Pty Ltd and DBC Finance Pty Ltd ceases to carry on business or is deregistered under the Corporations Act;

(j) any member of the CGG Group enters into any arrangement, agreement or understanding under which any one or more members of the CGG Group incur, or will incur, a commitment in excess of \$1,000,000;

(k) any member of the CGG Group enters into any swap, futures contract, forward commitment or other derivative transaction;

(l) any member of the CGG Group enters into a contract or commitment restraining any member of the CGG Group from competing with any person or conducting activities in any market;

(m) any member of the CGG Group enters into or otherwise becomes a party to, any material transaction with a related party (as that term is defined in Chapter 2E of the Corporations Act) of CGG (other than between CGG and a direct or indirect wholly owned subsidiary of CGG);

(n) any member of the CGG Group materially amends any arrangement with its financial advisers in respect of the Offer or the acquisition of control of the CGG;

(o) any member of the CGG Group engages or terminates (other than for cause) the engagement of any director or senior employee, or increases the remuneration (except in the ordinary course as a result of annual performance reviews to be conducted in December 2010 and in any event by no more than 5% increase in total remuneration paid to employees of the CGG Group) or otherwise varies any agreement with any such person (including varying any bonus, incentive, severance or retention arrangements) or agrees to pay or pays any termination or severance payment to such person other than as set out in the CGG Employee Arrangements;

(p) any member of the CGG Group enters into any enterprise agreement or other collective agreement with or relating to any group of employees;

(q) Vertex Group determines to pay any proportion of the consideration for the 100% Bariq Acquisition by way of issue of CGG Shares under clause 4(c) of the Share Transfer Agreement;

(r) during the period from the date of the Bid Implementation Agreement to the end of the Offer Period, any member of the CGG Group (other than a direct or indirect wholly owned subsidiary of CGG) declares, pays, or determines to be payable any distribution, bonus or other share of its profits or assets (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);

(s) any member of the CGG Group acquires, or offers or agrees to acquire, or announces a bid or tender for, any business, asset, joint venture interest, entity or undertaking (or any interest in a business, asset, joint venture, entity or undertaking) the value of which, individually or in aggregate, exceeds \$1,000,000 or makes an announcement in relation to such an acquisition, offer or agreement;

(t) any member of the CGG Group disposes of, or offers or agrees to dispose of, any material business, asset, joint venture interest, entity or undertaking (or any interest in a business, asset, joint venture, entity or undertaking) or makes an announcement in relation to such a disposal, offer or agreement;

(u) any member of the CGG Group enters into, or offers or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by the CGG Group of an amount which is, in aggregate, more than \$1,000,000 or makes an announcement in relation to such an entry, offer or agreement;

(v) any member of the CGG Group enters into, or offers or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would involve the disposal of any legal, beneficial or economic interest or right to or in connection with any mining tenements held by any member of the CGG Group or any applications therefor;

(w) any member of the CGG Group:

(i) enters into any financing arrangement or commitment or agrees to extend, repay or materially amend any existing financing arrangement or commitment; or

(ii) guarantees, indemnifies or provides security for the obligations of any person or entity other than a member of the CGG Group.

\* any member of the CGG Group takes any action to enter into a binding agreement, arrangement or understanding in relation to the Project Financing on or before the Long Stop Date; or

(y) any member of the CGG Group agrees or announces an intention to take any of the actions referred to in the foregoing paragraphs,

provided that a CGG Prescribed Occurrence will not include any matter:

(i) required to be done or procured by CGG under the Bid Implementation Agreement or which is otherwise contemplated by the Bid Implementation Agreement;

(ii) in relation to the occurrences described in paragraphs (j),(s),(u) and (w), that does not relate to the Jabal Sayid Mining Project and has been fairly disclosed to EQN;

(iii) in relation to the occurrences described in paragraphs (j),(s),(u) or (w) that is set out in the Project Schedule; or

(iv) approved in writing by EQN, such approval not to be unreasonably withheld or delayed.

CGG Securities means all securities of CGG on issue including CGG Shares, options and performance rights.

CGG Shareholder means a person who is registered in CGG's register of members as the holder of one or more CGG Shares from time to time.

CGG Share means a fully paid ordinary share issued in the capital of CGG.

Competing Proposal means any expression of interest, offer or proposal by a third party in respect of a transaction under which, if the transaction were completed, a person (whether alone or together with one or more Associates) would:

(a) acquire a legal, equitable or economic interest or Relevant Interest in 10% or more of all CGG Shares (whether by way of acquisition of existing CGG Shares or issue of new CGG Shares);

(b) acquire the whole or a substantial part of the business or assets of CGG or the CGG Group;

(c) acquire any interest in Bariq Mining Limited or the Jabal Sayid Mining Project;

(d) acquire control of CGG, within the meaning of section 50AA of the Corporations Act;

(e) otherwise acquire or merge with CGG (including by reverse takeover bid or takeover bid, or by establishing a dual listed company structure or stapled security structure).

Consideration means the consideration to be provided by EQN under the Offer, comprising one (1) EQN CDI or one (1) EQN Share (at CGG Shareholder's election) for every 14.3 CGG Shares and \$0.105 cash for each CGG Share held by a CGG Shareholder;

Corporations Act means the Corporations Act 2001 (Cth).

EQN CDI means a CHESS depositary interest which confers a unit of beneficial interest in an EQN Share registered in the name of CHESS Depositary Nominees Pty Ltd.

EQN Group means EQN and its related entities (other than members of the CGG Group).

EQN Material Adverse Change means any event, matter or circumstance which individually, or when aggregated with all such other events, matters or circumstances:

(a) results in or could reasonably be expected to result in the value of the consolidated net assets of the EQN Group reported in EQN's financial statements for the half year ended 30 June 2010 being reduced by USD\$200 million or more;

(b) results in or could reasonably be expected to result in the cash operating costs in respect of the Lumwana Project as disclosed to ASX or TSX before the date of the Bid Implementation Agreement being increased by 10% or more; or

(c) results in or could reasonably be expected to result in a diminution in EQN's JORC compliant resources and reserves (as disclosed to ASX or TSX before the date of the Bid Implementation

Agreement) by more than 5%,

other than an event, matter or circumstance:

(i) required to be done as a result of the Bid Implementation Agreement;

(ii) the occurrence of which was fairly disclosed to CGG or in public filings with ASIC; or

(iii) that arises as a direct result of any reduction in the London Metals Exchange Cash Seller Settlement Price (in US Dollars per tonne) for Copper Grade A, as published in the London Metal Bulletin each day (based on Greenwich mean time days), from the amount of the London Metals Exchange Cash Seller Settlement Price (in US Dollars per tonne) for Copper Grade A published in the London Metal Bulletin on the date of the Bid Implementation Agreement.

EQN Material Subsidiary means each of Equinox Resources Limited, Equinox Overseas Pty Ltd, Equinox Africa Limited and Lumwana Mining Company Limited.

EQN Prescribed Occurrence means any of the following:

(a) EQN converts all or any of its shares into a larger or smaller number of shares;

(b) any member of the EQN Group (other than a direct or indirect wholly owned subsidiary of EQN) enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;

(c) any member of the EQN Group issues equity securities or agrees to make such an issue or grants an option or performance right over any equity securities (including convertible securities) other than to EQN or to a direct or indirect wholly owned subsidiary of EQN or pursuant to performance rights, the conversion of convertible securities or the exercise of options the existence of which has been disclosed to ASX or TSX before the date of the Bid Implementation Agreement;

(d) EQN amends or proposes to amend its bylaws;

(e) an order or application is made or a resolution is passed for the winding up of EQN or any EQN Material Subsidiary;

(f) an administrator, liquidator, provisional liquidator, receiver or receiver and manager is appointed in respect of EQN or any EQN Material Subsidiary or the whole or any part of the assets or undertaking of EQN or any EQN Material Subsidiary, or EQN or any EQN Material Subsidiary executes a deed of company arrangement;

(g) EQN or any EQN Material Subsidiary ceases to carry on business or is deregistered;

(h) any member of the EQN Group enters into any unusual or abnormal contract or commitment which is outside the ordinary course of business and which could reasonably be expected to:

(i) change the nature of the business conducted by the EQN Group; or

(ii) have a material adverse impact on the business conducted by the EQN Group;

(i) any member of the EQN Group enters into or otherwise becomes a party to, any material transaction with a related party (as that

term is defined in Chapter 2E of the Corporations Act) of EQN (other than between EQN and a direct or indirect wholly owned subsidiary of EQN);

(j) any member of the EQN Group agrees or announces an intention to take any of the actions referred to in the foregoing paragraphs,

provided that a EQN Prescribed Occurrence will not include any matter:

(i) required to be done or procured by EQN under the Bid Implementation Agreement or which is otherwise contemplated by the Bid Implementation Agreement;

(ii) approved in writing by CGG, such approval not to be unreasonably withheld or delayed.

EQN Share means a common share in the capital of EQN.

Exclusivity Period means the period starting on the date of the Bid Implementation Agreement and ending on the first to occur of termination of the Bid Implementation Agreement and the Long Stop Date.

Jabal Sayid Mining Project means any project for the exploration, mining, recovery, storage or sale of minerals from within or adjacent to the site known as the "Jabal Sayid" project area in the Kingdom of Saudi Arabia the subject of any instruments issued under the laws of the Kingdom of Saudi Arabia permitting or relating to exploration, mining and the carrying away of the mined material (including the Jabal Sayid Mining Licence issued by the Ministry of Petroleum and Mineral Resources of the Kingdom) and any additional parcels or areas of land used from time to time in conjunction with those operations.

Long Stop Date means the earlier of:

(a) the date on which the Offer Period in respect of the Takeover Bid ends; and

(b) 28 February 2011, or such later date as EQN and CGG agree in writing;

Offer means the offer by EQN to acquire each CGG Share (including all rights attaching to them) under the Takeover Bid for the Consideration.

Offer Period means the period the Offer is open for acceptance.

Project Financing means the project financing for the development of the Jabal Sayid Mining Project.

Project Schedule means the schedules for the Jabal Sayid Mining Project comprising the mining schedule, the 3D model, the schedule of contracts and the project development schedule.

Relevant Interest has the meaning given in the Corporations Act.

Share Transfer Agreement means the share transfer agreement dated 8 September 2010 for the acquisition by Vertex Group of:

(a) a 20% equity interest in Bariq Mining Limited from Abdul Hadi Al Qahtani and Partners for Maritime and Oilfield Services; and

(b) a 10% equity interest in Bariq Mining Limited from Dr Said Al-Qahtani,

between Vertex Group, CGG, Dr Said Al-Qahtani, Abdul Hadi Al Qahtani and Partners for Maritime and Oilfield Services.

Superior Proposal means a written bona fide Competing Proposal which the

CGG Board acting in good faith and, after having first obtained written advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal; and
- (b) more favourable to CGG Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Proposal.

Takeover Bid means the off-market takeover bid to be made by EQN for all CGG Shares under the Corporations Act, subject to the Bid Conditions and otherwise in accordance with the Bid Implementation Agreement.

TSX means the Toronto Stock Exchange.

Vertex Group means Vertex Group (Middle East) Holdings WLL CR 55007 of Bahrain, a wholly owned subsidiary of CGG.

For further information: Investors and analysts: Craig R Williams, President and Chief Executive, Mike Klessens, Vice President - Finance and CFO, Carl Hallion, Vice President - Business Development, Phone: +61 (0) 8 9322 3318, Email: [equinox@equinoxminerals.com](mailto:equinox@equinoxminerals.com); Media - Australia: David Griffiths, Gryphon Management Australia, Phone +61 (0) 8 9382 8300, Email: [david.griffiths@gryphon.net.au](mailto:david.griffiths@gryphon.net.au); Media - North America: Louise Kozier, Sharda Prashad, Longview Communications Inc., Phone: +1 (604) 644 6090, +1 (604) 561 3534, Email: [lkozier@longviewcomms.ca](mailto:lkozier@longviewcomms.ca), [sprashad@longviewcomms.ca](mailto:sprashad@longviewcomms.ca); Media - Zambia: Nathan Chishimba, Lumwana Mining Company, Phone: +260 211 257 643, Email: [nathan.chishimba@lumwanamine.com](mailto:nathan.chishimba@lumwanamine.com)

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