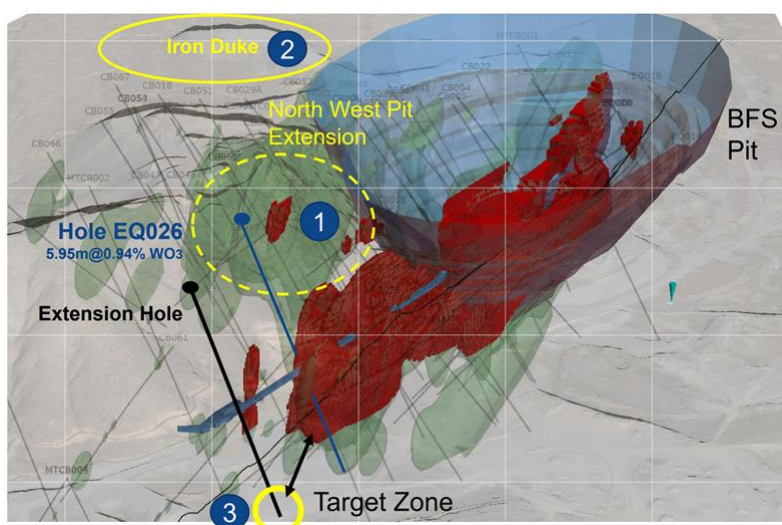


<b>COMPANY</b>	<b>EQ Resources (ASX:EQR)</b>	27 February 2023
<b>MCAP</b>	\$79M                      \$0.054/share	
<b>RECOMMENDATION</b>	Buy and PT \$0.12/share, High Risk	
<b>EVENT</b>	Positive drill results add multiple opportunities to extend	

### Key Points:

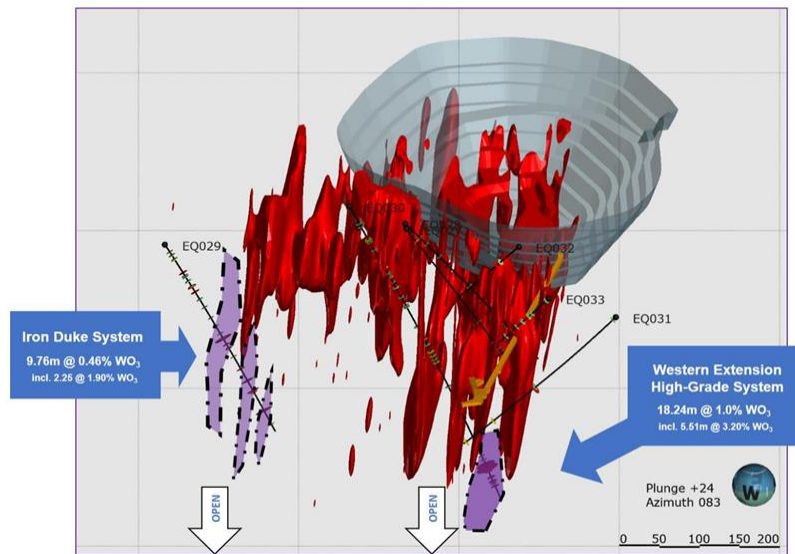
- EQR is reporting exploration success pathing the way for it to **quickly add mine** life as it also approaches first production from the Mt Carbine open pit.
- Results indicate a **high grade mineralized** system exists **only 150m to the west** of the open pit.
- Assay results include the **highest-grade intercepts** to date outside of the open pit mine plan (EQR has made the most of its lower grade endowment thus far but these results are world class).
- Intercepts are at depth and **in proximity to the historic decline** providing access for potential underground mining (rather than open pit).

Figure 1: Targets 1, 2 and 3 from November 2022



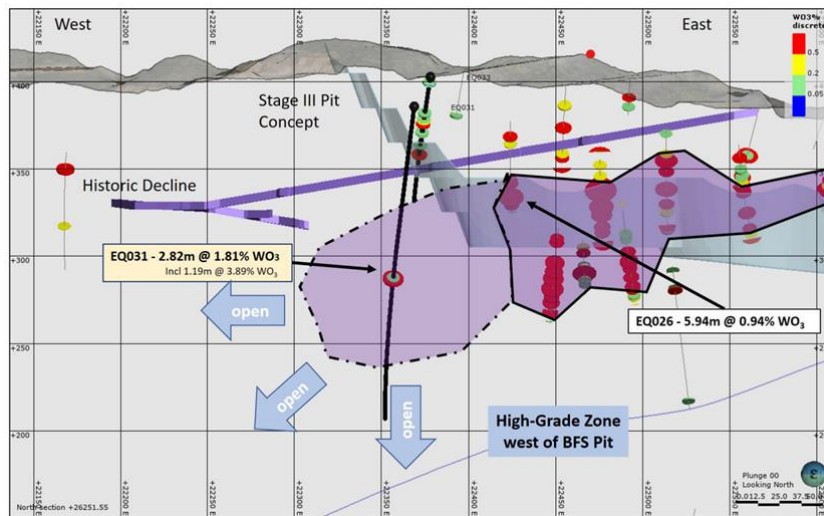
Source: EQR 2022 AGM presentation

Figure 2: Targets 1 & 3 have been delivered including high grade results (5m at 3.2% against reserve grade 0.33%)



Source: EQR ASX release 27-Feb

Figure 3: The postulated second lobe to the west, has been intercepted by hole EQ031 and proximate to historic decline access



Source: EQR ASX release 27-Feb

Figure 4: Consistent results above 1% indicative of multiple high-grade King Veins outside of the open cut

Hole #	East	North	RI	EOH	Dip	Azm (TN)	From	To	Interval	WO <sub>3</sub> %	Zone
EQ030	22522.7	26494.7	451	437.6	231	64	75.11	75.3	0.19	6.08	Iron Duke
							77.36	77.59	0.23	2.45	
							129.15	129.55	0.40	0.68	
							131.86	132.41	0.55	1.06	
							214.32	214.42	0.10	18.85	
							220.95	221.65	0.70	0.46	
							387.25	387.66	0.41	11.95	Bluff
							389.18	389.45	0.27	0.02	
							391.31	391.41	0.10	2.20	
							392.04	392.76	0.72	17.40	
396.59	396.89	0.30	0.96								
404.96	405.49	0.53	0.76								
EQ031	22368.9	26139.6	386	261.3	45	45	140.1	140.84	0.74	0.20	Iolanthe
							140.84	142.03	1.19	3.89	
							142.03	142.92	0.89	0.37	
EQ032	22525.3	26281.6	406	120.1	66	45	41.62	41.75	0.13	1.03	Bluff
EQ033	22377.8	26225.2	403	102.3	41	45	38.28	38.57	0.29	0.53	Johnson
							63.43	63.76	0.33	1.13	Bluff

- Intervals represent downhole depth, not true thickness with no applied upper cut

- Hightlight (bold) intervals represent where King-Veins have been intersected above 1% WO<sub>3</sub> grade

Source: EQR ASX release 27-Feb

**Figure 5: Tungsten peer group exhibits typically low grades, G6M is a leader outside of China to close to 1%, EQR's exploration success may be indicative of a significant potential lift in average resource grade**

Company			\$	Share Price (local)	Mkt Cap A\$m or local	Mkt Cap US\$m	Net Debt (\$m)	EV (A\$m or local)	Resource (MT)	Grade WO <sub>3</sub> %	Resource WO <sub>3</sub> Contained (kt)	EV/WO <sub>3</sub> Resource (Mt) (US\$)
Group 6 Metals	G6M	ASX	AUD	0.17	126.1	80.7	6.9	133.1	11.2	0.90%	101	843.5
EQ Resources	EQR	ASX	AUD	0.054	79.1	50.6	5.0	84.1	32.3	0.23%	76	711.5
Almonty Industries	All	ASX, TSE	CAD	0.70	127.3	93.0	60.1	187.5	80.4	0.36%	289	472.9
Tungsten Mining NL	TGN	ASX	AUD	0.10	86.5	55.4	-15.3	71.2	354.0	0.12%	425	107.3
Tungsten West Plc	LSE:TUN	LSE	GBP	0.25	44.2	47.3	-27.3	16.9	328.0	0.12%	394	46.0
Northcliff Resources	TSX:NCF	TSX	CAD	0.06	7.5	5.5	-1.7	5.8	334.4	0.07%	221	19.3
Rafaella Resources	RFR	ASX	AUD	0.04	18.6	11.9	-1.0	17.7	10.3	0.18%	19	609.5
W Resources	LSE:WRES	LSE	GBP	0.03	3.9	N/A	57.9	61.8	53.5	0.11%	61	N/A
Fireweed	FWZ	TSX	CAD	0.91	83.0	63.8	-6.0	89.0	44.8	0.80%	359	187.7
Saloro SLU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.26	7	N/A

Source: Company releases, PAC Partners analysis, IRESS pricing data

### View / Investment case / Valuation

- The **higher-grade system** identified may contain **more minable ore** (higher grades) than the open pit we in our valuation.
- We value the open pit and low-grade stockpile at **>\$170m**.
- EQR's **market capitalization is just \$75m** and thanks to a combination of streaming agreements, critical minerals grants and other debt/equity capital, is **funded into open pit production**.

- Our initiation report [Small start, significant potential](#) , highlighted that EQR was a **smaller tungsten operation** compared to peers and **future exploration success was needed** to add mine life and valuation. These results seem indicative of success along that pathway.

#### Catalysts / Expected news-flow from here:

- In coming **weeks**:
  - Final regulatory approvals to commence open pit mining (or otherwise).
  - Resource update is due (current resource: 32.3Mt @0.23% for total 76kt of WO3).
- **Mid-year**: Cashflow should step up significantly as open pit mining commences (processing grade increases from 0.07% Low Grade Stockpile to 0.33% open pit reserve).
- **2H 2022: Mine life extension** via Underground Feasibility or Open Pit Extension studies (current life is 4 years of 0.33% open pit ore plus 10 years low grade stockpile 0.07% ore).
- **Expanding horizons**: EQR's success at Mt Carbine would path the way for it to add further tungsten mining opportunities (Mt Carbine lies within a historical tungsten region with multiple known historical tungsten deposits) and/or further cooperation with industry partners (offtake customer and processing JV partner Cronimet has been instrumental in getting EQR to the point it is at today).
- Reiterate BUY recommendation and target price \$0.12c

#### Most recent full note:

**EQ Resources (EQR)** (tungsten): [Small start, significant potential](#) (Dec-22, mcap \$55m, upside 140%)

EQUITY RESEARCH		PAC PARTNERS	
<b>COMPANY</b>	<b>EQ Resources (ASX:EQR)</b>	7 December 2022	
<b>MCAP</b>	A\$65M	\$0.047/share	
<b>RECOMMENDATION</b>	Buy and PT \$0.12/share, High Risk		
<b>EVENT</b>	Initiation Report: Tungsten, smaller start, significant potential		
<b>KEY POINTS</b>	<ul style="list-style-type: none"> <li>• A critical mineral operation already in production and generating cash.</li> <li>• Company strategy offers incremental value at lower capital risk.</li> <li>• Ahead of higher-grade ore in 2023, skilled management team have economically proven ore processing at very low grades and current scale.</li> <li>• Incremental growth from low capex, fully funded development, generating IRR of ~120% at lower risk NPV/capex ~10x.</li> <li>• Profitable quarry business provides downside protection.</li> <li>• Strong partnership with global metals business Cronimet covering aspects of operations, offtake and funding.</li> </ul>		
<b>VALUATION: 50% TO BASE CASE + FURTHER UPSIDE</b>	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.

**LINK TO INITIATION REPORT: [RR EQR 2022 12 07 INITIATION](#)**

## INVESTMENT VIEW

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.

### James Gurry

Director, Senior Equities Analyst



Mobile: +61 451 349 688

[jgurry@pacpartners.com.au](mailto:jgurry@pacpartners.com.au)

Level 29, 360 Collins Street

Melbourne VIC 3000

[www.pacpartners.com.au](http://www.pacpartners.com.au)

## Recommendation Criteria

### Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

### Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

### Disclosure Of Economic Interests

The views expressed in this research report accurately reflect the personal views of James Gurry about the subject issuer and its securities.

Entities associated with James Gurry do not hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report.

### Disclaimer

PAC Partners Securities Pty Ltd. ("PAC Partners" or "PAC" or "PPS") is a Corporate Authorised Representative of PAC Asset Management Pty Ltd holder of an Australian Financial Services Licence (AFSL No. 335 374).

PAC Partners is not licensed to advise retail investors. The information contained in this report is provided by PAC Partners to Wholesale Investors only.

Retail investor and third-party recipients should not rely, directly or indirectly, on this report. Users of this research report should not act on any content or recommendation without first seeking professional advice. Whilst the report has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by PAC Partners, for any errors or omissions or misstatements however caused.

Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access of this report does not create a client relationship between PAC Partners and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations.

This publication contains general securities advice. In preparing the advice, PAC has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. PAC and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. PAC believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by PAC or any of its directors, employees or agents.

Any content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of PAC Partners

### Disclosure of Corporate Involvement

PAC Partners has not in the previous 12 months carried out work on behalf of the Company described in this report or received fees on commercial terms for its services. PAC Partners associates may own securities of the Company described in this report. PAC Partners associates do not own securities of the Company described in this report. PAC Partners does and seeks to do business with companies covered in the research. PAC may receive commissions from dealing in securities associated with the Company. As a result, investors should be aware that PAC Partners may have a conflict of interest that could affect the objectivity of this report.

**For more information about PAC Partners please visit [www.pacpartners.com.au](http://www.pacpartners.com.au)**

If you would like to be removed from this distribution list please click here: [UNSUBSCRIBE](#).

If you would like to update your details please click here: [MODIFY](#).