

22nd May 2023

STRONG BFS UPDATE DELIVERS 47% INCREASE IN NPV

EQ Resources Limited is the 100% owner of the Mt Carbine Tungsten Mine near Cairns.

EQ Resources Limited (“EQR” or “the Company”) is pleased to announce positive results from the May 2023 Update of its Bankable Feasibility Study (“BFS Update”) for the Mt Carbine Expansion Project (“Project”).

Based on the Company’s recent upgrade of the Mt Carbine Ore Reserves (see ASX announcement [43% Increase in Mt Carbine Ore Reserves from Open Pit](#) dated 18 May 2023) a detailed review of the Project Economics has been performed, with consideration of changing underlying cost and revenue assumptions.

Highlights:

- BFS Update enhanced by recently announced 43% increase in open cut Ore Reserves upgrade, and doubling of plant capacity from 2025, resulting in a 25% higher tungsten concentrate (50% WO₃ content) output, and over a shorter period (due to doubling capacity), thus bringing revenue forward.
- Project delivers strong Pre-Tax Economics* including:
 - o NPV₈** of \$307.1 million*** (47% increase compared to the November 2022 BFS update of \$209);
 - o IRR of 477%;
 - o Life of Mine EBITDA of \$450 million.
- Low capital cost of \$21.4 million has been further optimised to \$18.5m (a decrease of \$2.9m) as an effect of scope changes and defined costing. \$7.8m has been added to reflect doubling of plant capacity, resulting in total Capex over Project life of \$26.3m.
- Tungsten concentrate production C1 Cash Cost**** remains amongst lowest in industry with an equivalent of US\$104/mtu once full capacity has been reached.

* Concentrate sales price basis US\$340/mtu (mtu = metric tonne unit, 10kg) in 2023, with a long-term forecast average of US\$369/mtu (2024-2040) calculated using the average of the Roskill Base Case and High Case price level scenarios (see Chapter 16 of 2021 BFS)

** 8% discount rate applied

*** \$307M NPV is Project NPV; NPV attributable to EQR as 50% portion of LGS Joint Venture and 100% of Open Pit results to \$270M

**** C1 Cash Cost: Direct costs (mining and processing cost), plus local G&A and by-product credits from sale of aggregate through quarry, but excluding royalty; Exchange rate AUD/USD 0.688

The BFS Update now contemplates a 10-year production schedule with the Project delivering impressive economics including a NPV₈ of \$307 million and an IRR of 477%. The BFS Update covers total concentrate production of approximately 38,570 tonnes (50% WO₃ content), an increase of 25% over the last BFS output.

The Project implementation was split into two phases, with the Company having successfully completed Phase 1 Scope as per the initial BFS (December 2021). The BFS Update highlights that scope changes and cost

updates have resulted in a positive net effect of approximately \$2.9 million in total Capex savings. An additional \$7.8m has been added to capital expenses to account for doubling of plant capacity in 2025.

Comparison of Consolidated Project Economics

| Parameter | Unit | BFS Pit Optimisation (November 2022) | BFS Western Extension (May 2023) | |
|--------------------------------------|----------------------------|---|-------------------------------------|---|
| Total Cash Cost (FCA) | US\$/mtu | 118 | 104 |  |
| Capital Cost (Project life) | A\$m | 21.4 | 26.3* |  |
| Pre-tax NPV_{8, real} | A\$m | 210* | 307** |  |
| NPV / Capex Ratio | x | 9.8 | 11.7 |  |
| Payback Period | years | 1.5 | <1 |  |
| Strip Ratio | (Waste:Ore) | 3.1:1 | 3.9:1 |  |
| Concentrate Produced | (t / 50% WO ₃) | 30,960 | 38,570 |  |

* Capex over the entire Project life has increased due to \$7.7m added to double plant capacity (without this, capex forecast is lower than last BFS)

** NPV shown as Project NPV; NPV attributable to EQR as 50% portion of Joint Venture Scope and 100% of additional ore recovered from Open Pit results to **\$270 million**

Notes:

- The BFS has been prepared to a -20% to +20% level of accuracy. The production target and financial information in this table must be read in conjunction with the cautionary statement in the relevant ASX Release
- AUD:USD average exchange rate of 0.688 over the life of Project was used for currency conversions

EQR Chief Executive Officer, Kevin MacNeill, commented: “The successful drill campaigns and strong trends of conversion of resource from inferred to indicated along with a fully functioning processing operation has supported the positive outcomes in this BFS Update.”

“As reiterated in previous announcements, the Phase 1 processing plants have provided the data we need as a company to design a plant that is optimised for the Mt Carbine mineralogy to maximise tungsten recovery and deliver the best results for the Company.”

“The pit has now been completely de-watered and grade control drilling is ongoing with mining set to start in June 2023. This is extremely exciting for the Company with the site an absolute hive of activity as final preparations are made for the open-cut mining to resume. The Phase 2 plant upgrades are underway along with the new Sandvik crushing plant which is set for commissioning in early 2024. Until then, we have the processing capacity to use our current plant and equipment to process the primary open cut ore.”

“We continue to focus on excellence in execution and delivering on our development plan as we progress the Mt Carbine operations and grow EQR supporting the global requirement for Critical Minerals.”

The BFS Update had been prepared by independent lead study manager Turner & Townsend JukesTodd Pty Ltd. The full BFS report is available on the Company’s webpage.

Released on authority of the Board by:

Kevin MacNeill
Chief Executive Officer

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.

Competent Person's Statements

The Ore Reserves Estimate for the Mt Carbine Project has been prepared by a team of consultants under the guidance of Mr Tony O'Connell. The Mt Carbine Project consists of (a) the Mt Carbine low-grade stockpile (LGS) and (b) the Mt Carbine open pit. The estimates of Open Cut Ore Reserves for the Mt Carbine Project as at 15th May 2023 presented in the Reserve report have been prepared in accordance with the requirements of the 2012 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012 JORC Code). Mr O'Connell is a qualified Mining Engineer, (BE (Mining), University of Queensland), has over 24 years of experience in the global mining industry and is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr O'Connell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr O'Connell consents to the inclusion in the Reserve report of the matters based on his information in the form and context in which it appears. Neither Mr O'Connell or Optimal Mining Solutions Pty Ltd has any material interest or entitlement, direct or indirect, in the securities of EQ Resources Limited or any associated companies. Fees for the preparation of the Reserve report are on a time and materials basis only. Mr O'Connell consents to the release of the Reserve report, in the form and context in which it appears.

EQ Resources' exploration and Resource work is being managed by Mr Tony Bainbridge, AusIMM. 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 to the updated bankable feasibility study results are based on, and fairly represents, information compiled and/or assessed by Mr Bainbridge. Mr Bainbridge has verified and approved the data disclosed in this release, including the analytical and test data underlying the information. 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.

Follow us:  

Cautionary Statements

The Bankable Feasibility Study (“BFS”) and its recent update (“BFS Update”) discussed herein has been undertaken to explore the technical and economic feasibility of expanding the Mt Carbine Tungsten operation, on the basis of an expanded processing plant to process the historic 12 million tonnes of Low Grade Stockpile (“LGS”) and higher-grade ore to be mined from the Company’s 100% owned Open Pit (“Project”).

The production target and financial forecasts presented in the BFS and BFS Update are shown on a 100% Project basis. It has to be noted that the Company has entered into a 50:50 joint venture arrangement with Cronimet Australia Pty Ltd which covers the retreatment of the historic tailings and LGS only. Details on the joint venture structure are provided in the BFS documentation.

The production target covers feedstock from the LGS and defined Ore Reserves as independently validated. The Ore Reserve Estimate underpinning the BFS and BFS Update has been prepared by a Competent Person in accordance with the requirements in the JORC Code 2012.

There is a lower level of geological and grade continuity confidence associated with the Inferred Resources and there is no certainty that further exploration work will result in the conversion of Inferred Resource estimates to Indicated Resource estimates or return the same grade and tonnage distribution.

The stated production targets are based on the Company’s current expectations of future results or events and should not be solely relied upon by investors when making investing decisions.

The economic outcomes associated with the BFS and BFS Update are based on certain assumptions made for commodity prices, concentrate payables, exchange rate and other economic variables, which are not within the Company’s control and subject to change from time to time. Changes in such assumptions may have a material impact on economic outcomes.

To achieve the range of outcomes indicated in the BFS and BFS Update, completion of funding will be required. Investors should note that there is no certainty that the Company will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of the Company’s existing shares.

It is also possible that the Company could pursue other ‘value realisation’ strategies such as a sale or partial sale of the Company’s share of the Project.

This BFS Update announcement contains forward-looking statements. The Company has concluded it has a reasonable basis for providing the forward-looking statements included in this announcement and believes it has a reasonable basis to expect it will be able to fund the further development of the Project.

However, several factors could cause actual results, or future expectations to differ materially from the results expressed or implied in the forward-looking statements. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the BFS and BFS Update.