



# HALF YEAR REPORT

EQ RESOURCES LIMITED

ABN 77 115 009 106

DECEMBER 2020



# CORPORATE DIRECTORY

## Directors

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**Oliver Kleinhempel**  
Non-executive Director  
Non-executive Chairman

**Stephen Layton**  
Non-executive Director

**Zhui Pei Yeo**  
Non-executive Director

## Company Secretaries

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Melanie Leydin & Patricia Vanni de Oliveira  
(Appointed 15 February 2021)

## Registered Office

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Melbourne VIC 3205

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## Principal Place of Business

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6888 Mulligan Highway  
Mount Carbine QLD 4871

## Share Register

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Level 5 126 Philip Street  
Sydney NSW 2000

**T** +61 (0)2 9698 5414

## Auditors

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Nexia Melbourne Audit Pty Ltd  
Level 12, 31 Queen Street  
Melbourne VIC 3000

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## Stock Exchange Listing

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Listed on the Australian Securities Exchange (ASX)

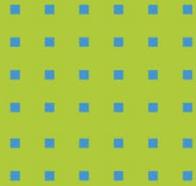
ASX Code: EQR

ACN: 115 009 106

ABN: 77 115 009 106

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# **OPERATING & FINANCIAL REVIEW**



## Operating and Financial Review

During the second half of 2020 EQ Resources Limited (**EQ Resources**, the **Company** or **EQR**) achieved significant progress in realising its plan of becoming a pre-eminent tungsten producer from its world class Mt Carbine Tungsten Project. The Company scaled up operations to produce tungsten concentrate that has now been sold to customers in the USA, Europe and Asia. Focus during the period has been on the installation and commissioning of the XRT (x-ray transmission) Sorter Pilot Plant (**XRT Sorter**) and the bulk testing of samples through the sorting plant. The test work has shown positive results from the processing of material from the 12Mt at surface stockpiles at Mt Carbine. The primary fines from these stockpiles were also tested over the period showing a higher ratio of recoverable tungsten per tonne of head feed.

The ongoing test work on the at surface stockpiles is key to the development plan for the Mt Carbine operations as the information gained through the ongoing test programs will be used to inform feasibility work required for the expansion of the processing plants to recover significantly higher tonnages.

In addition to the positive progress made at the processing operations, the quarry operations were able to secure a \$4 million contract providing quarry materials to Bama Civil Pty Ltd (**Bama Civil**), which had been approximately 75% completed during the period with deliveries set to continue once the local wet season abates allowing for Bama Civil to resume receipt of the material for the continuation of their road construction project. The Company has used the contract as a foundation to modernise the quarry ensuring that it continues to add value as a cash generating by-product at the Mt Carbine operations. This is in line with the Company's approach to maximise all resources on-site and minimise its footprint.

### Mt Carbine Operations

#### XRT Sorter Pilot Plant

EQ Resources completed the installation and commissioning of the XRT Sorter with initial bulk test work getting underway with early results announced ([here](#)). Significant work has been completed through an ongoing detailed test work campaign as part of the METS Ignited Australia Ltd (**METS**) program in the consortium led by CRONIMET Australia Pty Ltd (**CRONIMET**) as announced on 24 July 2020, the release can be seen ([here](#)).

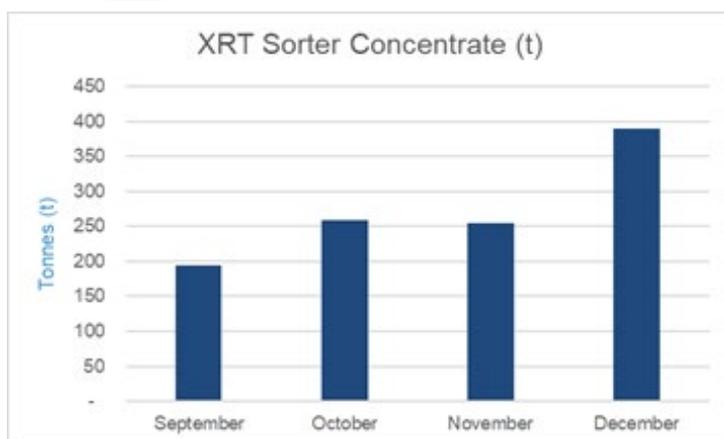


Figure 1 - XRT Concentrate Production

The initial months saw the installation and commissioning of the XRT Sorter with ongoing bulk test work progressing from September 2020. Focus was placed on completing several large-scale bulk samples simulating operational conditions for the XRT Sorter. This ongoing test work outside of the METS program has seen the processing of approximately 25,500 tonnes of sample feed material from approximately 44 bulk runs over the period. This test work generated approximately 1,098 tonnes of XRT Sorter concentrate.

The processing team worked over the period to establish a separate feed system for the XRT Sorter concentrate to be processed further through the gravity processing Retreatment Plant (**Retreatment Plant**). Small batch trials were processed on a controlled basis through the front-end feed system of the Retreatment Plant, however, due to the higher value of the XRT Sorter concentrate, the Company decided it would be best to install an independent feed system at the Retreatment Plant. This will ensure high recovery rates while processing the XRT Sorter concentrate simultaneously on an ongoing basis.

Samples of the various streams of materials over the METS campaign have been collected and distributed to the University of Queensland's *WH Bryan Mining and Geology Research Centre* for analysis. The samples were sent during December 2020 and the results are expected to be completed in early 2021. Test results to date have confirmed mass yields to the different streams of product, waste and fines material which are within expectations and early results.

EQR remains confident the XRT Sorter will have a positive long-term impact on long term production at the Company's operations.

Looking ahead in 2021, EQR will focus on sustained bulk test runs from across the low-grade stockpiles, working to gain a detailed understanding of the variability of the material and operational variables that will affect the operation as it expands into full time production. Early 2021 will also see continued test work under the METS Program, including bulk samples, mineralogy and mine planning in line with the results of the bulk samples.



Figure 2 - XRT Sorter Pilot Plant

## Retreatment Plant

Over the period, the operations team has worked to focus on consistency in operation, processing circuit refinement and implementation of additional data collection systems and points around the plant. September 2020 saw the installation of a new impact crusher with a focus on increasing recovery. The circuit changes and increased data collection has allowed management and the operations team better control and decision making throughout the gravity plant. The period also saw the appointment of a full time Production Manager which has aided in the implementation of systems, procedures and consistent running times for the operation.

The Retreatment Plant has mainly processed historical tailings material over the period supplemented with the testing of primary fines material generated from screening the mineralised stockpiles on site. These fines are generated while the feed material is sized and prepared for the XRT Sorter.

Results from processing primary fines has seen a significantly higher ratio of tungsten to head feed produced when compared to the tailings material due to the inherently higher grade and recoverability of the tungsten in the primary fines material. In early 2021, the operation will continue to bulk sample and test primary fines from the mineralised stockpiles and gain further insight into the recoverability of the tungsten contained therein as the project transitions toward consistent processing of the primary stockpiles at surface.

The operations team have met the challenges that come with the high rainfall experienced over the end of the period and were able to continue producing through the festive season. Production of primary fines material for testing did slow down due to the high rainfall over this period causing slow throughput in preparation of the material and will be a factor to contend with in the future, during Far North Queensland's wet season.

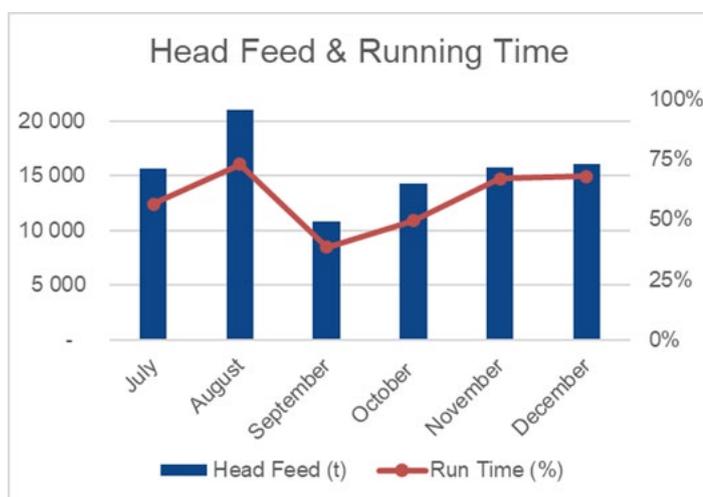


Figure 3 - Mt Carbine Gravity Plant Head Feed & Running

As mentioned earlier in this report, an independent feed system and a separate feed point in the gravity plant were setup over the period for the processing of the XRT Sorter concentrate. This was done to ensure maximum recovery of the higher-grade XRT Sorter concentrate. Small batches of the XRT Sorter concentrate were tested through the front-end of the plant, while the independent feed system was finalised, however, consistent testing and processing of XRT Sorter concentrate will take place in the new year once the new feed system is commissioned. It is expected that this material will provide the operation with a boost to monthly production once introduced on a consistent basis.

The Company, via its offtake partner CRONIMET Asia Pte Ltd, made several shipments of concentrate over the period. Concentrate shipments have gone to leading tungsten manufacturers in the USA, Austria and Vietnam building a strong customer base moving forward.

APT (Ammonium Paratungstate; as the underlying price reference for tungsten concentrate) price improvements were seen during the period, recovering from a low of approximately US\$205/mtu (metric ton unit; equals 10 kg) in July-August 2020 to approximately US\$230/mtu at the end of the period. The current price level is comparable to pre-COVID prices. The Company believes that price fundamentals remain favourable in the months ahead, as global manufacturing sectors continue to recover from the disruptions caused by the pandemic and industrial activities in leading economies start to benefit from the large stimulus packages rolled out by various governments.

## Quarry Operations

This period saw the appointment of a full time Quarry Manager following the Company securing the right to deliver quarry products to Bama Civil under the \$4 million contract announced ([here](#)). The quarry team started the delivery of quarry products under the contract in September 2020 as announced ([here](#)). Bama is using the material for a major road construction project, being the Queensland Government's Peninsula Development Road in Far North Queensland.



Figure 4 - Quarry product delivery

The Company has fulfilled approximately 74% of the contract as at the end of the period and receivables invoiced for the deliveries will continue to be collected in 2021. In addition to this the quarry has produced all material required to finalise the contract, with this material being held in inventory as at 31 December 2020. Deliveries will resume in 2021 once weather conditions permit.

During the period, the quarry has demonstrated that it has the capability to satisfy large scale infrastructure contracts in the area satisfying all product specifications and delivery requirements.

Plant and equipment upgrades, to support the quarry's capacity expansion and modernisation, were also completed during the period allowing additional growth and tendering capacity in 2021. The EQR Management and Executive Team are confident the quarry is well placed to continue providing by-product revenue for the business going forward.

## Exploration

### Mt Carbine, Qld - Mining Leases

This period has seen significant focus on the Mt Carbine resource. On 16 October 2020, the Company announced ([here](#)) that its resource redefinition has identified high-grade tungsten envelopes over a 1.2km strike length. The geological team has continued to progress significant work on the *King-vein* underground interpretation and review the core library data compiled on-site.

In December 2020, the Company engaged John Murphy of Northern Consultancy Services Australia Pty Ltd as a specialist consultant for the drafting and completion of the Facilitation Description Report for the re-opening of Mt Carbine's historic 430m decline and associated work program. The report has subsequently been finalised and is expected to be submitted to the Department of Resources during March 2021 as announced ([here](#)).

Significant work has also been completed over this period relating to the early costing of operational and capital costs with this information expected to be formalised and published in line with the Facilitation Description Report.

As part of the process to re-open the underground decline, EQR submitted an application to the Department of Environment & Science to allow underground sampling and exploration. EQR received this permission in early January 2021 by way of an amended Environmental Authority as announced on the ASX ([here](#)).



Figure 5 - Drill Core Samples

### **Mt Carbine, Qld – Exploration Permit for Minerals (EPM)**

During November 2020, the Company received the renewal approvals from the Department of Resources for EPM 14871 and EPM 14872 for a further 5-year term. The expiry dates for EPM 14872 (21 sub-blocks) and EPM 14871 (10 sub-blocks) are now 11 December 2025 and 12 December 2025 respectively.

### **Panama Hat – Broken Hill, NSW**

The Company has received and accepted renewal conditions for EL 8024 for a further term to 29 November 2024. EQR will review its work program once there is confidence inter-state travel can take place without being disrupted by COVID-19 restrictions.

### **Crow Mountain – New England, NSW**

A 6-year renewal application for EQR's Crow Mountain tenement (EL 6648) has been submitted and receipt of the renewal application has been acknowledged by Regional NSW - Mining, Exploration and Geoscience (Division) on 19 October 2020. The Company expects to receive further information from the Department in due course.

Expressions of interest have been received from parties looking to exploit both these historic high-grade gold fields in New South Wales. To facilitate further assessment by interested parties, the Company engaged Terrace Minerals Pty Ltd to compile a consolidated information memorandum for both assets. The Board continues to assess these enquiries and its strategic options.

## 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	358.5 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 <sup>1)</sup>
EL 8024	Company	19 Units	29/11/2024
<b>ML = Mining Lease; EPM = Exploration Permit for Minerals (Qld); EL = Exploration Licence (NSW)</b>			
<i>1) Renewal application submitted and acknowledgement letter dated 19 October 2020 has been received from Regional NSW – Mining, Exploration and Geoscience (Division).</i>			

No farm-in or farm-out agreements were entered into during the period.

## Corporate

### Safety Performance

The Company continues to focus on enhancing safety culture and plant upgrades at its multi-site operations at Mt Carbine. During this quarter, mining safety consultancy, Impress Solutions Pty Ltd, were engaged to review the Company's Health and Safety Management System. This was undertaken by a two-part process: a desktop review to identify documentary gaps and a week-long site audit to engage with personnel and observe operational safety practices.

The Company is committed to refining and implementing the findings from this review, to ensure safe outcomes and to embed a culture of learning. The Company believes strongly in our value to "Act Safe. Feel Safe." in our operations and to meet and exceed the Resources Safety & Health Queensland's vision of "zero serious harm".

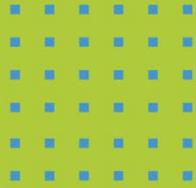
### Environmental Activities

During this quarter, the Company secured a minimal increase to their Estimated Rehabilitation Cost for Environmental Authority EPML00956913. EQR continues to engage with the Department of Environment & Science regarding the increase in quarry and XRT Sorter production (to the targeted 1,000,000 tonnes per annum) as set out in the Project Timeline shown in the [Company's Annual Report](#).

## Change in Leadership Team

On 1 October 2020, the Company appointed Kim Cavallaro as an Executive Director. Subsequent to this quarter, Ms Cavallaro has resigned as Executive Director and Chief Commercial Officer with effect from 15 January 2021. To continue the momentum and progress achieved to date to set solid corporate foundations and deliver on the Company's strategy, Ms Cavallaro will remain part of the leadership team until her last working day, supporting CEO & Senior Technical Advisor, Mr Kevin MacNeill and other senior managers of the Company.

The Company is pleased Mr Kevin MacNeill will continue to lead the Company as its CEO, expanding his focus on the operational front at the Company's flagship projects at Mt Carbine, to drive ongoing strategic initiatives at both Mt Carbine along with the Company's gold exploration assets in New South Wales. Mr MacNeill will work with the team to align key management roles to best advance these initiatives and seize the opportunities ahead.



# FINANCIALS



## Directors' Report

The Directors of EQ Resources present the financial report of EQ Resources Limited (the **Company**, formerly Speciality Metals International Limited to 27 November 2020) and its subsidiaries (the **Group**), for the half year ended 31 December 2020 (the **Period**).

### Directors

The names of the Directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated, are:

- Oliver Kleinhempel
- Stephen Layton
- Zhui Pei Yeo
- Kim Cavallaro (appointed 1 October 2020, resigned 15 January 2021)

### Operating Results

The net result of operations after applicable income tax expense for the half year ended 31 December 2020 was a loss of \$1,632,725 (2019 Half Year Loss \$1,204,167).

### Review of Operations

Information on the operations and financial position of the group, its business strategies and prospects for future financial years is detailed in the Review of Operations section of this Report.

### Subsequent Events

There have been no matters or circumstances that have arisen since 31 December 2020 requiring disclosure, or amendment to these financial statements apart from those disclosed in Note 11.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out and located after the Director's Declaration and forms part of this report.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Oliver Kleinhempel  
**Non-executive Chairman**

15 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020

	Note	31/12/2020 \$	31/12/2019 \$
Revenue	2	3,221,279	469,063
Other income	2	131,248	10,832
<b>Total revenue &amp; other income</b>		<b>3,352,527</b>	<b>479,895</b>
Administration expenses		(275,525)	(249,340)
Consultant expenses		(52,735)	(167,325)
Depreciation		(115,491)	(80,897)
Amortisation (deferred exploration and evaluation assets)		(108,457)	
Development and testwork costs		(231,340)	(157,815)
Exploration expenses written-off		-	(3,196)
Finance costs		(4,722)	-
Foreign exchange gains (losses)		366,713	(23,300)
Impairment expense (deferred exploration and evaluation assets)		-	(140,855)
Occupancy expenses		(61,962)	(17,893)
Other expenses		(12,381)	(69,560)
Production expenses		(2,720,008)	(309,774)
Salaries and employee benefits expense		(1,551,413)	(436,138)
Share based payments		(90,077)	-
Superannuation		(103,523)	(28,485)
Travel and accommodation		(25,362)	-
<b>Total Expenses</b>		<b>(4,986,283)</b>	<b>(1,684,578)</b>
<b>Profit (Loss) Before Income Tax Expense</b>		<b>(1,633,756)</b>	<b>(1,204,683)</b>
<b>Income Tax Expense</b>		<b>-</b>	<b>-</b>
<b>Profit (Loss) After Income Tax Expense</b>		<b>(1,633,756)</b>	<b>(1,204,683)</b>
<b>Other comprehensive income/(loss)</b>			
Gain/(loss) on revaluation of financial assets		1,031	516
<b>Total Comprehensive Profit / (Loss)</b>		<b>(1,632,725)</b>	<b>(1,204,167)</b>
<b>Attributable to Owners of EQ Resources Limited</b>			
		<b>Cents</b>	<b>Cents</b>
Basic profit (loss) per share		(0.15)	(0.13)
Diluted profit (loss) per share		(0.15)	(0.13)

# Consolidated Statement of Financial Position

For the half year ended 31 December 2020

	Note	31/12/2020 \$	30/06/2020 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,502,985	2,989,859
Trade and other receivables	5	1,128,374	332,212
Prepayments	5	265,782	309,547
Inventory	3	635,773	108,000
<b>Total current assets</b>		<b>3,532,914</b>	<b>3,739,618</b>
<b>Non-Current Assets</b>			
Receivables	6, 10	1,090,173	1,086,681
Plant and equipment		2,568,222	2,254,941
Inventory	3	7,209,548	7,437,413
Deferred exploration and evaluation	8	7,021,546	6,896,994
Financial assets	4	3,144	2,113
<b>Total Non-Current Assets</b>		<b>17,892,633</b>	<b>17,678,142</b>
<b>Total Assets</b>		<b>21,425,547</b>	<b>21,417,760</b>
<b>Current Liabilities</b>			
Payables		2,649,411	736,610
Employee benefits	7	134,404	105,090
Lease liability	12	232,527	200,715
Contract liability – sublease		131,719	125,818
Contract liability – offtake		2,283,522	2,547,615
<b>Total Current Liabilities</b>		<b>5,431,583</b>	<b>3,715,848</b>
<b>Non-Current Liabilities</b>			
Employee benefits	7	16,241	12,884
Lease liability	12	812,678	968,094
Contract liability – sublease		1,771,397	1,784,638
<b>Total Non-Current Liabilities</b>		<b>2,600,316</b>	<b>2,765,616</b>
<b>Total Liabilities</b>		<b>8,031,899</b>	<b>6,481,464</b>
<b>Net Assets</b>		<b>13,393,648</b>	<b>14,936,296</b>
<b>Equity</b>			
Issued capital	9	15,023,117	15,023,117
Reserves		90,077	-
Accumulated profit / (loss)		(1,719,546)	(86,821)
<b>Total Equity</b>		<b>13,393,648</b>	<b>14,936,296</b>

# Consolidated Statement of Cash Flows

For the half year ended 31 December 2020

Note	31/12/2020 \$	31/12/2019 \$
<b>Cash Flows from Operating Activities</b>		
Proceeds from sales to customers	3,136,577	424,239
Proceeds from deferred revenue	312,973	-
Proceeds from diesel fuel rebate	41,494	-
Proceeds from Government COVID-19 relief packages	77,436	-
Payment to suppliers and employees	(4,275,311)	(1,961,429)
Interest paid	(4,553)	(23,242)
Interest paid for lease liabilities	(1,509)	-
Interest received	8,691	6,651
<b>Net Cash Flows Used in Operating Activities</b>	<b>(704,202)</b>	<b>(1,553,781)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for the purchase of plant and equipment	(761,819)	(665,832)
Proceeds from the release of tenement security deposits	100	(2,000)
Payments for tenement security deposits	(4,682)	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(766,401)</b>	<b>(667,832)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issue of shares	-	3,003,242
Payments for share issue costs	-	(272,348)
Proceeds from long-term loan facilities	-	29,420
Payments for lease liabilities	(4,763)	-
Payment of short-term loan	-	(202,389)
Payment of transaction costs related to borrowings	-	(446)
Proceeds from offtake and working capital loan (unincorporated joint venture)	2,265	348,228
<b>Net Cash Flows from Financing Activities</b>	<b>(2,498)</b>	<b>2,905,707</b>
<b>Net (decrease)/increase in cash held</b>	<b>(1,473,101)</b>	<b>684,094</b>
Add opening cash brought forward	2,989,859	217,962
Effect of movement in exchange rates on cash held	(13,773)	6,358
<b>Closing Cash Carried Forward</b>	<b>1,502,985</b>	<b>908,414</b>

## Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

Consolidated	Attributable to the Shareholders of EQ Resources Limited			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>At 1 July 2019</b>	<b>7,651,079</b>	<b>2,923,961</b>	<b>330,000</b>	<b>10,905,040</b>
Profit / (loss) for the period	-	(1,204,683)	-	(1,204,683)
Prior year adjustment	-	4,898	-	4,898
Other comprehensive income for the period	-	516	-	516
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,199,269)</b>	<b>-</b>	<b>(1,199,269)</b>
Issue of share capital	3,203,242	-	-	3,203,242
Share issue costs	(92,430)	-	-	(92,430)
Share based payments	45,000	-	-	45,000
Performance rights vested but not exercised	-	-	(330,000)	(330,000)
<b>Total transactions with owners in their capacity as owners</b>	<b>3,155,812</b>	<b>-</b>	<b>(330,000)</b>	<b>2,825,812</b>
<b>Balance at 31 December 2019</b>	<b>10,806,891</b>	<b>1,724,692</b>	<b>-</b>	<b>12,531,583</b>
<b>At 1 July 2020</b>	<b>15,023,117</b>	<b>(86,821)</b>	<b>-</b>	<b>14,936,296</b>
Profit / (loss) for the period	-	(1,633,756)	-	(1,633,756)
Other comprehensive income for the period	-	1,031	-	1,031
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,632,725)</b>	<b>-</b>	<b>(1,632,725)</b>
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Share based payments	-	-	90,077	90,077
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>90,077</b>	<b>90,077</b>
<b>Balance at 31 December 2020</b>	<b>15,023,117</b>	<b>(1,719,546)</b>	<b>90,077</b>	<b>13,393,648</b>

# Notes to the Consolidated Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Going Concern Basis for Preparation of Financial Statements

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the half year ended 31 December 2020, the consolidated entity incurred a total comprehensive loss of \$1,632,725 (2019: \$1,204,167), incurred cash outflows from operations of \$704,202 (2019: \$1,553,781) and had a net working capital deficit of \$1,898,669 (2019: \$2,571,385 surplus). The deficit in net working capital was due largely to the reclassification of the Offtake Contract Liability from non-current to current. The ability of the Company to continue to adopt the going concern assumption is based upon the Company entering into a material capital raising (as announced on Thursday 11 March 2021), along with it having a source of income from the Mt Carbine Quarry along with that from the Company's unincorporated joint venture with CRONIMET Australia Pty Ltd for development of the Mt Carbine Retreatment Project.

Should additional funds be necessary the Directors are confident of securing these funds if and when necessary to meet the Company's obligations as and when they fall due and consider the adoption of the going concern basis to be appropriate in the preparation of these financial statements.

### (b) Basis of Preparation

The half year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of EQ Resources Limited as at 30 June 2020.

It is also recommended that the half-year financial report be considered together with any public announcements made by EQ Resources Limited during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### (c) Statement of Compliance

The half year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half year financial report has been prepared on a historical cost basis and financial assets have been measured at fair value through profit or loss.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

### (d) Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020, except for the accounting policy for inventory described below which has changed as a result of the adoption of AASB 102 *Inventory*. The accounting policies are consistent with the Australian Accounting Standards and the International Financial Reporting Standards.

### (e) Inventory

Inventories are valued at the lower of cost and net realisable value as per AASB 102 with the exception of the 7 million tonnes of stockpiled inventory which was recognised at fair value as part of the business combination upon the acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019. This inventory will be consumed on a units of operation basis.

Work in progress and finished goods are stated at the lower of average cost of production and net realisable value.

Cost of production comprises direct materials and delivery costs, direct labour, taxes, and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. REVENUE AND OTHER INCOME

Revenue	31/12/2020 \$	31/12/2019 \$
Sales and hire income	3,208,479	463,545
Sub-lease rent (unincorporated joint venture)	7,340	-
Interest received – other persons/corporation	5,460	5,518
	<b>3,221,279</b>	469,063
Other income		
COVID-19 relief (various)	54,663	-
Diesel fuel rebates	76,585	10,832
	<b>131,248</b>	10,832
<b>Total revenue and other income</b>	<b>3,352,527</b>	479,895

## 3. INVENTORY

	31/12/2020 \$	30/06/2020 \$
<b>Current</b>		
Finished goods	352,902	108,000
Work-in-progress	78,093	-
Raw materials	141,458	-
Workshop inventory	62,320	-
	<b>635,773</b>	108,000
<b>Non-current</b>		
Raw materials	7,209,548	7,437,413
	<b>7,209,548</b>	7,437,413
	<b>7,845,321</b>	7,545,413

The above amount for raw materials incorporates the fair value of the estimated 7 million tonnes of stockpiled inventory acquired as part of the acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019 along with work-in-progress and finished goods inventory which have been created from this stockpiled material. This inventory will be consumed on a units of operation basis and in accordance with AASB102. All inventory, regardless of type and stage in the production process has been valued at the lower of cost and net realisable value. Inventories expected to be processed or sold within twelve months after the balance sheet date are classified as current assets. All other inventories are classified as non-current assets.

The cost of inventories recognised as an expense includes write-downs of inventory to NRV in the amount of \$123,493.

## 4. FINANCIAL ASSETS

	31/12/2020 \$	30/06/2020 \$
Shares in listed companies:		
Force Commodities Limited (ASX: 4CE)	3,144	2,113

Equity instruments are measured at fair value as at reporting date with all changes recognised as other comprehensive income / (loss) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## 5. TRADE & OTHER RECEIVABLES

	31/12/2020 \$	30/06/2020 \$
Trade Receivables	1,027,169	178,697
Less Allowance	-	-
	1,027,169	178,697
Other Receivables	101,205	153,515
Total Trade & Other Receivables	1,128,374	332,212
Prepayments	265,782	309,547

### Trade Receivables

The average credit period on sales of product is 30 days. No interest is charged on outstanding trade receivables.

The collectability of trade receivables is assessed continuously, and individual receivables are written off when management deems them unrecoverable. No provision has been made for doubtful debts as all trade receivables were within terms as at reporting date.

## 6. RECEIVABLES – NON-CURRENT

	31/12/2020 \$	30/06/2020 \$
Tenement security deposits	1,087,230	1,083,797
Other security deposits	2,943	2,884
	1,090,173	1,086,681

The tenement deposits are restricted so that they are available for any rehabilitation that may be required on the mining leases and/or exploration tenements (refer to Note 10).

## 7. EMPLOYEE BENEFITS

	31/12/2020 \$	30/06/2020 \$
<b>Current</b>		
Annual leave provision	134,404	105,090
	134,404	105,090
<b>Non-current</b>		
Long service leave provision	16,241	12,884
	16,241	12,884

## 8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31/12/2020 \$	31/12/2020 \$
Costs brought forward	6,896,994	6,834,416
Costs incurred during the period	233,009	212,753
Costs recognised upon acquisition of MCQ on 28 June 2019	-	(5,079)
Exploration and evaluation expenditure written down	-	(140,855)
Amortisation	(108,457)	-
Capitalised portion of R&D tax offset	-	(4,241)
<b>Costs carried forward</b>	<b>7,021,546</b>	<b>6,896,994</b>
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	-
Expenditure on non-joint venture areas	7,021,546	6,896,994
<b>Costs carried forward</b>	<b>7,021,546</b>	<b>6,896,994</b>

The above amounts represent costs of areas of interest carried forward as an asset. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

The Directors reassess the carrying value of the Group's tenements at each half year, or at a period other than that, should there be any indication of impairment.

## 9. CONTRIBUTED EQUITY

	31/12/2020 \$	30/06/2020 \$
<b>Shares</b>		
<b>Share Capital</b>		
1,110,229,631 (30 June 2020: 1,110,229,631) ordinary shares fully paid	15,023,117	15,023,117
	<b>15,023,117</b>	<b>15,023,117</b>

### Options

The following options were outstanding at the end of the reporting period:

1 July to 31 December 2020	Issue Date	Number of Options	Vesting conditions	Expiry
2,000,000 (\$0.04 exercise price)	13-05-2020	2,000,000	Vested	05-05-2023
3,000,000 (\$0.06 exercise price)	13-05-2020	3,000,000	Completion of 12 months service	05-05-2023
2,000,000 (\$0.04 exercise price)	01-07-2020	2,000,000	Vested	01-07-2023
3,000,000 (\$0.06 exercise price)	01-07-2020	3,000,000	Completion of 12 months service	01-07-2023
<b>Balance as at 31 December 2020</b>		<b>10,000,000</b>		

### Performance Rights

No performance rights were outstanding at the end of the reporting period.

## 10. CONTINGENT LIABILITIES

The Group has provided guarantees totalling \$1,087,230 in respect of mining exploration tenements and environmental bonds. These guarantees, in respect of mining and exploration tenements, are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

## 11. SUBSEQUENT EVENTS

There have been no material events subsequent to 31 December 2020 that have not previously been reported other than:

- environmental approval obtained for underground exploration and sampling campaign at the Mt Carbine Tungsten Mine received from the Department of Environment and Science (refer ASX announcement “Environmental Approval Obtained for Underground Exploration and Sampling Campaign” dated 13 January 2021);
- resignation of Executive Director and Chief Commercial Officer (CCO), Kim Cavallaro, effective from 15 January 2021. Ms Cavallaro remains part of the leadership team until her last working day (refer ASX announcement “Change in EQR Leadership Team – Resignation of Executive Director, Ms Kim Cavallaro” dated 15 January 2021);
- issue of two (2) million unlisted options exercisable to \$0.04 on or before 1 February 2024 pursuant to the terms under the Company’s Equity Incentive Plan (refer ASX announcement “Appendix 4G” dated 1 February 2021);
- engagement of corporate finance specialist, Rock Financial Advisory, to assist in arranging funding for the expansion of the Mt Carbine operations (refer ASX Announcement “EQR Engages Rock Financial Advisory for Government and Commercial Funding of Mt Carbine Expansion Plants” dated 8 February 2021);
- appointment of Mses Melanie Leydin and Patricia Vanni de Oliveira from Leydin Freyer Corp Pty Ltd as joint Company Secretaries effective from 15 February 2021 following the resignation of Suzanne Irwin effective from 1 March 2021. The Company’s registered office will also be relocated to Level 4, 100 Albert Road, South Melbourne VIC 3205 as from 1 March 2021 (Refer ASX Announcement “Appointment and Resignation of Company Secretary” dated 15 February 2021);
- preliminary briefing report submitted to the Northern Australia Infrastructure Facility (NAIF) for strategic assessment of debt funding for the update and expansion of the Mt Carbine tungsten mine and quarry operations. The Company further announced that it had received management sign-off of the Facilitation Description Report (the Facility Report) required for the re-opening of the historic 430m decline at Mt Carbine which would be submitted to the Department of Resources in the coming week. (Refer ASX Announcement “EQR Progresses Mt Carbine Underground Permitting and Funding Options dated 25 February 2021);
- the Company was placed in a trading halt on 11 March 2021 pending an announcement in relation to a capital raising made on Monday 15 March 2021, confirming the Company had received \$6.5 million of firm commitments in a well-supported placement of new fully paid ordinary shares to institutional and sophisticated investors (Placement). Approximately 203.1 million ordinary shares will be issued under the Placement at an issue price of \$0.032 per share. The issue price represented an 18% discount to the most recent closing price and a 16% discount to the 15-day VWAP. Further information on the Placement can be found [here](#) (Refer ASX Announcement “Trading Halt” dated 11 March 2021 and “EQR Raises A\$6.5M to Accelerate Mt Carbine Expansion” dated 15 March 2021).

## 12. EQUIPMENT LEASES

	31/12/2020	30/06/2020
	\$	\$
<b>Right-of-use assets</b>		
Balance at 1 July 2020	1,225,390	-
Additions:		
- Plant & equipment	35,455	1,201,234
- Motor vehicle	-	32,848
Depreciation charge for the year	(81,782)	(8,692)
<b>Balance at 31 December 2020</b>	<b>1,179,063</b>	<b>1,225,390</b>
<b>Lease Liability - Maturity Analysis</b>		
Less than 1 year	232,527	200,715
1 to 5 years	812,678	968,094
5+ years	-	-
	<b>1,045,205</b>	<b>1,168,809</b>
<b>Amounts Recognised in profit or loss</b>		
Interest on lease liabilities	1,509	855
Expenses relating to short-term leases	-	-
	<b>1,509</b>	<b>855</b>
<b>Amounts recognised in statement of cash flows</b>		
<b>Total cash outflow for leases</b>	<b>6,272</b>	<b>7,892</b>

## 13. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

### **Adoption of New Standards and Interpretations**

#### *Changes in accounting policies on initial application of Accounting Standards*

From 1 July 2020, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2020. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

## 14. OPERATING SEGMENTS

### **Segment Information**

#### **Identification of Reportable Segments**

During the half year to 31 December 2020, the Company operated principally in two business segments being mineral exploration in Queensland and New South Wales, Australia and production from its Mt Carbine assets in Queensland, Australia.

The Company's revenues and assets and liabilities according to its business segments are shown below.

	31/12/2020			30/06/2020		
	Total \$	Production \$	Exploration \$	Total \$	Production \$	Exploration \$
<b>REVENUE</b>						
Revenue & Other Income	3,352,527	3,352,527	-	1,087,445	1,087,445	-
<b>Total segment revenue</b>	<b>3,352,527</b>	<b>3,352,527</b>	-	<b>1,087,445</b>	<b>1,087,445</b>	-
<b>RESULTS</b>						
Net profit / (loss) before income tax	(1,632,725)	(1,632,725)	-	(3,016,453)	(3,016,453)	-
Income tax	-	-	-	-	-	-
<b>Net profit / (loss)</b>	<b>(1,632,725)</b>	<b>(1,632,725)</b>	-	<b>(3,016,453)</b>	<b>(3,016,453)</b>	-
<b>ASSETS AND LIABILITIES</b>						
Assets	21,425,547	21,253,029	172,518	21,417,760	21,271,634	146,126
Liabilities	8,031,899	8,031,899	-	6,481,414	6,481,414	-

## Directors' Declaration

In the opinion of the Directors:

1. The financial statements and notes of the Company:
  - (a) give a true and fair view of the Company's financial position as at 31 December 2020 and the performance for the half-year ended on that date; and
  - (b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

On behalf of the Board

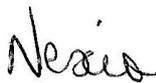


Oliver Kleinhempel  
**Non-executive Chairman**  
15 March 2021

## **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EQ RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



**Nexia Melbourne Audit Pty Ltd  
Melbourne**



**Geoff S. Parker  
Director**

Dated this 15<sup>th</sup> day of March 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EQ RESOURCES LIMITED

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of EQ Resources Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2020, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of EQ Resources Limited does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of EQ Resources Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Nexia Melbourne Audit Pty Ltd  
Melbourne**



**Geoff S. Parker  
Director**

Dated this 15<sup>th</sup> day of March 2021

## Forward Looking Statements

Some statements contained within this report relate to the future and are forward looking statements. Such statements may include, but are not limited to, statements with regard to intention, capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside EQ Resources Limited’s control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation.

Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements and intentions which speak only as at the date of the report. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, EQ Resources does not undertake any obligation to publicly release any updates or revisions to any forward looking statements contained in this report, whether as a result of any change in EQ Resources’ expectations in relation to them, or any change in events, conditions or circumstances on which any such statement is based.

Certain statistical and other information included in this report is sourced from publicly available third-party sources and has not been independently verified.



RESOURCES

*resourcing the new economy for a better tomorrow*

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