

EQ Resources (ASX:EQR)
Valuation & TP: A\$0.07

Market Cap @ A5.4cps: A\$79.1M
Financed for Phase 2 project development

Mt Carbine tungsten mine - how big is it, really?

- EQR has reported drill results from the program testing the deposit at depth and to the west of the existing open pit, and the pit proposed in the recent Feasibility Study. This is now financed, with pit de-watering projected for this Half Yea.
- Assays contain the highest per metre tungsten (WO_3 contained) intersected outside the BFS Pit. Hole EQ030 reported 5.51m @ 3.20% WO_3 from 387.25m. This is an order of magnitude - 10-times - the grade of the Open Pit Ore Reserve reported (0.33% WO_3).
- Hole EQ030 targeted the depth extension of a high-grade intercept in historical Hole CB064 which reported 5.59m @ 2.49% WO_3 contained within a broader 10.68m @ 1.32% WO_3 .
- This drilling continues to support the interpretation of the continuity and planarity of the *King Veins* which host the higher-grade tungsten mineralisation, mined over 13 years in the open pit.

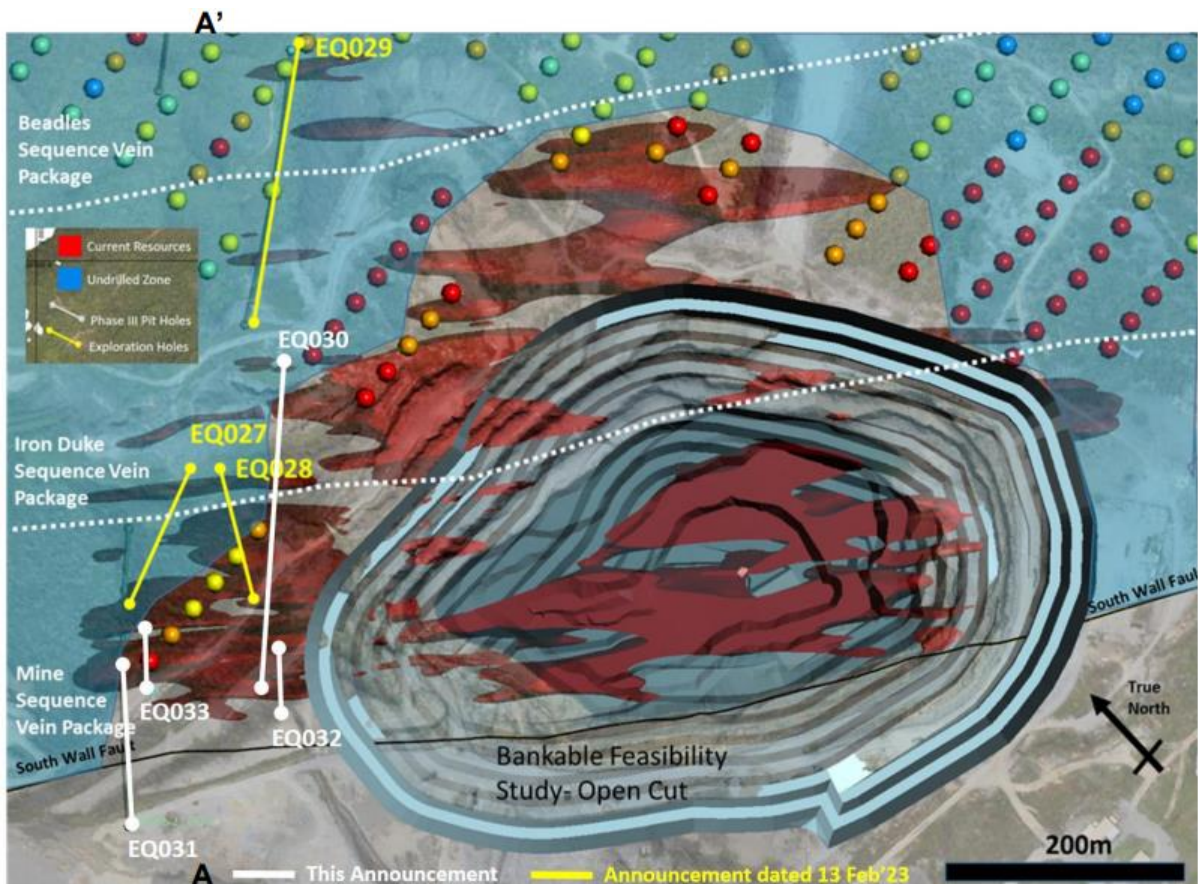


Figure 1 - Location map: Excellent results from second four drill holes of the Phase 2 2022 Drill Program demonstrate exploration potential westward

- The Long Section – on the right, below – shows the higher grade mineralisation below the existing pit. CB064 and recent hole EQ030, below it, are shown to the west of the open pit. The Cross Section – on the left, below – shows the relationship along strike from the open pit profile.

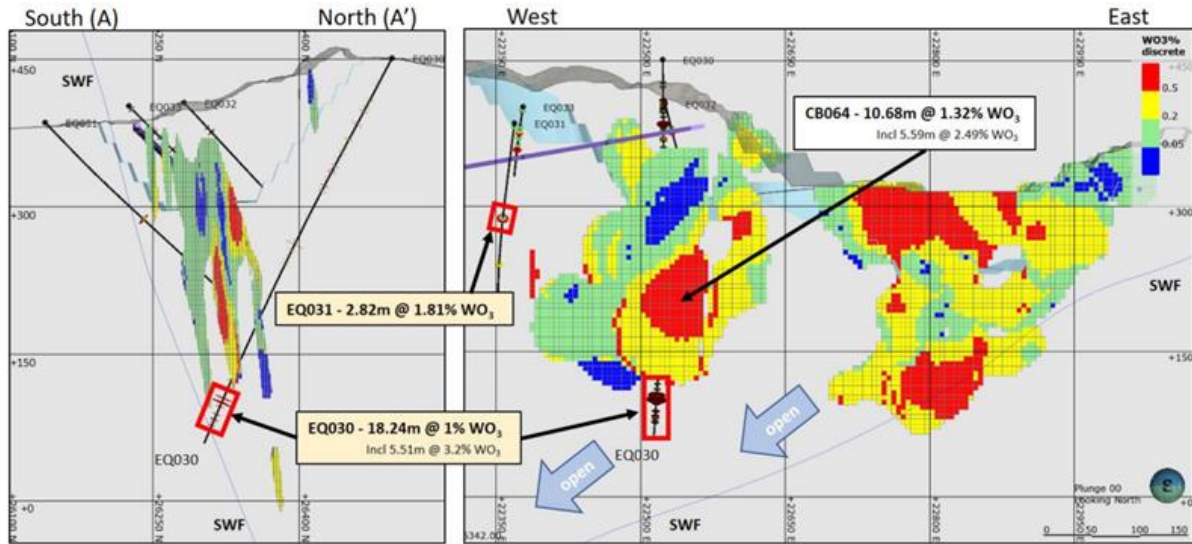


Figure 2 - Hole EQ030 Cross Section

Figure 3 - Hole EQ030 & EQ031 Long Section with Block Model highlights

- On 13 February EQR reported drill results on the Iron Duke veins. These are sub-parallel to the veins in the Mt Carbine open pit, as shown in the Cross Section below.

- Results included:

- 2.36m @ 0.88% WO_3^* from 195.68m (see hole EQ027 - Dyke West)
- 3.63m @ 0.40% WO_3^* from 233.18m, incl. 0.20m @ 6.01% WO_3^* from 233.18m (see hole EQ028 - Dyke West)
- 9.76m @ 0.46% WO_3^* from 140.84m, incl. 2.25m @ 1.90% WO_3^* from 140.84m (see hole EQ029 - Iron Duke)
- 2.64m @ 0.76% WO_3^* from 218.50m (see hole EQ029 - Iron Duke)

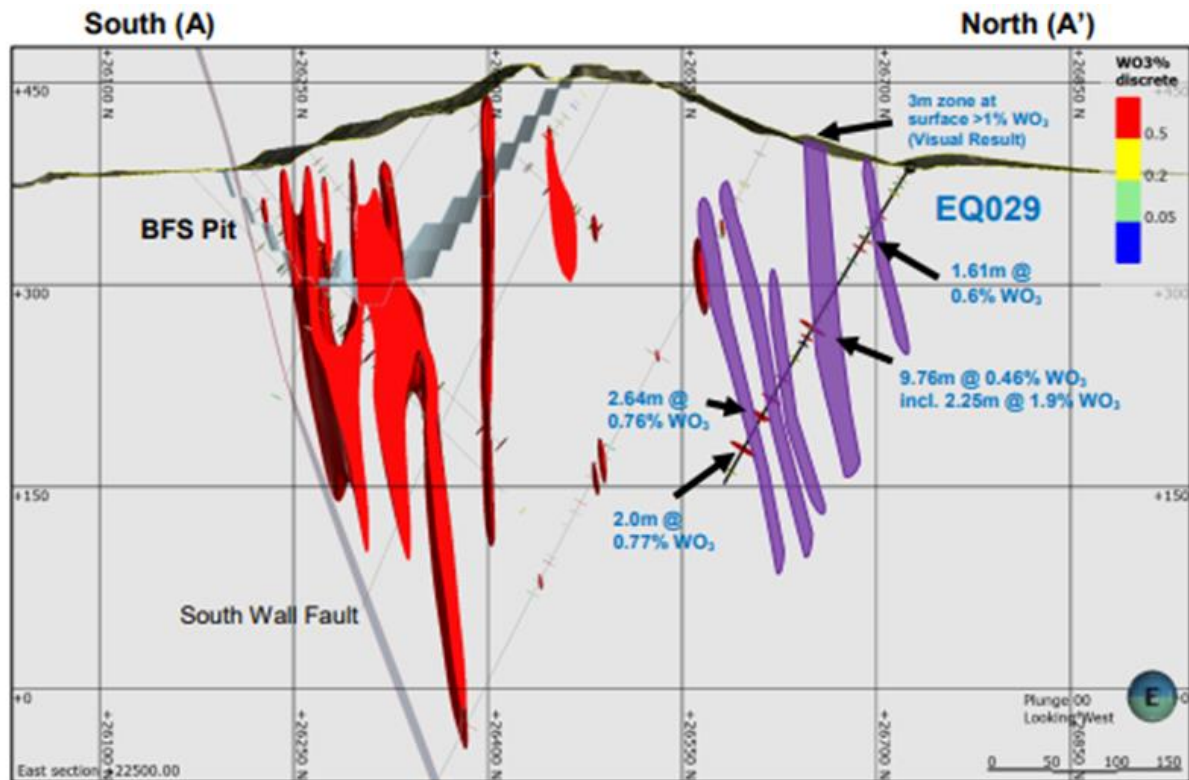


Figure 3 - Cross section of EQ029 confirming continuation of high-grade mineralisation in the Iron Duke Vein Package (shown in purple)

Our view and interpretation

This drilling has apparently defined a zone of higher grade mineralisation over a vertical interval, interpreted as related to the temperature gradient generated by the mineralised intrusive.

The shallow Iron Duke mineralisation has implications for the open pit expansion, with the hill between the Mt Carbine open pit, and the Iron Duke veins. It may be that the Iron Duke veins may support the push-back of the north wall, leading to a deeper open pit at Mt Carbine.

The deeper drilling to the west of Mt Carbine confirms the extension of the mineralisation. Given the topography, our assessment is that underground mining may be required for extraction. The grades reported would more than justify underground mining.

Our expectation is that the resource will be increased by drilling, and that there will be further additions to the Reserve base.

Both Mt Carbine and King Island Scheelite closed in 1987 when China, which dominated the tungsten market, collapsed the ammonium paratungstate (APT) price from US\$150/metric tonne unit (MTU) to US\$50/MTU. The strategic importance of tungsten is now recognised. Mt Carbine is the most advanced tungsten play in Australia. As the resource is increased, operational efficiencies confirmed, and the ore throughput increased back to previous levels of 2Mtpy, our expectation is that the EQR price will lift well beyond our current Target Price of A\$0.07ps.

Disclosure:

Morgans Corporate Limited was a lead Manager to the Placement of shares in EQ Resources Limited in March 2021 and received fees in this regard

Morgans Corporate Limited holds 25.0m Options in EQ Resources Limited at an exercise price of \$0.0432 expiring 19 March 2024 as a result of capital raising activities.

The Consultant involved in the preparation of this Research Flash holds shares in EQ Resources (ASX:EQR).

Regards,

Chris Brown

Senior Analyst

Level 29, Riverside Centre, 123 Eagle St Brisbane, QLD 4000

Email: chris.brown@morgans.com.au

Direct: 07 3334 4885 | Mobile: 0418 737 810

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Morgans Financial Limited | ABN 49 010 669 726 | AFSL 235410