

EQ Resources (EQR)

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Initiation of coverage: Tungsten, smaller start, significant potential

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KEY POINTS: TRACK RECORD OF DELIVERY

- A critical mineral operation already in production and generating cash.
- Company strategy offers incremental value at lower capital risk.
- Ahead of higher-grade ore in 2023, skilled management team have economically proven ore processing at very low grades and current scale.
- Incremental growth from low capex, fully funded development, generating IRR of ~120% at lower risk NPV/capex ~10x.
- Profitable quarry business provides downside protection.
- Strong partnership with global metals business Cronimet covering aspects of operations, offtake and funding.

INVESTMENT VIEW AND VALUATION

- The tungsten industry features projects that are either **in operation** - but marginal due to inflated operating costs or **pre-production** - and facing development setbacks. However, EQR is operating and redeveloping the historic Mt Carbine mine, and having proven its ore sorting and processing methods, exhibits a low market cap relative to potential valuation.
- Our valuation \$187m or \$0.13/share per basic share (\$0.12/share diluted) based on a firm tungsten price that is driven by an industry wide supply decline against healthy demand growth, and mine life of 14 years on current reserves plus a three year extension to the open pit.

KEY DRIVERS

- **Adding open cut to operations.** Continued current production from lower grade stockpiles to be complemented with open cut mining from should result in maiden FCF and close significant valuation gap.
- **Drilling success** on Western extension to add see through mine life value as limited reserve drilling catches up with low capital investment start-up.
- **Tungsten prices.** Falling global supply and positive demand should see tungsten prices well supported over coming years in our view.

RISKS

- **Transition to open cut.** While many of the risks have been addressed, operating at a larger scale may take time to reach steady state.
- **Tungsten price may fall.** Currently elevated may fall on any significant global downturn (automotive and industrial use is ~40% of demand). However, this is somewhat offset by a multi-year trend in falling supply.
- EQR has de-risked start up by having its processing plant already in operation on historical stockpiles.
- **Resource estimation.** The current low level of drilling and resource estimation means mine life underpinning is limited, but EQR is operating on a rich historical tungsten mine footprint.
- **Processing risk** has been largely mitigated through the early start up and the successful pre-production processing of concentrate in 2020.
- **Joint venture operations,** offtake agreement and funding provided by relationship with Cronimet have been key to EQR's overcoming many risks to date. It is low risk, but if Cronimet's many elements of support to EQ were to dry up, it may represent a significant transitory risk for the company.

Recommendation	Buy
12 Month Price Target	\$0.12/share
Risk Rating	High
Current Share Price	\$0.047/share
Previous Recommendation	Initiating Report
Price target Methodology	Discounted Cashflow Model
Total Return (Capital + Yield)	170%
Market Capitalisation \$m	A\$65.0m
Liquidity \$p/d	\$35,000

Financial Forecasts

Y/e June (A\$m)	2021A	2022A	2023F	2024F
Production (kmtu)	0	0	9.9	241.2
EBITDA	(3.9)	(4.5)	6.4	33.7
EPS (cps)	(0.4)	(0.5)	0.3	1.5
DPS (c)	0.0	0.0	0.0	0.0
EV / EBITDA (x)	N/A	N/A	11.6	2.2
PER (x)	N/A	N/A	18.2	3.1
Dividend Yield	0%	0%	0%	0%
Gearing	N/A	N/A	14%	43%
Interest Cover (x)	N/A	N/A	8.2x	132.9x

Source: PAC Partners Analysis

EQR 12-month Share Price and Volume



Source: CapIQ

Key Milestones

- Significant step up in production and cashflows with open cut mining from Q2 2023
- Exploration and drill results to add mine life and value (as capital becomes available)
- Bullish long term global tungsten market

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Summary Financials

Market Data		Valuation				Upside
Ticker	EQR	Mt Carbine Tungsten	A\$m	A\$/share	A\$/dil. sh	
Price \$	0.0475	Mt Carbine Open Cut & LGS	175.6	0.12	0.11	
Shares out (mill)	1,459	Quarry business	8.0	0.01	0.01	
Mcap A\$m	69.3	Sub Total	183.6	0.13	0.12	
Cash last qtr \$m	0.5	Net cash (debt)	2.8	0.0	0.01	
Debt last qtr \$m	5.5	Add: Gold exploration projects	1.0	0.00	0.00	
Net debt (cash)	5.0	EQR Equity Valuation	187.4	0.13	0.12	170%
EV	74.3	Shares (mil)		1,459	1,574	8%
Options (mill)	111.0 8%	Extension scenario (10 yrs)	73.7		0.05	
Convertibles (mill)	4.0 6.5c 7% Sept-23	Potential Valuation	261.1	0.18	0.17	277%
Potential Shares (mill)	1,574 8%	+/- 10% in the APT Price changes EQR Equity Valuation by +/-20%				
Cash from exercise of ITM derivatives (A\$m)	9.6	WACC = 10%				
Diluted shares out. with ITM derivatives (mil)	1,628	Register				
			% Sh/Holding	Name		
		Top 20	61.3%			
		Largest holders	5.22%	Zhui Pei Yeo		
			4.09%	Archer Pacific Holding Ltd		

Board	Executive	Independent
Oliver Kleinhempel	N	N (also Cronimet executive)
Stephen Layton	N	Y
Zhui Pei Yeo	N	N (sig. shareholder, 5%)
Richard Morrow	N	Y

Management	Position
Kevin MacNeill	CEO
Tony Bainbridge	Chief Geologist
Natasha Troughton	Finance & Administration Manager
Kong Yong	Financial Controller

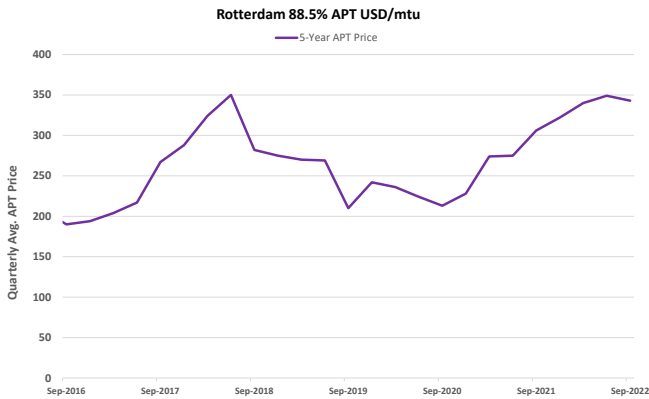
Key Drivers (June year end)	F'cast->									
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	
Resources: In situ (Indicated + inferred)	20.3	20.2	19.3	18.3	17.5	16.8	16.0	15.2	14.4	
Grade WO3%	0.32%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.34%	
Resources: Low-Grade Stockpile (LGS)	12.0	11.8	11.0	10.8	10.7	10.5	10.2	10.0	9.8	
Grade WO3%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	
Reserve (Mt)	13.5	15.8	14.8	13.7	12.7	11.7	10.7	9.7	8.7	
Grade WO3%	0.20%	0.17%	0.16%	0.16%	0.15%	0.13%	0.12%	0.11%	0.09%	
Mined: Stockpile (Mt)	-	0.2	0.8	0.2	0.1	0.2	0.3	0.2	0.2	
Mined: Open Cut (Mt)	-	-	0.2	0.8	1.0	0.8	0.7	0.8	0.8	
Mined: Underground scenario (Mt)	-	-	-	-	-	-	-	-	-	
Total ROM Ore Production (Mt)	-	0.2	1.0	1.0	1.1	1.0	1.0	1.0	1.0	
ROM Strip Ratio	-	3.0	4.3	1.5	1.0	0.7	1.0	1.0	1.0	
Avg Grade	0.00%	0.08%	0.30%	0.24%	0.27%	0.35%	0.19%	0.26%	0.26%	
Concentrate output (tonnes)		198	4,824	3,976	4,458	5,740	3,120	4,135	4,135	
Rotterdam APT US\$/mtu (88.5% min)	345	305	320	363	362	344	350	350	350	
EQR WO3 Concentration	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Payability rate v APT Price (70-75%)	70%	70%	70%	70%	73%	75%	75%	75%	75%	
USD:AUD Forex	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	
Realised Price AUD\$/mtu	345	305	320	363	375	369	375	375	375	
Cost per A\$/Mtu		351	167	228	125	89	126	110	110	
Margin per A\$/Mtu	-	46	153	135	249	280	249	265	265	

Cashflow (A\$m) (June YE)	F'cast->									
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	
Sales	4.8	9.0	69.5	70.4	83.0	103.9	55.5	75.6	75.6	
Expenses	(10.1)	(2.6)	(35.8)	(44.4)	(27.7)	(24.5)	(18.2)	(21.7)	(21.7)	
Tax	0.0	0.0	0.0	0.0	0.0	(16.7)	(8.6)	(12.8)	(12.8)	
Net interest	(0.0)	(0.4)	(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	
Working capital	(2.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating CF	(5.1)	6.0	32.9	25.7	55.1	62.6	28.5	41.0	41.0	
Capex- growth	(2.6)	(13.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capex - maintenance	(5.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	
Exploration spend	(0.0)	0.0	(5.0)	(5.0)	0.0	0.0	0.0	0.0	0.0	
Total Capex	(7.7)	(15.3)	(6.5)	(6.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	
FCF	(14.2)	(9.3)	26.4	19.2	53.6	61.1	27.0	39.5	39.5	
Debt	7.1	14.9	(9.2)	(2.9)	(2.9)	(0.9)	(0.9)	(0.9)	(0.9)	
Equity raise / (dividends)	0.0	7.4	0.0	0.0	(39.2)	(57.4)	(25.9)	(38.4)	(38.5)	
Other	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net cashflow	(1.8)	23.0	17.1	13.5	11.5	2.7	0.2	(7.1)	0.1	
Ending cash	1.7	24.8	41.9	55.4	66.9	69.7	69.9	62.8	62.8	

Source: PAC Partners, Company announcements

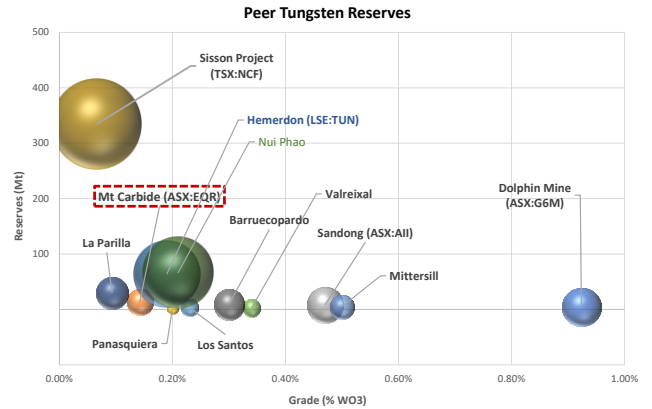
Key Charts

Figure 1: Tungsten Prices 5-Yr (Rotterdam 88.5% APT) (APT= Ammonium Paratungstate, tungsten's most common tradable form)



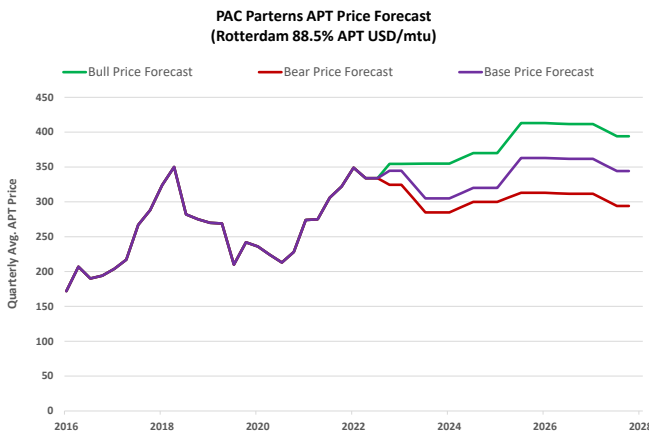
Source: Almonty Industries Company Reports, Asia Metals

Figure 2: EQR's "currently defined" ore body sits is clustered with peers, exploration offers upside potential



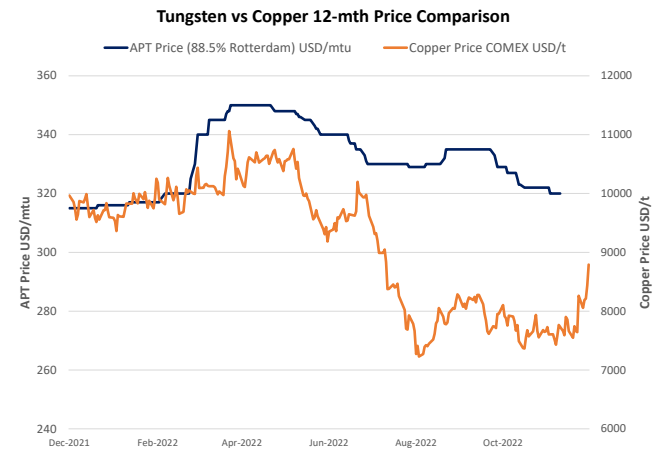
Source: Company Presentations

Figure 3: Tungsten Price Forecasts



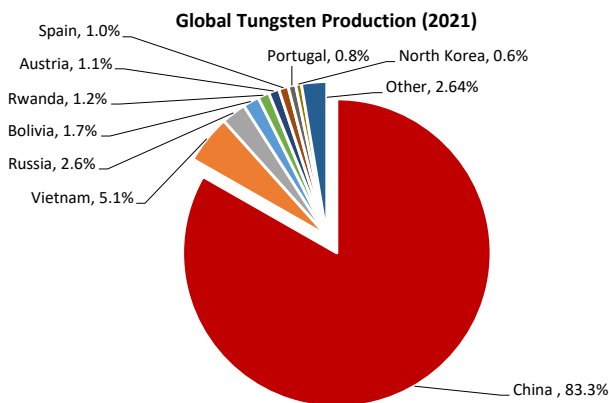
Source: PAC Partners Analysis, Asian Metals

Figure 4: Less volatile/liquid but outperforming Dr Copper



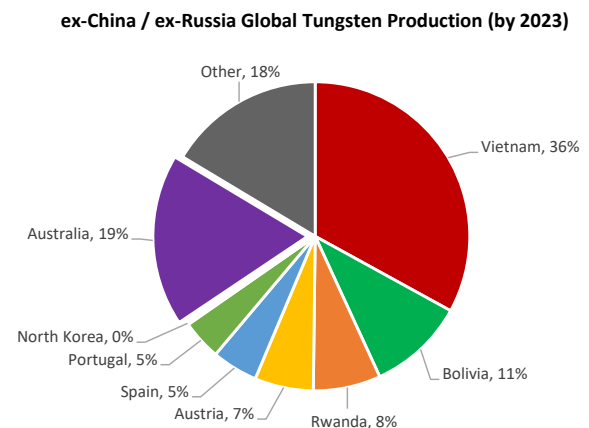
Source: Macro Trends, Asian Metals

Figure 5: Global Tungsten Production (2021), dominated by China, even second-tier of supply is non-OECD located



Source: US Geological Survey 2022, Mineral Commodity Summaries 2021, Almonty Inc

Figure 6: Tungsten market share forecast, ex-China, ex-Russia



Source: US Geological Survey 2022, Mineral Commodity Summaries 2021, Almonty Inc

Figure 7: Tungsten Peer Group – On our price forecast, expect listed peer group to assert themselves over coming years

Company	Ticker		\$	Share Price (local)	Mkt Cap (A\$m or local)	Mkt Cap (US\$m)	Net Debt (\$m)	EV (A\$m or local)	EV (US\$)	Resource (MT)	Grade WO ₃ %	Resource WO ₃ Contained (kt)	EV/WO ₃ Resource (Mt) (US\$)	2025F Prod'n rate (mtu WO ₃ contained)	Project Details
Group 6 Metals	G6M	ASX	AUD	0.17	116.4	74.5	6.9	123.4	78.9	11.2	0.90%	101	781.9	237	King Island Sheetite/Dolphin Mine in Australia. Production starts in Q1 2023. High grade mine.
EQ Resources	EQR	ASX	AUD	0.05	68.6	43.9	5.0	73.6	47.1	32.3	0.23%	76	622.7	227	Mount Carbine Australia, redevelop historical mine, tailings processing then o/c, explore u/g option. Mining to start Q2 2023. Includes LGS 10Mt @ 0.075% in production.
Almonty Industries	All	ASX, TSE	CAD	0.70	127.3	93.0	60.1	187.5	136.8	80.4	0.36%	289	472.9	299	Tungsten Asset Portfolio: flagship project: Sandong (Korea), others: Los Santos (Spain, stopped production), Panasqiera (small-scale production), Valtreixal (exploring). Sandong constructionis 25% complete. Production forecasted in 2025
Tungsten Mining NL	TGN	ASX	AUD	0.09	70.8	45.3	-15.3	55.5	35.5	354.0	0.12%	425	83.6	N/A	5 Australian tungsten projects, discovery and development. Watershed acquired from Vital Metals in May 2018 for A\$15m.
Tungsten West Plc	LSE:TUN	LSE	GBP	0.25	44.2	47.3	-27.3	16.9	18.1	328.0	0.12%	394	46.0	182	Hemerdon Tungsten-Tin Deposit located in South Devon, UK. \$30M royalty investment with global (2.375% rate). Planning restart. Previously owned by Wolf Minerals.
Northcliff Resources	TSX:NCF	TSX	CAD	0.06	7.5	5.5	-1.7	5.8	4.3	334.4	0.07%	221	19.3	557	Owens 88.5% of Sisson Tungsten-Molybdenum Project in New Brunswick Canada. All permitting in place. Updated BFS underway. Needs funding.
Rafaella Resources	RFR	ASX	AUD	0.05	17.5	11.2	-1.0	16.5	10.6	10.3	0.18%	19	569.5	1083	Developer and explorer, 2 tungsten deposits in Spain: PFS Dec 2022 for Santa Comba (NPV US\$43.5m). 2 Projects in Canada. San Finx acquired Jan 22, produced in 2017.
W Resources	LSE:WRES	LSE	GBP	0.03	3.9	N/A	57.9	61.8	N/A	53.5	0.11%	61	N/A	50	La Parilla Project, Western Spain. Delisted in April 2022 due to high LNG prices, poor production, poor recoveries. Production closed.
Fireweed	FWZ	TSX	CAD	0.91	83.0	63.8	-6.0	89.0	67.4	44.8	0.80%	359	187.7	N/A	Owens zinc and tungsten projects including Mactung high grade Tungsten project, Indicated 33Mt @ 0.88% and inferred 118mt at 0.78% WO ₃ .
Saloro SLU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.26	7	N/A	257	Barrauecopardo Spain 260kmtupa, since 2019. Oaktree owned.

Source: PAC Partners, Company Announcements, IRESS price data

Figure 8: Share price with significant developments: funding, offtake and partnership agreements

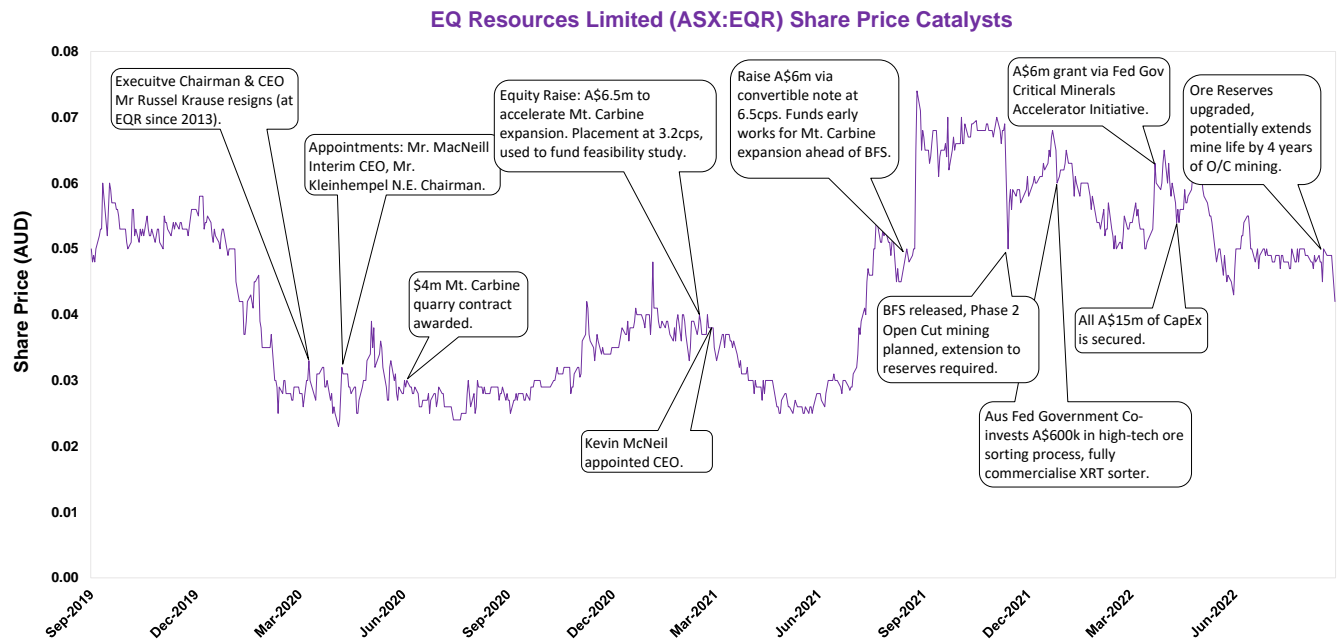
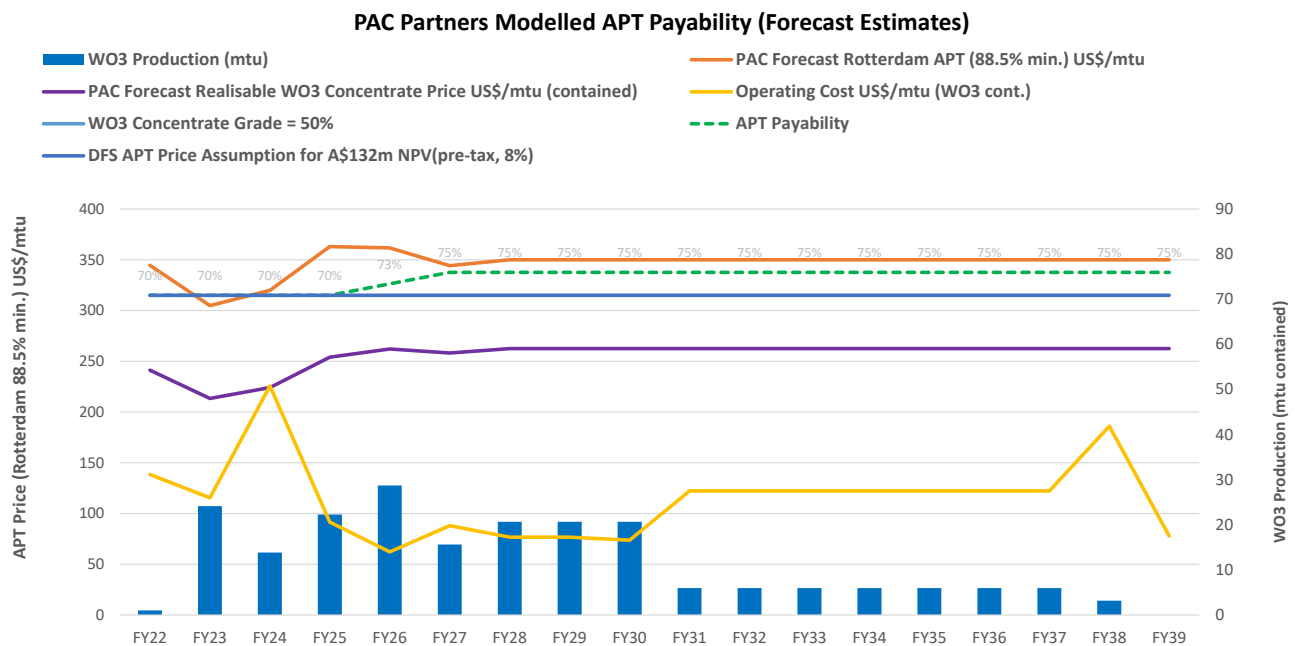


Figure 9: WO₃ Concentrate Price Realisation (based on PAC commodity price forecast)



Overview: Lower profile, incremental approach for significant upside

Operating history since 1900s...

Historically proven project. EQ Resources owns 100% of the historic Mt Carbine Tungsten mine, 120km north-west of Cairns in Queensland Australia. Mt Carbine was discovered 1883, has seen several periods of production including its last major stint 1976-1986. The Mt Carbine footprint also includes a related profitable quarry business.

Current stage builds on what is known & tested

Staged approach, already operating. EQR's strategy is to re-develop the Mt Carbine Project progressively and incrementally, as capital has become available. This has been reflected in the benefit of upfront smaller scale production, but limited amount of exploration drilling and resource definition, and the modest scope of previous feasibility studies.

This initial work supported getting the company into near term production, namely on the Low-Grade Stockpile processing with initial plans for 3 year open cut mining. With the 2022 ore reserve upgrade, the mining reserve was increased to support 5 years of open cut mining, also identifying the Western Pit as another possible open pit extension (further drilling needed to include in ore reserve, with the royalty to underwrite this cost).

Since 2020 the Mt Carbine tungsten processing plant has been refurbished and ramped up to

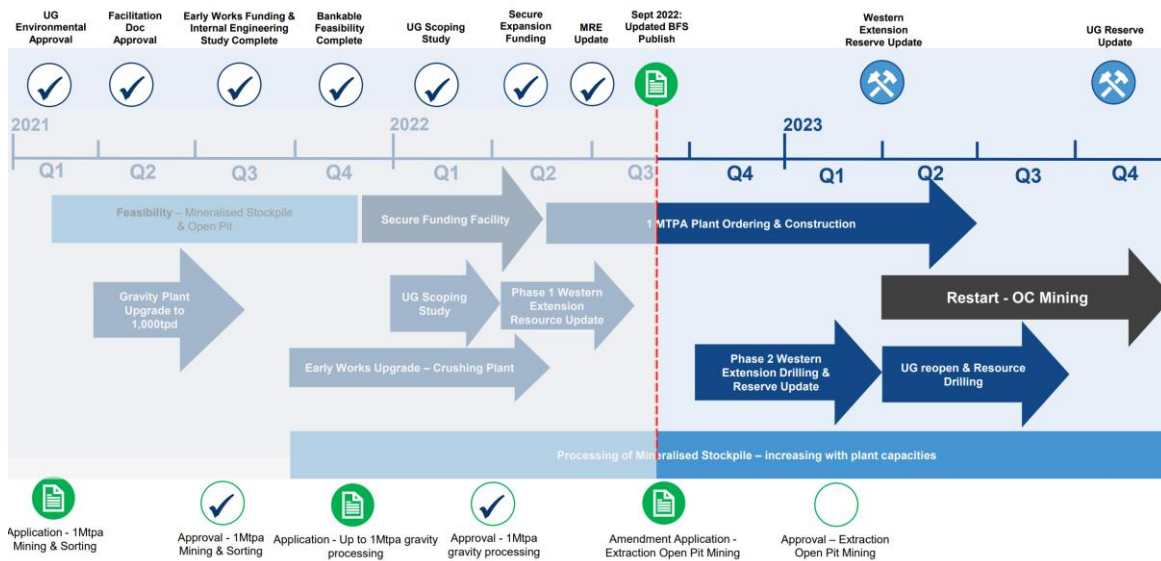
- 1Mtpa for the crushing and screening
- 360ktpa capacity for the gravity separation plant. Production commenced in late 2021 from the low-grade stockpiles (LGS).

Nearing profitability on their starter operation

Even though it is processing the large volumes of lower grade ore currently, the recent tungsten prices and the benefit of the by-product aggregates (quarry) business means the company is already cash generating.

This is all prior to commencing its core mining operations in Q2 2023.

Figure 10: Incremental Staged Development Approach with Track Record of Delivering...



Source: Company Presentation Sept 2022

Mt Carbine tungsten is hosted in a coarse grain wolframite.

Favourable Geology. The deposit's tungsten is hosted in a coarse grain wolframite, with some scheelite, and the ore exhibits relatively low arsenic and other unwanted minerals. Historically between 1973 and 1986 ore was sorted using lower technology optical methods (by sight) with white quartz removed from associated rock. Previously it was believed tungsten was only found only in the quartz. However, it has since been shown that not only is the scheelite mineralisation found in the quartz, but also wolframite mineralisation is found in both the quartz and associated host rock. This has provided the opportunity to process the historic stockpiles.

Mt Carbine enjoys an enviable location being in proximity to Cairns providing both transport links and a staff pool.

Mine Site Services: Conveniently located near to Cairns. With Mt Carbine located 120km north-west of Cairns in Queensland Australia, the operation enjoys proximity...

- Power: sourced from the Queensland grid and an upgrading of the power line servicing the site was completed in January 2022. A new substation is part of the development works.
- Water: stored in the tailings dam (417ML) and a Clean Water Dam (20ML). As of October, the open pit is being dewatered (1.4GL).
- Fuel: supplied via contractor supplied and serviced smart fuel tanks, one at the quarry (30,000L) and mine site operations (12,000L).
- Labour force: Site proximity to local towns Mt Molloy, Mareeba, and Port Douglas (all less than one hour from site) mean there is a readily available population and accommodation to serve the needs of the site.

Open cut operations commence 2023.

Open Cut mining (drill and blast) is set to commence in Q3 FY23 (around April) by mining contractor Goldings who are bringing their own plant and equipment to keep EQ's capital costs low. Mobilization is to commence in the March Qtr. of 2023.

Key mining variables are:

- Strip ratio 3.1:1, based off revised cut-off grade (0.05%),
- Mining cost \$6/tonne (including drilling, emulsion supply, loading, stemming, and shot firing).
- Diesel prices have been estimated at A\$2.10 before 40c Govt rebate.

Long term underground potential. The focus of the underground mining aspirations is to have a narrow high-grade mine to extract 'King-Vein' style mineralisation (minimum mining width and grade of 2m>0.2% WO3), to minimize dilution.

JV and offtake partner, Cronimet, has been instrumental in getting EQR to its current position.

Cronimet came to the party when capital was scarce for EQR and provided upfront capital that helped get the processing plant up and running. Cronimet is a commodities and metals recycling group based in Germany with significant experience in metals separation using of gravity processing and sensor-based sorting technologies – technology that is increasingly important to the global tungsten industry. Cronimet executive Oliver Kleinhempel also serves as EQR's Chair.

Alternative sources of funding. EQR has received grant support including \$6m from the Australian Government's Critical Minerals Accelerator Initiative (CMAI) which along with the funding from JV partner, have helped the company maintain a tight capital structure. Funding mix now includes a royalty agreement with the Regal Resources Fund for \$10m to support the company's balance sheet and finance the company's planned exploration program to develop its reserves.

Figure 11: Debt funding for expansion

Facility	Amount	Interest p.a.
CMAI Grant (Federal Government)	\$6m	Governemnt Grant support
Sandvik Supply & Finance	\$4.8m	5.75% interest p.a., 30% deposit
CRONIMET Offtake Prepayment	\$4.2m	Interest free; Extension of existing offtake contract
Director/Shareholder Loans	\$1.5m	8% p.a.
Early Works / Phase 1	\$6m	Spend completed
Regal Resources Royalties	\$10m	3% of revenue with option to buy back or reduce to 1.5%
Total	\$32.5m	

Source: Company Announcements

Core competency is materials processing. The EQR team, with the CEO's experience in metal recovery and mining waste processing projects, is best seen as having core competence in processing operations. The company is therefore utilizing the services of a contractor for mining and the offtake partner takes possession of product at the mine gate.

Figure 12: EQR Business Partners

Business Process	Responsibility
Mining	➢ Contract mining – Goldings (NRW)
Processing	➢ EQR Management / Cronimet JV
Marketing/offtake	➢ Cronimet (mine gate sales)

Source: Company Announcements

Non-core assets. The company also owns 2 gold exploration licenses in NSW, a legacy of its previous efforts to branch into other commodities. These exploration projects, Panama Hat and Crow Mountain, are farmed out to operating partners.

Cronimet has been involved at many levels to help progress EQ to its current position.

Funding risk has been addressed in late 2022 to path the way for open cut commencement in Q3 2023.

EQ's core competency is the success it has shown with ore processing, while contract partners are used for mining and marketing.

Key Guidance

In November 2022, EQR updated their key guidance numbers as follows:

Key guidance:

Mining from April or May 2023 (Q3),

Total development capex \$21.4m,

Opex \$6/tonne

Production 4.8kt/yr WO₃ concentrate.

- **Capital Expenditure: \$16.5m remaining**

Design optimisation resulted in capex estimate falling to A\$21.4m, a decline of around \$1.5m from 2020. Of which A\$5m has already been expensed and installed by October 2022 with A\$16.5m remaining.

Capital Costs (A\$k)	Economic Update	
	BFS 2021	2022
<i>Cost Description</i>		
Mining	2.4	2.4
Processing	14.5	10.2
On-Site Infrastructure	1.2	0.7
Project Indirects	1.4	0.8
Owner's Costs	1.8	0.9
Escalation & Contingency	1.5	1.5
<i>Sub-Total</i>	<i>22.9</i>	<i>21.5</i>
Already Spent	0.0	5.0
TOTAL	22.9	16.5

- **Operating Costs \$6/tonne.**

Operating Cost	Economic Update	
	BFS 2021	2022
<i>Operating Cost Assumptions AUD\$/t</i>		
OC Mining Costs (by contractor)	4.5	6 ROM per tonne
LGS Mining costs - 24hrs Phase 2 Oper.	2.47	2.48 per tonne
LGS Mining costs - 12hrs Phase 1 Oper.	1.68	1.69 per tonne
Mine Closure/Rehabilitation & Ancill:	0.26	0.26 per tonne of open cut ore mined
Dry Processing Costs	2	2 per tonne
Ore Sorting Costs	1.06	1.3 per tonne of ore to sorters
Gravity Processing Plant Costs	11	12.15 per tonne of feed ore
Tailings By-product management cost	0.34	0 per tonne of ore fed into gravity plant
Administrative & Other Costs	1.34	1.671 per tonne
Total Operating Costs	113	118

- **Annual Production:** 4,800t of WO₃ concentrate in the first year.

- The open cut mining operation lasts 5 years until 2027.

- **Timelines:**

- Advance resource drill program in early 2023 (Andy White pit)
- On track to achieve 2023 throughput targets following upgrades to the wet screen circuit and wet screen plant
- Open cut mining to start Q3 FY23 (~April 2023).

Valuation: Gap should close as production commences

We value EQR at \$0.12/share diluted based on key assumptions of a broadly flat tungsten price (long-run US\$340/mtu which runs in parallel to today's prices), and mine life of 14 years on current reserves plus a three year extension to the open pit.

Figure 13: EQR valuation by sum-of-parts

Mt Carbine Tungsten	A\$m	A\$/share	A\$/dil. sh
Mt Carbine Open Cut & LGS	175.6	0.12	0.11
Quarry business	8.0	0.01	0.01
Sub Total	183.6	0.13	0.12
Net cash (debt)	2.8	0.0	0.01
Add: Gold exploration projects	1.0	0.00	0.00
EQR Equity Valuation	187.4	0.13	0.12
Shares (mil)		1,459	1,574

+/- 10% in the APT Price changes EQR Equity Valuation by +/-20%

WACC = 10%

Source: PAC Partners Analysis

Our own analysis justifies the following valuation, which departs somewhat from the BFS on higher operating, capital cost and APT prices (in the near-term).

Figure 14: EQR equity valuation reconciled to BFS valuation

NPV Analysis		BFS	Nov22	PAC
	LOM (yrs):	12.0	15.0	17.0
	Long Term Avg. APT Price (US\$/mtu):	315.0	369.0	346.6
NPV (8%, pre-tax, ungeared)	A\$m	131.5	209.6	235.4
IRR	%	154%	397%	92%
Payback period	Months	26.0	18.0	12.0
NPV LGS & Open Cut (10%, geared, after	A\$m			175.6
Quarry Asset	A\$m			8.0
Subtotal (Value EQR Operating Projects)	A\$m			183.6
IRR (after-tax)	%			87%
Payback period	Months			40.0
Add: surplus assets				
Cash	A\$m			2.8
Gold exploration	A\$m			1.0
Value of EQR Equity	A\$m			187.4

Source: PAC Partners Analysis, Company Reports

Net Present Value

- EQR's updated economics announcement estimated an NPV (pre-tax, ungeared, 8% WACC) of A\$209.6m on a long-run APT price of US\$369/mtu.
- A like-for-like basis (which uses the same pricing and Forex assumptions as that by EQR) values EQR's equity in Mt Carbine at approximately A\$270m, but noting that this increases the reserves by 2.5Mt to extend the mine life by 3 years.
- After adjusting for the recently agreed 3% royalty (and \$10m funding), long term price forecast, post tax and higher discount rate we value the equity in EQR at ~\$190m (after-tax, geared and with a 10% WACC).
- Long run APT price of US\$340/mtu.

Exploration works should drive further valuation upside given the limited amount of reserve drilling to date

Making progress on Ore Reserves extension

Figure 15: We anticipate further upgrades to Ore Reserves

EQR BFS Dec 2021 Ore Reserves	Mt	Grade (%)	Contained WO ₃ (kmtu)	
Low-Grade Stockpile	10.2	0.075%	765,000	
In-Situ Open Cut	1.26	0.71%	894,600	
Total	11.46	0.145%	1,659,600	

EQR September 2022 Ore Reserves	Mt	Grade (%)	Contained WO ₃ (kmtu)	
Low-Grade Stockpile	10.0	0.075%	750,000	Increases over Dec 21
In-Situ Open Cut	3.54	0.33%	1,168,200	31%
Total	13.54	0.142%	1,918,200	16%

PAC Partners Ore Reserves Estimates	Mt	Grade (%)	Contained WO ₃ (kmtu)	
Low-Grade Stockpile	10.0	0.075%	750,000	
In-Situ Open Cut	3.54	0.33%	1,168,200	
Sub-Total	13.54	0.142%	1,918,200	Increase over current
Additional Open Cut	2.4	0.330%	792,000	68%
Total	15.94	0.170%	2,710,200	

Source: Company Announcements, PAC Partners Estimates

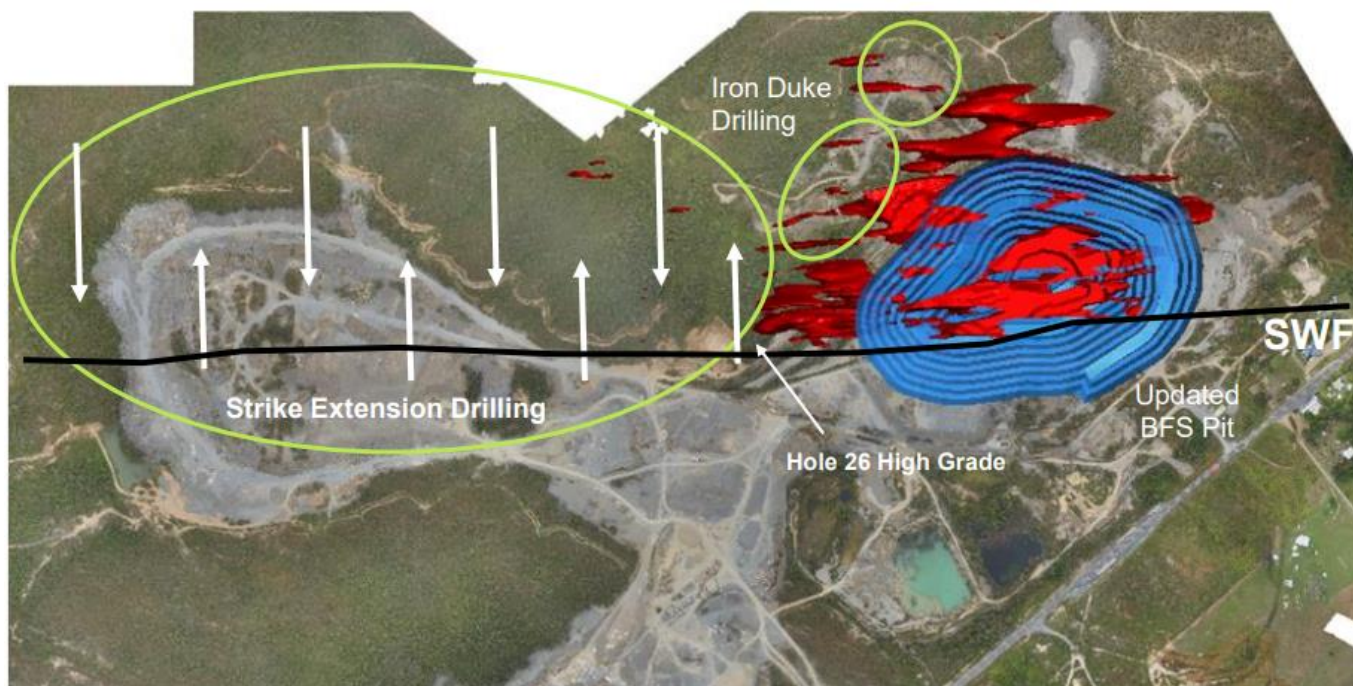
We have forecast Capex for the phase 3 underground mine at approximately A\$13 million (approximately the same as what was spent on developing the open cut mine).

The quarry is a likely valuable source of income if and when tungsten prices trough.

Conservative Quarry Valuation

The company also markets the waste it produces from its Ore Sorter as quarry aggregates sold largely under contracts. While the quarry business is interwoven within the mine operations currently and is described by management as having EBITDA margins of ~50%, a separate valuation is difficult due to limited disclosure. We use a historical measure \$8m reflecting the purchase of the quarry in 2019.

Figure 16: Exploration targets immediately west of the open pit



Source: EQR Presentation Sept-2022

Catalysts – Where to from here, closing the valuation gap

EQ Resources tends to report a regular series of incremental updates and value adding steps including exploration results to extend the life of its open cut operations.

Starting open cut mining should be one significant step to close valuation gap.

Adding mine life by reinvesting FCF into drilling is a potential key value adding catalyst.

- **April-2023: Start mining.** Commence open cut mining resulting in a significant boost to production and cashflows. **A significant lift in production and cashflow during 2023 should be favourable for company's market valuation.**
- **Adding "duration" value to the project.** Unlike many other mining development companies with a large resource but yet to commence production, EQ has commenced production and de-risked and refined its processing knowhow and applying FCF to more drilling should help fund resource and reserve extensions, adding duration value to the project.
 - **Exploration upside Q1 2023** – the strategy of the company with its limited use of capital has been to only drill as required to support its current and near-term production plans. Therefore, we expect significant exploration focus over coming periods. Phase 2 Western Extension Drilling and Reserve update is guided for Q1 2023.
 - **Underground Exploration 2H 2023.** Other regional targets given the mine is located within a known critical minerals geological area. Once access to the existing 430m deep historic decline is possible, guided for 2H 2023, exploration opportunities should will also expand significantly.
- **Long term M&A potential - as a target for APT processors**
As Mt Carbine ramps up production and adds to its reserve and resources, the company may become a key source of tungsten for tungsten (APT) processors who are finding it increasingly difficult to maintain their own mine feed due to declining resources. This would make EQ a potential attractive long run acquisition target in our view.
- **Buying back half the Regal Royalty would provide further upside to shareholders**
EQ has the option to repurchase the royalty agreement it has struck with the Regal Royalty Fund. While the royalty agreement provides cash upfront and forms a valuable part of EQ's near-term funding mix, the agreement also provides the option for EQ to repurchase part of the royalty after the initial \$10m has been repaid.
 - \$10m for a 3% royalty,
 - After \$10m has been repaid, buyback option at \$2.75m to reduce the royalty to 1.5%.
 - A second stage additional \$10m is available to EQ.
- **Dismantle the processing JV with Cronimet for \$1 after 15kt**
EQ has the opportunity over the medium to long term to fully own the processing infrastructure that has been established with the help of funding from Cronimet within the LGS Processing JV. After 15kt of concentrate has been delivered to the Cronimet JV from either the low-grade stockpile or open cut operations, EQ then has the right to acquire the processing facilities for \$1. This would provide significant long-term benefits to EQ shareholders over the long term, particularly as the open cut is extended or underground mining operations commence.

Risks – incremental approach has addressed many risks

Risks pertain to extension of relatively short reserve life.

Funding will remain a risk, particularly if the industry experiences a price downturn.

As described at the outset, EQR's approach over the past couple of years has been a low risk smaller scale start up. This has seen many of the inherent risks associated with a mine redeveloped already partially addressed including proving the sorting and processing technology. The associated quarry providing product to the construction and road industry it provides a valuable cashflow should tungsten prices fall significantly.

- **Tungsten prices.** With a low overall head grade EQR's financial performance is particularly sensitive to tungsten price changes. Currently elevated tungsten prices may fall on any significant global downturn (automotive and industrial use is ~40% of demand). This is somewhat offset by falling global supply over recent years and the "critical minerals" need to support alternative sources of supply.
- **Declining Payability.** Offtake sold to Cronimet has received satisfactory feedback from upstream buyers. However, any possible increase in impurities (including Molybdenum) may reduce APT price payability which currently sits between 70%-75%. However sources suggest that some APT producers have been accepting concentrate grades as low as 10% WO₃.
- **Ore processing.** EQR has de-risked start up by having its processing plant already in operation on historical stockpiles. Open pit mining shall present related but different ore characteristics to the processing plant and the plant is to be upgraded in 2023 to cater for this.
- **Resource estimation.** The current low level of drilling and resource estimation means our modelling is based on lower levels of certainty but this should be mitigated as further drilling and JORC compliant mineral resource estimates are announced.
- **Funding.** EQR is a smaller capitalization company and funding presented a particular challenge prior to JV partner and offtake partner Cronimet arriving on the scene. EQR has taken the approach of smaller scale capex and start up mitigating some of the significant challenges that similar and larger undeveloped tungsten mines face in terms of securing finance in a niche commodity market.
- **Regulatory approvals.** EQR requires one additional approval for extraction of ore from the open pit mine before it can commence. The Amendment Application was lodged in Q3 2022 and an approval is expected in Q1 2023. Mitigating this risk is EQR's history of government support, including 3 government grants which amount to approximately A\$7m from government critical minerals initiatives and R&D grants.

Mineral endowment – Resources and Reserves

EQR's geological team has reinterpreted historical data with benefit of assay results, and identified high-grade tungsten envelopes at Mt Carbine over a 1.2km strike length, potentially supportive of narrow high-grade underground mining (with access from an existing 430m historic decline).

With the company's recent origins being in the purchase of an existing profitable quarry business amongst an old tungsten mine, and then the sorting and processing of an existing tailings stockpile, EQR's strategic focus to date has largely aimed at "continuing operations" and less on a large expensive upfront explorative drill program to define the full potential of the ore body that could be exploited from open cut and potential future underground mining.

Expect increases to Reserves and Resources in coming months

Therefore, over coming months and years, we expect incremental updates on resource definition and in particular a reserve statement.

After mining 22Mt of material in its previous operating history and of this 10Mt being fed into the processing plant, the Mt Carbine was left with a 12Mt Low Grade Stockpile which is currently being mined and reprocessed prior to the open cut development. There is also a separate 2Mt tailings stockpile.

In August and September 2022, EQR updated its resource and reserve estimates which added lower grade in situ ore surrounding the already defined high grade vein resource. The resource upgrade in September was a result of further drilling, reinterpretation of the resource model and the successful implementation of XRT sorting at lower grades, which allowed for the reclassification of some lower grade material into resource. The LGS resource declined slightly due to current production. Cut-off grade for the revised reserve statement was increased from 0.05% to 0.08%.

Figure 17: Upgrades to the Ore Reserve since BFS released in Dec 2021

EQR BFS Ore Reserves	Mt	Grade (%)	Contained WO ₃ (kmtu)
Low-Grade Stockpile	10.2	0.075%	765,000
In-Situ Open Cut	1.26	0.71%	894,600
Total	11.46	0.145%	1,659,600

EQR September 2022 Ore Reserves	Mt	Grade (%)	Contained WO ₃ (kmtu)
Low-Grade Stockpile	10.0	0.075%	750,000
In-Situ Open Cut	3.54	0.33%	1,168,200
Total	13.54	0.142%	1,918,200

Source: Company Announcements

This will drive the upside to project economics

This resource, and the announced reserves, form the backbone of the November 2022 revised project economics study. Based on the newly defined resources and expected reserve statement, a wider open cut pit can be expected with a corresponding extension of mine life to 5 years of open cut mining operations. In-situ resources – the basis for future open cut and underground mining operations. The LGS is currently being mined and processed.

Figure 18: EQR Mt Carbine Resource Estimate (announced 16 September 2022)

EQR September 2022 Mineral Resource		Mt	Grade (%)	Contained WO ₃ (kmtu)
Low-Grade Stockpile	Indicated	12	0.075%	900,000
	Inferred	12	0.270%	3,240,000
In-Situ Open Cut	Inferred	8.28	0.400%	3,312,000
	Total	20.32	0.324%	6,583,680
Mineral Resource	Total	32.32	0.232%	7,483,680

Source: Company Announcements

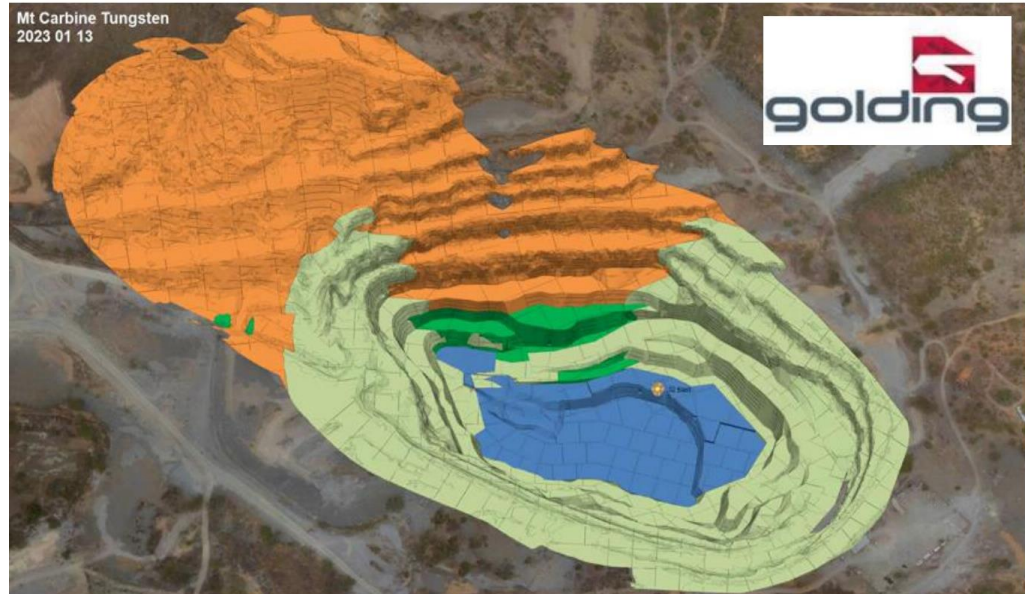
Mine plan & services

Mine plan is under regular review given drilling and reserve updates.

We expect regular extensions of open cut mine plan.

EQR is set to commence open cut mining in Q2 2023 (April) and is utilizing the services of a mining contractor. At the same time, the crushing and screening and processing plant is to be upgraded to cater for open pit ore. The previous BFS outlined 3 years of open cut mining and with the revised reserve statement we model a total of 5+ years.

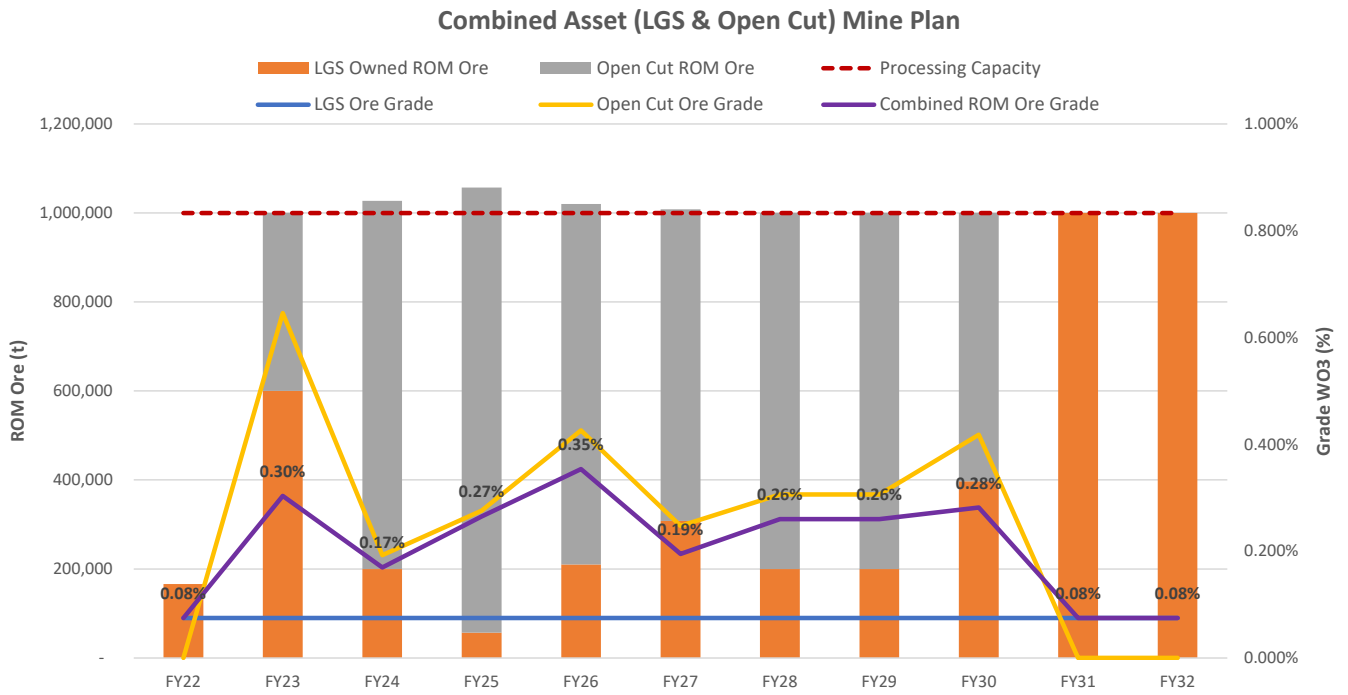
Figure 19: Open Cut Mine design incorporating potential expansion to the north west (orange).



Source: Company Report

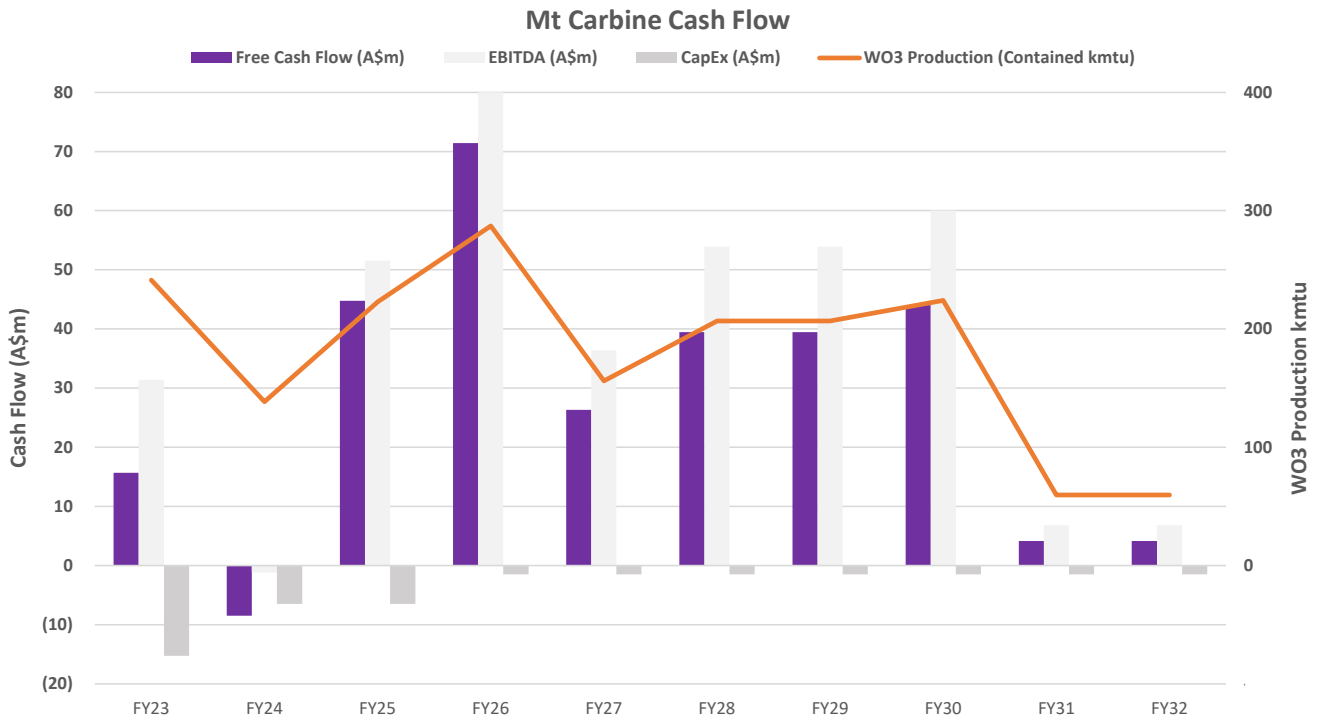
Thereafter the opportunity for underground mining exists given that 82% of the current mineral resource lies below the open cut pit and within the adjacent Iron Duke formation. To date, this potential has only been the subject of a scoping study and remains outside our core base case valuation.

Figure 20: Mining plan shows open-cut mine adds high-grade ore to feed mix and drives strong positive cash flows on better margins and higher output



Source: PAC Partners Analysis, Company Reports

Figure 21: Strong cash flow on the back of open cut mining



Source: PAC Partners analysis, Company Reports

Processing Flow Sheet

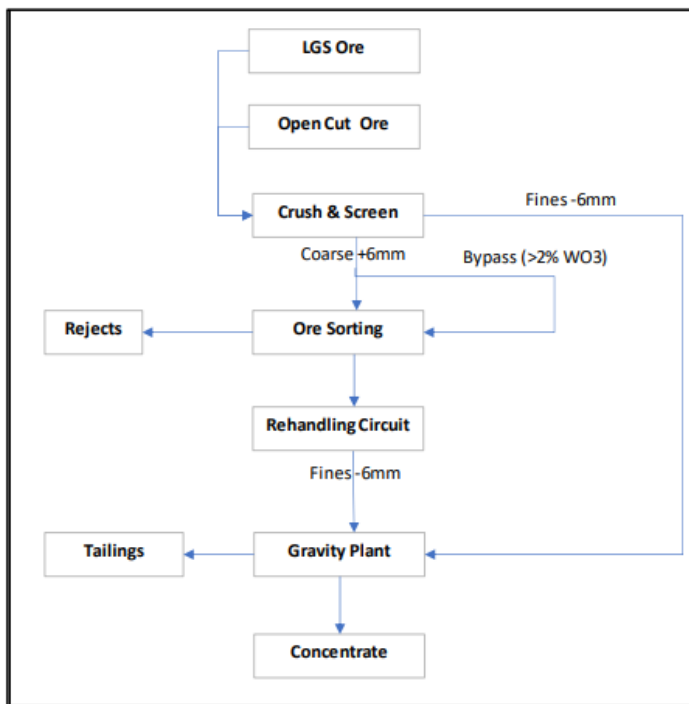
Process has been regularly reviewed and refined while extracting and processing the low grade stockpile.

The ore process flow sheet is presented below and of particular note:

- A **crush and screen** creates 2 feeds into the subsequent sorter
- **The XRT sorter technology has been key**, particularly as it processes and recovers tungsten from the LGS material by debulking the feed material. This reduces downstream processing and crushing costs. The XRT sorters reduce the feed down to approximately 9:1 waste: product ratio which is the processed further. Without the XRT sorters all ROM ore would have to be crushed down to -6mm for the Gravity Separation Plant which would result in substantially higher costs.
- **Gravity separation** is the final step
- Overall tungsten **recovery is 79.5%**, tailings are **barren** and the quarry business is interwoven through the process utilizing both oversized ore and final tailings.
- Final concentrate product is bagged, sold at mine gate and trucked by the offtake partner (Cronimet) to Townsville Port (460km).

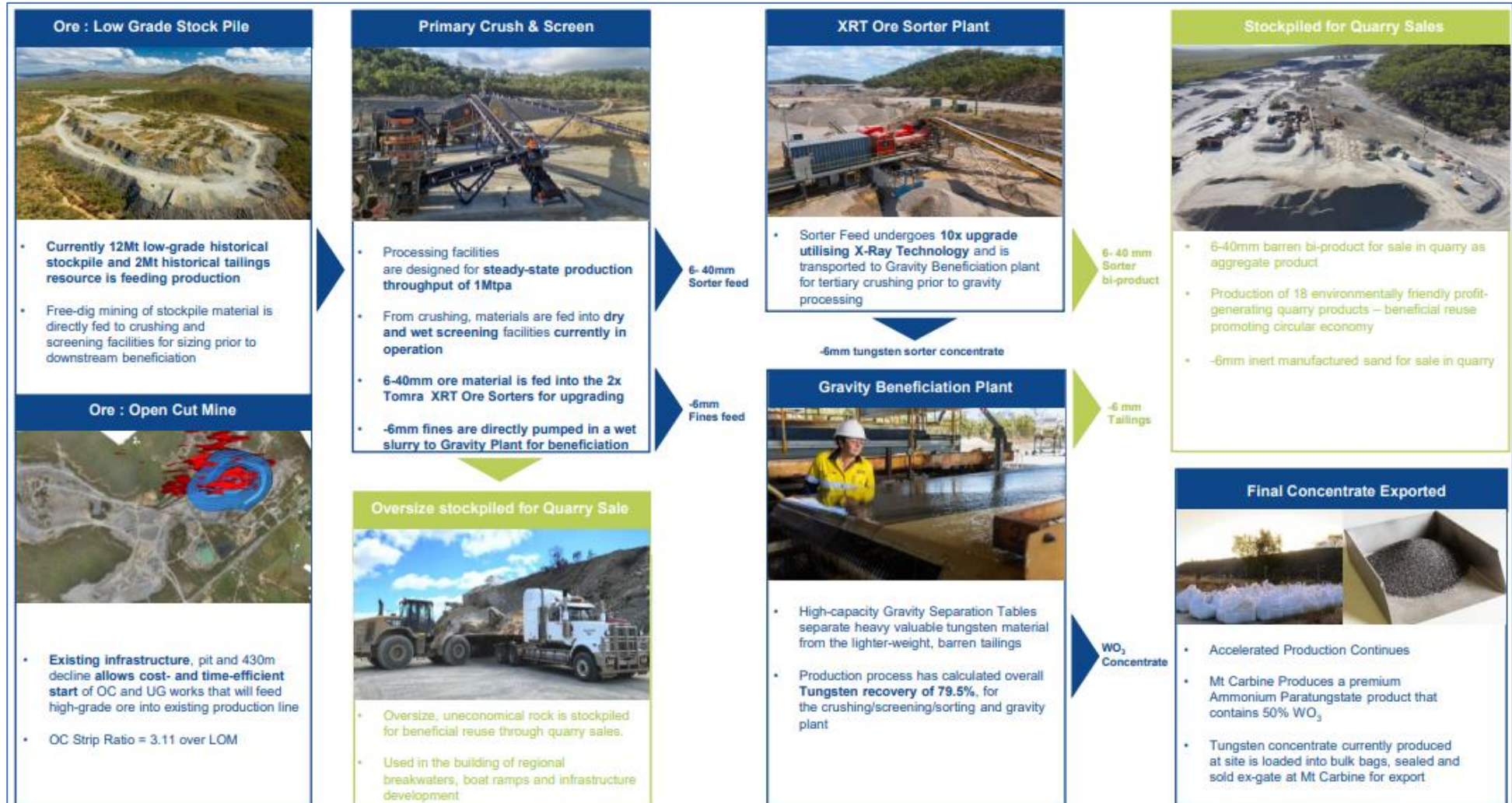
Arsenic is the only significant unwanted element within the ore. While the exact levels are not disclosed it does impact playability and realised price. Consistent with the incremental improvement strategy of the company, further modest process plant capital projects (sub \$5m) could potentially lower arsenic levels in the final product and positively impact playability and realised prices.

Figure 22: Simplified flow sheet



Source: Company Report

Figure 23: EQR Mt Carbine Process Flow Sheet

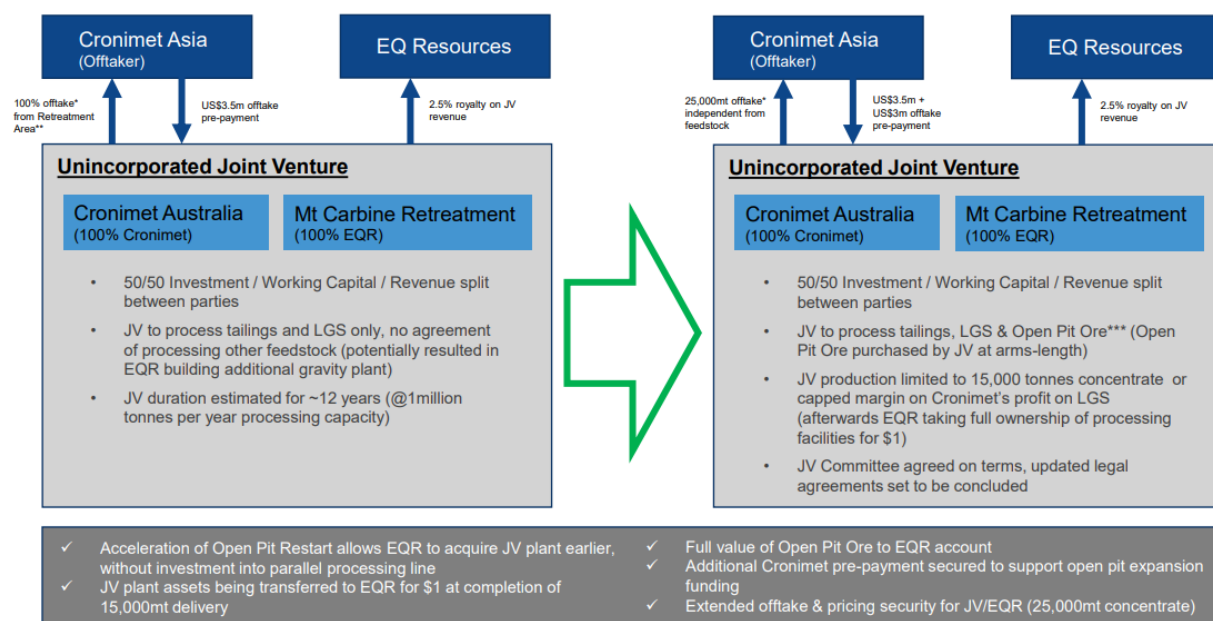


Source: Company Announcements EQR Sept 2022

Cronimet JV Agreement

The Joint Venture with Cronimet was announced in May 2019 when EQR bought the Mt Carbine Quarries for A\$8m. At the time, EQR had little capital available, and to secure the deal which they had first proposed in December 2017 and signed in August 2018 (subject to financing), Cronimet came to the party providing cash advance of US\$3.5m (~A\$5 million). Simultaneously, EQR and Cronimet entered into the 50/50 JV to develop and process the Mt Carbine Tungsten Tailings Retreatment and Stockpile Project. No new mining was contemplated within the agreement. The JV was to last for ~12 years (1Mtpa over the 12Mt stockpile, producing ~15kt of concentrate in total).

Figure 24: EQR-CRONIMET JV agreement – original and revised



*At fair market value // **Retreatment Area defined as Tailing Stockpile and Low-Grade Stockpile (LGS) // ***Margin from higher grade open pit ore remains with EQR. EQR operates open pit mine and sells ore to JV

Source: Company Announcements EQR Sept 2022

However, the mine plan now combines the LGS with the ore from the Open Cut, and the terms of the JV have been modified to allow processing plant, owned by the JV, to process all ore feed. The JV will purchase and process the open cut ore making an appropriate split of production and cashflow.

Our modelling suggests the total entitlement of ~A\$51m at EBITDA and A\$34m at NPAT using a long-run price of US\$340/mtu for APT. After 15kt has been delivered to the JV as was planned originally, EQR has the right to acquire the processing facilities for just \$1. The benefits are that a new parallel processing plant does not need to be developed/commissioned to process open cut ore, and EQR has the freedom to run ore through the process plant, expand the plant, and optimise the ROM ore mix for EQR investors all without any obligation to run low-grade ore from the LGS. Cronimet Asia has confirmed its offtake agreement for 25,000t of concentrate worth around A\$375 million (15kt from the original JV plus another 10kt in exchange for additional upfront funding).

Figure 25: JV with CRONIMET, 50/50 interest with EQR, but proposed terms for the JV give EQR the upside while they pay CRONIMET their interest.

LGS JV Project Economics		
JV Entity Operating Summary		
LGS ROM Ore	Mt	LOM 10.0
LGS Ore Grade	%	0.075%
Total WO3 Production	kmtu (WO3 contained)	596
Revenue	A\$m	200
Operating Cost	A\$m	99
EBITDA	A\$m	101
NPAT	A\$m	67
JV Partner Share (EQR & CRONIMET)		
Revenue	A\$m	100
Operating Cost	A\$m	49
EBITDA	A\$m	50
NPAT	A\$m	34

Source: PAC Partners Analysis, Company Reports.

Capital structure: Varied sources of capital for low dilution

Strategic when it comes to issuing capital

Since new management came on board in 2020, the company has shown itself to be a more prudent user of capital, and away from a previous history of more frequent capital raisings at large discounts.

A pivotal turning point in terms of cash flow generation was the acquisition of the adjoining profitable quarry business in 2019, providing ongoing cashflow to cover corporate overheads and help fund the project development.

Since then, the processing facilities have been installed enabling pre-production cashflow from tailings processing and prepayments from offtake partners. Government grants have also been made available to the company, easing the burden on shareholders.

Figure 26: Debt funding agreements for expansion

Facility	Amount	Interest p.a.
CMAI Grant (Federal Government)	\$6m	Government Grant support
Sandvik Supply & Finance	\$4.8m	5.75% interest p.a., 30% deposit
CRONIMET Offtake Prepayment	\$4.2m	Interest free; Extension of existing offtake contract
Director/Shareholder Loans	\$1.5m	8% p.a.
Early Works / Phase 1	\$6m	Spend completed
Regal Resources Royalties	\$10m	3% of revenue with option to buy back or reduce to 1.5%
Total	\$32.5m	

Source: Company Report

The most recent raise from shareholders was in October 2022, raising A\$4.56m (before cost) via a share placement undertaken at \$0.04/share with a free attaching unlisted option for every 4 new shares, exercisable at \$0.065/share. This was an 18% discount to the last close and 14% discount to the 15-day VWAP.

Subject to shareholder approval, the company's directors subscribed for A\$200,000 under the placement.

The proceeds of the raise are earmarked for expansion of Mt Carbine, including the drilling of the western pit extension in early 2023.

Figure 27: Recent Funding Events

Date	Amount A\$m	Type	Interest rate / Disc (prem)	Details
31-Oct-22	4.6	Equity Raise (Placement)	18.0%	18% discount to last close, 14% discount to the 15-day VWAP. Proceeds used to fund the expansion of Mt Carbine, including the drilling of the western pit extension and financing enhanced feasibility studies
21-Oct-22	10.0	Royalty Agreement	3.0%	Regal Resources Royalties has a 3% royalty agreement formed (non-binding). Optionality to EQR is generous: (a) reduce to 1.5% for A\$2.75, (b) buy back the royalty before maturity (after 7 years), (c) sign a second phase of the agreement or (d) do none of the above.
2-May-22	5.7 (4.2+1.5)	Offtake prepay / shareholder loan	8.0%	\$5.7m from offtake prepayment (\$4.2m) and shareholder loan (\$1.5m at 8% 6 months from Director and Shareholder, Mr Zhui Pei Yeo. Completes CapEx Funding in 2022: \$15m required, raised \$16m at avg 3%, via \$4.8m supplier finance, \$6m gov grant, offtake \$4.2m, shareholder loan \$1.5m.
8-Mar-22	4.8	Debt	5.75%	EQR and Sandvik agree on binding terms for financing of crushing and screening plant. New crusher/screener has 2.5x capacity at 350t/hr. \$4.8m with 30% deposit at 48 monthly installments at 5.75% p.a.
28-Apr-22	6.0	Grant	0%	Federal Government's Critical Minerals Accelerator Initiative (CMAI).
25-Jan-22	0.6	Grants	0%	Fed Gov Co-Invests in High-tech ore sorting process via Federal Government's Advanced Manufacturing Growth Centre (AMGC).
7-Sep-21	6.0	Convertible notes	7.0%	\$6m via 7% 2 yr convertible notes, convert at 6.5c/share (~45% premium v last price 4.5c), coupon in cash or shares. Convert early at election of holders. Arranger paid 25,000,000 unquoted options, exercisable at \$0.065 per Option, expiring on 17 Sep 2023.
15-Mar-21	6.5	Share placement	18%	Raises \$6.5M to accelerate Mt Carbine Expansion (via Morgans): - A\$6.5M (before cost) at A\$0.032 (3.2 cents) per share (18% disc to last close), - Directors collectively contribute A\$500,000 to the placement

Source: PAC Partners analysis, Company Announcements

Governance Team – focused

Board and Leadership

EQR's leadership team is small and focused, reflective of the size and limited resources of the company.

The board features 4 directors,

- Only 2 are defined as independent under ASX definitions (ASX defines independence as not in management of the company, and free from other business or relationship with the company that could significantly interfere with – or perceive to – the independent exercise of judgement).

Board includes:

1. Oliver Kleinhempel, German, Non-executive Chairman (executive with Cronimet)
2. Stephen Layton, Australian, Non-executive Director (Independent)
3. Zhui Pei Yeo, Singaporean, Non-executive Director (5% shareholder)
4. Richard Morrow, Australian, Non-executive Director (Independent)

Executive leadership:

1. Kevin MacNeill, Canadian, Chief Executive Officer – was previously interim CEO and technical advisor. A specialist in metal processing and recovery projects. Kevin is also a director of a Zimbabwe lithium company.
2. Tony Bainbridge, Australian, Chief Geologist – Tony's experience includes building, owning and managing a tungsten mining operation in South Korea.

We note the use of an independent board committee for the recent negotiations revising the Cronimet JV terms to incorporate the intention to commence open cut mining in 2023.

Quarry Business

Making the most of their endowment, for community & shareholders

The operating Mt Carbine Quarry business was purchased for \$8m in 2019. The purchase was instrumental in being able to develop the mining business but also provided a going concern source of cashflow for the company as its mining plans progressed.

Features of the business:

- Established business in operation for over 20 years within the Mt Carbine Mining Leases.
- Revenue growth opportunities within a region of population growth.
- No drill and blast. Mined waste rock = quarry feed stock.
- Material only requires secondary crushing, screening and blending to form saleable product.
- Feed stock sourced from stockpiled mined rock, after sorting, vast majority of the historic stockpiles including low grade stockpile, form future quarry feed after processing.

Material sorted, crushed and screened as required to fill orders for local construction projects, maintaining council and state roads as well as servicing remote communities and Northern Australia Infrastructure Projects. While not clearly separately disclosed, we estimate quarry business generates around \$1m to \$2m in sales per year.

Gold Exploration Assets (farmed out to focus on core operations)

Surplus assets... the focus is on Tungsten

NSW Exploration Licences – Panama Hat and Crow Mountain exploration projects

- These opportunities have been, since Nov-2021, farmed out to privately owned Sozo Resources Pty Ltd on a 4-year agreement covering expenditure of A\$1.64m for which Sozo can earn an 80% interest in the projects.
- Panama Hat is 25km south east of Broken Hill in NSW, a region known for its rich metallic ores.
- Crow Mountain is located in northern NSW, and considered prospective for gold.

Mt Carbine Tungsten – 1895 first production

A long operating history

Mt Carbine was discovered 1883, has seen various period of production including its last major period 1976-1986. Historically between 1973 and 1986 ore was sorted using lower technology optical methods with white quartz removed from associated rock. It was believed tungsten was only found only in the quartz. However it has been shown that not only is scheelite mineralisation found in the quartz, but also wolframite mineralisation is found in both the quartz and associated host rock.

Like many other tungsten producers at the time, the price collapse in 1980's forced the mine to close whist and operated under a JV between QLD Wolframite and Poseidon Ltd.

With renewed interest in the mine, in 2012 a Feasibility Study at Mt Carbine suggested positive economics for the project. In 2017 the company changed its name from Carbide Tungsten to Speciality Metals International Ltd.

Mt Carbine & EQR relationship made possible with CRONIMET

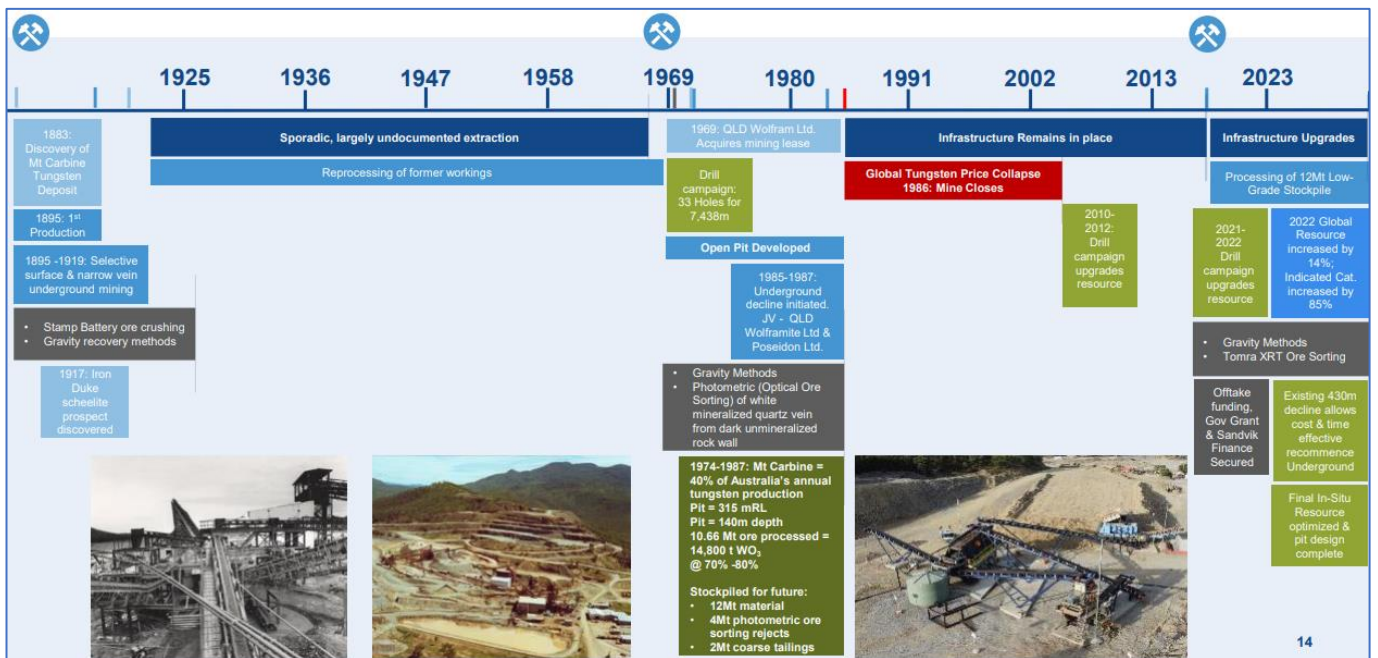
After serious discussions commenced in 2017, in 2018 the company formally agreed to buy the Mt Carbine quarries business subject to securing the required finance. Subsequently EQR struggled to secure funding to close the transaction. Only in late 2018 did Cronimet step up with an offer to prepay \$5m (US\$3.5m) as part of an offtake agreement. As a result, in 2019 the company completes the transaction to buy the Mt Carbine Quarries for A\$8m and enters into a 50/50 JV-agreement with Cronimet pertaining to process plant and low-grade stockpiles only.

Commissioning began in 2019 and production starts in 2020 in which year Kevin MacNeill was also appointed interim-CEO.

In 2020 the company's name was changed from Speciality Metals International Limited (ASX: SEI) to EQ Resources Limited, EQ being related to emotional quotient and emotional intelligence.

Throughout 2020 and 2021 further drilling, feasibility studies and investment in the project with the second XRT Sorter bringing production capacity up towards 40kmtu WO3 per annum.

Figure 28: History of Mt Carbine



Source: Company Presentation Sept-2022

Environmental Social and Governance considerations (ESG)

EQR is ESG aware. EQR reports on its alignment with the United Nations Sustainable Development Goals. The company assesses its commitment to ESG across 3 avenues: health and safety, environment and social engagement.

Safety: The company highlights a proactive approach to their safety management, including the following initiatives for the fiscal year 2022:

- 2,806 Take 5 Safety Assessment
- 114 Job Safety Environmental Analysis
- 2 Prestart safety meetings per day
- Conducts consistent reviews, audits and assessments of processes and standards

Environmental: EQR maintains and uses management systems to generate data and evaluate environmental risks.

The fiscal year 2022 saw EQR undertake the following:

- Noise, air and vibration studies
- Water management plan update
- Waste rock & tailings management
- Flora and fauna studies

The company has also made the following environmental commitments:

- ARTEH Participation (development of emissions reporting baseline)
- Mitchell River Watershed Management Group Sponsorship

The company's prudent approach to environmental management is important given the location of Mt Carbine mine in the ecological diverse Mareeba Shire on the Atherton Tablelands in Far North Queensland.

Figure 29: Mt Carbine Tailings Dam is toxin-free and remains host to ecologically diverse wildlife



Source: Company Report

Social: EQR has made the following social commitments:

- Mt Carbine Rodeo Sponsorship
- Looking to have personnel volunteer with the local Rural Fire Service

Additionally EQR's management has highlighted a focus on deriving additional revenue from a circular economy. This best demonstrated by the clean waste rock and recycled quarry products that drive additional revenue. In 2022 this accounted for a gross revenue of \$4.1 million (over 90% of gross revenue).

The company sees the continued development of its green aggregates business as important for the following ESG reasons and initiative fulfilments:

- Provides vital construction material to remote location in Far North Queensland
- Opens further employment opportunities for locals
- Supplying this market with recycled product where supply is generally limited.

Summary Financials

	F'cast->								
Key Drivers (June year end)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Resources: In situ (Indicated + inferred)	20.3	20.2	19.3	18.3	17.5	16.8	16.0	15.2	14.4
Grade WO3%	0.32%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.34%
Resources: Low-Grade Stockpile (LGS)	12.0	11.8	11.0	10.8	10.7	10.5	10.2	10.0	9.8
Grade WO3%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%
Reserve (Mt)	13.5	15.8	14.8	13.7	12.7	11.7	10.7	9.7	8.7
Grade WO3%	0.20%	0.17%	0.16%	0.16%	0.15%	0.13%	0.12%	0.11%	0.09%
Mined: Stockpile (Mt)	-	0.2	0.8	0.2	0.1	0.2	0.3	0.2	0.2
Mined: Open Cut (Mt)	-	-	0.2	0.8	1.0	0.8	0.7	0.8	0.8
Mined: Underground scenario (Mt)	-	-	-	-	-	-	-	-	-
Total ROM Ore Production (Mt)	-	0.2	1.0	1.0	1.1	1.0	1.0	1.0	1.0
ROM Strip Ratio	-	3.0	4.3	1.5	1.0	0.7	1.0	1.0	1.0
Avg Grade	0.00%	0.08%	0.30%	0.24%	0.27%	0.35%	0.19%	0.26%	0.26%
Concentrate output (tonnes)		198	4,824	3,976	4,458	5,740	3,120	4,135	4,135
Rotterdam APT US\$/mtu (88.5% min)	345	305	320	363	362	344	350	350	350
EQR WO3 Concentration	50%	50%	50%	50%	50%	50%	50%	50%	50%
Payability rate v APT Price (70-75%)	70%	70%	70%	70%	73%	75%	75%	75%	75%
USD:AUD Forex	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Realised Price AUD\$/mtu	345	305	320	363	375	369	375	375	375
Cost per A\$/Mtu	-	351	167	228	125	89	126	110	110
Margin per A\$/Mtu	-	46	153	135	249	280	249	265	265
	F'cast->								
Cashflow (A\$m) (June YE)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Sales	4.8	9.0	69.5	70.4	83.0	103.9	55.5	75.6	75.6
Expenses	(10.1)	(2.6)	(35.8)	(44.4)	(27.7)	(24.5)	(18.2)	(21.7)	(21.7)
Tax	0.0	0.0	0.0	0.0	0.0	(16.7)	(8.6)	(12.8)	(12.8)
Net interest	(0.0)	(0.4)	(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
Working capital	(2.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating CF	(5.1)	6.0	32.9	25.7	55.1	62.6	28.5	41.0	41.0
Capex- growth	(2.6)	(13.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex - maintenance	(5.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Exploration spend	(0.0)	0.0	(5.0)	(5.0)	0.0	0.0	0.0	0.0	0.0
Total Capex	(7.7)	(15.3)	(6.5)	(6.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
FCF	(14.2)	(9.3)	26.4	19.2	53.6	61.1	27.0	39.5	39.5
Debt	7.1	14.9	(9.2)	(2.9)	(2.9)	(0.9)	(0.9)	(0.9)	(0.9)
Equity raise / (dividends)	0.0	7.4	0.0	0.0	(39.2)	(57.4)	(25.9)	(38.4)	(38.5)
Other	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cashflow	(1.8)	23.0	17.1	13.5	11.5	2.7	0.2	(7.1)	0.1
Ending cash	1.7	24.8	41.9	55.4	66.9	69.7	69.9	62.8	62.8
	F'cast->								
Profit & Loss (A\$m) (June YE)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Total Revenue	6.2	9.0	69.5	70.4	83.0	103.9	55.5	75.6	75.6
Cash Operating Expenses	(9.9)	(2.6)	(35.8)	(44.4)	(27.7)	(24.5)	(18.2)	(21.7)	(21.7)
Non-Cash Adjustments	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	(4.5)	6.4	33.7	26.0	55.3	79.5	37.3	53.9	53.9
Depreciation and Amortisation	(0.9)	(0.9)	(2.9)	(2.9)	(2.8)	(2.7)	(2.6)	(2.6)	(2.5)
EBIT	(5.4)	5.5	30.8	23.1	52.5	76.7	34.7	51.3	51.4
Net interest	(0.6)	(0.4)	(0.8)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
NPBT	(6.1)	5.1	30.0	22.9	52.3	76.5	34.5	51.2	51.3
Income Tax	0.0	(1.3)	(7.5)	(5.7)	(13.1)	(19.1)	(8.6)	(12.8)	(12.8)
NPAT	(6.1)	3.8	22.5	17.2	39.2	57.4	25.9	38.4	38.5
Basic EPS (A\$)	(0.450)	0.261	1.543	1.177	2.69	3.94	1.77	2.63	2.64
DPS	0.00	0.00	0.00	0.00	2.69	3.94	1.77	2.63	2.64
	F'cast->								
Balance Sheet (A\$m) (June YE)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Cash	1.7	24.8	41.9	55.4	66.9	69.7	69.9	62.8	62.8
Trade & Other Receivables	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Other Current Assets	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Current Assets	5.6	28.6	45.7	59.3	70.8	73.5	73.7	66.6	66.6
PPE & Right-of-Use Assets	7.0	26.6	25.4	24.4	23.4	22.6	21.8	21.2	20.5
Deferred Exploration & Evaluation	10.8	10.6	15.4	20.1	19.7	19.3	18.9	18.5	18.1
Other Non-Current Assets	7.9	36.6	29.1	23.4	10.3	7.9	7.9	7.9	7.9
Total Non-Current Assets	25.7	73.8	69.9	67.9	53.5	49.8	48.6	47.6	46.6
TOTAL ASSETS	31.3	102.4	115.7	127.1	124.3	123.3	122.3	114.2	113.2
Borrowings & Debts	0.7	9.3	3.0	3.0	1.0	1.0	1.0	1.0	1.0
Other Current Liabilities	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Total Current Liabilities	9.6	18.3	12.0	12.0	10.0	10.0	10.0	10.0	10.0
Borrowings & Debts	5.9	14.1	11.2	8.2	7.3	6.4	5.4	4.5	3.6
Other Non-Current Liabilities	1.4	11.4	11.4	8.7	8.7	8.7	8.7	1.4	1.4
Total Non-Current Liabilities	7.3	25.5	22.6	16.9	16.0	15.1	14.1	5.9	5.0
TOTAL LIABILITIES	17.0	43.8	34.6	28.9	26.0	25.1	24.1	15.9	15.0
Net Assets	14.3	58.6	81.1	98.2	98.2	98.2	98.2	98.2	98.2
Issued Capital	22.2	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
Reserves	2.8	34.6	34.6	34.6	34.6	34.6	34.6	34.6	34.6
Accumulated profit/(loss)	(10.7)	(6.9)	15.6	32.7	32.7	32.7	32.7	32.7	32.7
TOTAL EQUITY	14.3	57.3	79.8	97.0	97.0	97.0	97.0	97.0	97.0

Source: PAC Partners, Company announcements

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