

EQ Resources Limited

Quarterly Activities Report

Quarter ended 31 December 2021

EQ Resources Limited is the 100% owner of the Mt Carbine Tungsten Mine near Cairns, Australia's only primary producer of tungsten, a critical metal. Production recommenced in 2020 with dual product streams of tungsten concentrate and by-product high-quality specialised aggregate and road-making materials.

HIGHLIGHTS

MT CARBINE OPERATIONS

- Positive results from EQR's Bankable Feasibility Study for the Mt Carbine Expansion Project, which is predicted to produce operational pre-tax cash flow of \$38 million and \$95 million in years 3 and 4 respectively, with an NPV of \$131.5 million and an IRR of 154%.
- Moved to double its high-tech X-ray Ore-sorting (XRT) capacity with the acquisition of a second TOMRA XRT Sorter.
- Continued to develop its 'green aggregates' business which turns waste rock into vital construction materials for Far North Queensland.
- Completed the commissioning of the upgraded power line at the Mt Carbine site during December 2021 allowing the XRT Sorter to operate on a 24-hour basis which resulted in the Company achieving additional monthly production.
- Record tungsten concentrate production achieved from its rejuvenated Mt Carbine mine.

EXPLORATION

- Entered into a binding Farm-In and Joint Venture Agreement with Sozo Resources Pty Ltd whereby Sozo can earn up to an 80% interest in EQR's Panama Hat and Crow Mountain Projects (EL6648 & EL8024) by completing expenditure of A\$1.6M over 4 years
- A regional program of mapping, rock chip sampling and ground magnetics have been completed on the Mt Carbine Mining Leases and surrounding EPMs. The results of these programs are in the process of being analysed and will inform the next work program for this area.

MT CARBINE OPERATIONS

MT CARBINE BFS DELIVERS POSITIVE RESULTS

In December 2021, EQR announced positive results from its Bankable Feasibility Study (“BFS”) for the Mt Carbine Expansion Project (“Project”), which focused on the open pit development with high-grade ore from the Company’s 100%-owned Andy White Open Pit and supplemented with the processing of the 12 million tonne Low-Grade Stockpile (“LGS”) which is a 50:50 joint venture with global metals group Cronimet.

The BFS contemplates a 12-year operation with the focus on production from its high-grade open pit ore being processed in years 3 and 4 where it is expected to produce operational pre-tax cash flow of \$38 million and \$95 million respectively. The Project delivers impressive economics including an NPV of \$131.5 million and an IRR of 154%.

The Open Pit BFS only utilises approximately 15.5% of the Mt Carbine In-Situ Mineral Resource covered in the production forecast and provides significant underground potential. The BFS outlines a phased investment approach. Phase 1 and Phase 2 will allow the Company to restart the open pit and to generate positive cash flow without over-capitalising the Project, in advance of Phase 3 which plans to expand the pit and rehabilitate underground workings.

The Project comprises the low-cost expansion of existing crushing, screening and XRT Sorting operations, as well as further expanding the existing processing plant.

A potential expanded Ore Reserve from the open pit, as well as conceptual design and costing for an underground mining operation (Phase 3) will be developed in a separate Scoping Study that the Company will be preparing throughout the first quarter of 2022.

The Company has set out a clear pathway for a work program aiming to convert more of its resource into the reserve category as well as expanding the overall Mineral Resource through additional drilling commencing in early 2022.

The BFS had been prepared by independent Lead Study Manager, JukesTodd Pty Ltd. The full BFS is available on the Company’s [website](#).

HIGH-TECH ORE SORTING CAPACITY TO BE DOUBLED

In October 2021, the Company announced the doubling of its XRT Sorter capacity through the acquisition of a second TOMRA XRT Sorter.

The installation and commissioning of the first XRT Sorter was a game changer for the Company throughout the pilot studies conducted. The XRT Sorter expansion is a key element for the overall production expansion from the Low-Grade Stockpile. EQR’s strong relationship with TOMRA led to this opportunity to mobilise an additional unit for EQR, where TOMRA will ensure that the machine is equipped with TOMRA’s latest technology features.

The unit comes as part of a fully operational system including all electrical and utility supply units. The ‘COM Tertiary XRT’ type machine was operational at another site in Queensland and will undergo reassembly and installation at Mt Carbine during early 2022. The second unit will work in tandem with EQR’s ongoing sorting operations with the installation designed to minimise production disruptions.

QUARRY DELIVERIES CONTINUED FROM REPURPOSED MINE WASTE

EQR continued to develop its ‘green aggregates’ business which turns waste rock into vital construction materials for Far North Queensland.

The December 2021 quarter is one of the busiest periods for the Quarry as developers and contractors aim to complete projects before the start of the annual wet season. In the first months of this financial year (until end of November 2021) the Quarry booked sales above \$1 million (including GST) and had approximately \$400,000 (including GST) of awarded contracts to be fulfilled in early 2022.

The Mt Carbine Quarry operations repurposes various materials from historic stockpiles and waste rock from the Company's tungsten operations, first mined more than 100 years ago. EQR continues to develop its quarry business using a multitude of by-product materials and is tendering on regional as well as export-oriented projects.

The largest tender awarded to the Quarry this financial year has been the Newell Beach Boat Ramp Project, north of Port Douglas, which has received 7,500 tonnes of various repurposed products. Demand for Mt Carbine rock and aggregate is being driven by increased regional infrastructure investment by the government.

While EQR is aiming for a leadership role in the sustainable development of critical minerals projects, we are continuously looking at non-conventional waste treatment options. The Quarry provides a complementary revenue stream to the Company's primary product being tungsten concentrate. Additional revenue drives down unit costs and helps Mt Carbine build a mine for the future. EQR's ambition is to build a mine with low impact and maximum use of mined materials, a truly circular enterprise.

UPGRADED POWER LINE COMMISSIONED, LEADING TO RECORD PRODUCTION

In December 2021, EQR completed commissioning of the upgraded power line at the Mt Carbine site. The upgrade allowed the XRT Sorter to operate on a 24-hour basis and led the Company to achieve a new monthly production record of tungsten concentrate from its rejuvenated Mt Carbine mine. A successful debottlenecking strategy and Early Works investment targeting the crushing, screening and XRT Sorting capacity contributed to the production of a record >40 tonnes of 50% WO₃ concentrate in December 2021, showing the positive impact of the continuous improvements at Mt Carbine.

Upgrade works on the power line at site were supplemented with further investment in modern earth moving equipment, followed by additional high-volume screening equipment from Sandvik and larger-size conveying systems for expanded production volumes. The completed power upgrade will allow 24/7 operation of all major processing circuits being the crushing, screening, XRT Sorting and gravity separation plant. Installation of various component upgrades are also ongoing and directly contributing to the increased production rates seen in December 2021.

Mt Carbine is ramping up production into a firm market for tungsten concentrates and a strong, stable price for the major end product APT, currently around US\$325/MTU, compared with US\$230/MTU a year ago.

EQR is expanding its production and team at Mt Carbine as it creates a sustainable mine for the future.

EQR is expecting production to be reduced in the coming quarter while it ties in key pieces of equipment to the existing plant during the wet season but with the Early Works being completed in the coming weeks, the Company will be on target with an anticipated production upgrade of +/-90 tonnes of concentrate per month.

SAFETY PERFORMANCE AT MT CARBINE

Safety at Mt Carbine continues to improve during the quarter with no lost time incidents. Several employees were trained and upskilled on various aspects of the operation both formally and informally. The Company continues to track both lead and lag safety indicators for its safety performance and to understand safety trends around the Mt Carbine site. The Company continues to engage with mining safety consultants, Impress Solutions Pty Ltd, on an ad hoc basis and is receiving support where required in HSE training preparation.

ENVIRONMENTAL ACTIVITIES AT MT CARBINE

During the quarter several shallow monitoring bores were installed on the Mt Carbine Mining Leases to collect data during the wet season for the open pit expansion project. Rehabilitation trials have also been commissioned with the Company's environment consultants, NRA. Ongoing monitoring of surface water, ground water, dust and noise as well as biological sampling continue.

EXPLORATION ACTIVITIES

BINDING FARM-IN AND JOINT VENTURE AGREEMENT WITH SOZO RESOURCES PTY LTD

In November 2021, EQR entered into a binding Farm-In and Joint Venture Agreement (the "Agreement") with Sozo Resources Pty Ltd ("Sozo") whereby Sozo can earn up to an 80% interest in EQR's Panama Hat and Crow Mountain Projects (EL's 6648 and 8024) by completing expenditure of A\$1.6M over 4 years.

Sozo is a privately owned mineral exploration company focused on the discovery of economic copper, gold, and nickel deposits within Eastern Australia.

Panama Hat is located approximately 25km southeast of Broken Hill in New South Wales and comprises the historical Huonville Gold Field which lies within the Proterozoic Broken Hill Block which is recognised as one of the richest metallogenic regions in the world.

Crow Mountain is located approximately 30km southeast of Barraba in northern New South Wales and covers a significant strike length of the crustal scale, gold endowed Peel Fault, a potential analogue of the Mother Lode system in California, USA.

Introducing a farm-in partner allows the Company to solely focus on its 100%-owned Mt Carbine Tungsten Mine.

Key Terms of the Farm-In and Joint Venture Agreement between EQR and Sozo Resources Pty Ltd can be found in the ASX release [here](#).

MT HOLMES

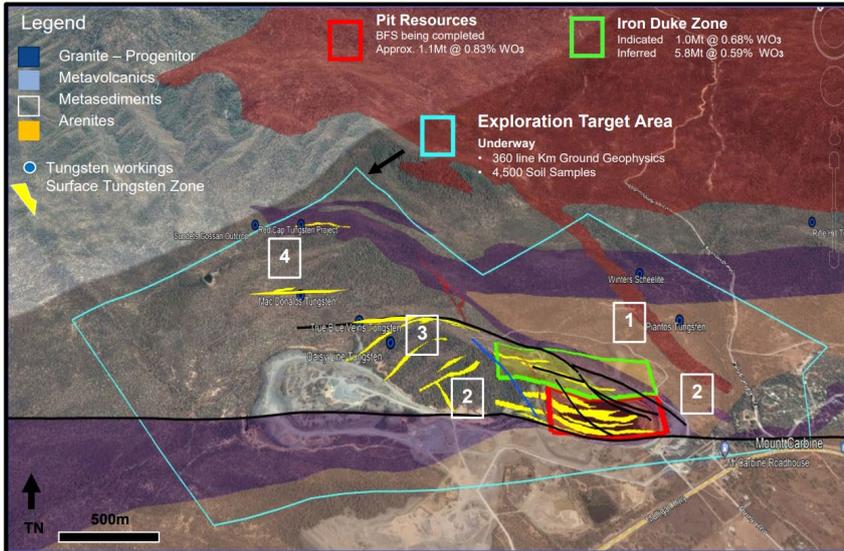
A regional program of mapping and rock chip sampling located 14 quartz veins up to 8m in width and strikes from 200-1,200m in length. It is interesting that these veins are orientated in the same direction as the mineralisation at Mt Carbine albeit more than 20km away. Several of these veins showed visible tin and old workings with reconnaissance sampling commenced via the collection of 82 rock chip samples. The samples have been submitted for assay and will determine the next work program for this area.

MT CARBINE MINING & EPM'S

An intense program of ground geophysics was completed with a line spacing of 25m and readings at 2m intervals along the lines. This close spaced ground magnetics was designed to help understand the structures of the Mt Carbine geology and to define regional targets for exploration. In all, the program totalled 342-line kilometres that covered the blue boundary shown on the brownfields map below.

Brownfield Exploration

- 4 Key Areas to investigate within the Mining License
- Completing Detailed Geophysics (Blue Zone) & Soil Program



Development Targets

1. Iron Duke upgrade Inferred Resource of 5.81Mt@0.59%WO₃ to Indicated Resource.
2. Investigate Strike & Depth Extents: Veins extend for 1km westwards & depth remains open
3. Daisy & True Blue Zones – can trace back to Iron Duke
4. McDonalds & Red Cap – substantial workings with good tungsten

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The Company is reviewing the magnetics to identify targets for ongoing drill testing. This will be combined with detailed soil geochemistry that is currently underway and will cover the same area as the geophysics. To date more than 2,200 soil samples have been collected during this quarter from the 3,500-sample program.

TENEMENT INTERESTS

In accordance with ASX Listing Rule 5.3.3, the following table is submitted with respect to tenements held by the Company and its controlled entities:

Location	Holding Entity	Area	Expiry Date
Queensland, Australia			
ML 4867	Mt Carbine Quarries Pty Ltd	385.5 ha	31/07/2022
ML 4919	Mt Carbine Quarries Pty Ltd	7.891 ha	31/08/2023
EPM 14871	Company	10 sub-blocks	12/12/2025
EPM 14872	Company	21 sub-blocks	11/12/2025
EPM 27394	Company	4 sub-blocks	01/06/2025
New South Wales, Australia			
EL 6648	Company	9 Units	19/10/2020 ¹⁾
EL 8024	Company	19 Units	29/11/2024

ML = Mining Lease; **EPM** = Exploration Permit for Minerals (Qld); **EL** = Exploration Licence (NSW)

1) *Renewal application submitted and acknowledgement letter dated 19 October 2020 has been received from Regional NSW – Mining, Exploration and Geoscience (Division).*

A binding Farm-in and Joint Venture Agreement was entered into with Sozo Resources Pty Ltd whereby Sozo can earn up to an 80% interest in EQR's Panama Hat and Crow Mountain Projects (EL's 6648 and 8024) by completing expenditure of A\$1.6M over 4 years.

FINANCIAL PERFORMANCE

Revenue from the sale of tungsten concentrates continues to improve as more of the capital investment in Early Works is commissioned. Cash receipts from customers were \$1.209 million (compared with \$1.802 million in the previous quarter) due to both increased production and higher global reference prices for the export product.

The Group continued to invest in property, plant and equipment (\$0.662 million) and exploration and evaluation activities of \$0.708 million with the completion of the Bankable Feasibility Study.

Staff costs rose to \$0.960 million as the company continues to recruit and invest in training ahead of ramping up mining and processing of the low-grade stockpile and a return to mining at Mt Carbine."

CORPORATE

CHANGES IN EQR BOARD & LEADERSHIP TEAM

There have been no changes in the EQR Board or Management team during the period.

RELATED PARTY PAYMENTS

In line with its obligations under ASX Listing Rule 5.3.5, the Company has advised in Appendix 5B for the period ended 31 December 2021, that the only payments to related parties of the Company pertain to payments to Directors and Senior Executives for salaries, fees and consultancy including expense reimbursements.

This announcement has been approved by release by the Board of Directors.

Released on behalf of the Board by:

Kevin MacNeill
Chief Executive Officer
EQ Resources Limited

Further Enquiries:

Peter Taylor
Investor Relations
0412 036 231
peter@nwrcommunications.com.au

About the Company

EQ Resources Limited is an ASX-listed company transforming its world-class tungsten assets at Mt Carbine in North Queensland; leveraging advanced technology, historical stockpiles and unexploited resource with the aim of being the pre-eminent tungsten producer in Australia. The Company also holds gold exploration licences in New South Wales. The Company aims to create shareholder value through the exploration and development of its current portfolio whilst continuing to evaluate corporate and exploration opportunities within the new economy and critical minerals sector.

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Competent Person's Statements

EQ Resources' exploration and resource work is being managed by Mr Tony Bainbridge, AusIMM, AIG. Mr Bainbridge is engaged as a contractor by the Company and is not "independent" within the meaning of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Bainbridge has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC Code 2012.

The technical information contained in this announcement relating exploration results are based on, and fairly represents, information compiled by Mr Bainbridge. Mr Bainbridge has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The diamond core samples are assayed at the ALS Laboratory in Brisbane, Australia. Mr Bainbridge has consented to the inclusion in this release of the matters based on his compiled information in the form and context in which it appears in this announcement.

Forward-looking Statements

This announcement may contain forward-looking statements. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Particular risks applicable to this announcement include risks associated with planned production, including the ability of the Company to achieve its targeted production outline due to regulatory, technical or economic factors. In addition, there are risks associated with estimates of resources, and there is no guarantee that a resource will have demonstrated economic viability as necessary to be classified as a reserve. There is no guarantee that additional exploration work will result in significant increases to resource estimates. Neither the Australian Securities Exchange nor its Regulation Services Provider (as that term is defined in policies of the Australian Securities Exchange) accepts responsibility for the adequacy or accuracy of this announcement.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

EQ RESOURCES LIMITED

ABN

77 115 009 106

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,209	3,011
1.2 Payments for		
(a) exploration & evaluation	(4)	(5)
(b) development	(35)	(275)
(c) production	(896)	(2,736)
(d) staff costs	(960)	(1,844)
(e) administration and corporate costs	(198)	(366)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(10)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other		
- Diesel Fuel Tax Credits	57	115
- Other (provide details if material)	10	27
1.9 Net cash from / (used in) operating activities	(827)	(2,084)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(662)	(828)
(d) exploration & evaluation	(708)	(1,801)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(118)	(118)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,488)	(2,747)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	6,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(269)	(302)
3.5	Proceeds from Prepaid Sales	-	-
3.6	Repayment of borrowings	50	50
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	-Working Capital Loan (Unincorporated Joint Venture)	83	123
	-Lease Repayments (Principal Only)	(28)	(30)
3.10	Net cash from / (used in) financing activities	(164)	5,841

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,991	3,504
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(827)	(2,084)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,488)	(2,747)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(164)	5,841
4.5	Effect of movement in exchange rates on cash held	(4)	(6)
4.6	Cash and cash equivalents at end of period	4,508	4,508

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'00
5.1	Bank balances	4,508	6,991
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,508	6,991

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	126
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Payments to Directors and Senior Executives for salaries (including superannuation), fees, consultancy, and expense reimbursements.</p>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	7	7
7.2 Credit standby arrangements	-	-
7.3 Convertible Notes	4,000	4,000
7.4 Total financing facilities	4,007	4,007
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
7.1 Secured 3-year Equipment Finance Loan at an Interest Rate of 4.91% p.a.		
7.3 Unsecured 2-year Convertible Notes with a Coupon Rate of 7.00% p.a. payable in shares or cash at the election of the Note Holders.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(827)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(708)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,535)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,508
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,508
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.9
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.