18 November 2024

EQ RESOURCES TO ACQUIRE 100% INTEREST IN PRODUCER OF HIGH-QUALITY FERROTUNGSTEN

EQ Resources Ltd is a global tungsten producer with mining activities in Australia and Spain.

Highlights:

- EQ Resources Limited (**EQR**) has executed a binding Heads of Agreement (**HoA**) to acquire 100% of the shares in Tungsten Metals Group Limited (a public unlisted company) and its subsidiaries (together **TMG**), and separately Mr. George Chen's (**Chen**) interest (being any and all shares) in Asia Tungsten Products Co Ltd (**ATC**) (ATC and TMG together **TMG Group**) resulting in EQR obtaining a 100% ownership of TMG Group (**Acquisition**).
- TMG Group currently owns and operates the largest ferrotungsten (**FeW**) plant outside of China, located in Vietnam, with a potential production capacity of 4,000tpa FeW. Due to its scale and favourable cost structure, the facility is regarded as one of the most competitive in the industry.
- Completion of the Transaction will allow for diversification and vertical integration of EQR's upstream operations. The Transaction aligns with EQR's strategic plans to leverage its existing substantial resource base and production output along the tungsten supply chain.
- FeW pricing dynamics are partly decoupled from the tungsten concentrate market (currently being EQR's sole product) and respective ammonium paratungstate (**APT**) markets, which are currently EQR's main offtake industries. FeW prices over the recent 24 months have outperformed APT prices by approximately 19%.
- The HoA is subject to customary due diligence procedures, shareholder approvals and is expected to complete in the first half of 2025.

EQ Resources Limited (**EQR** or 'the **Company**') is pleased to announce it has executed a binding Heads of Agreement (**HoA**) to acquire 100% of the shares in Tungsten Metals Group Limited (a public unlisted company) and its subsidiaries (together **TMG**), and separately Mr. George Chen's interest (being any and all shares) in Asia Tungsten Products Co Ltd (**ATC**) (**ATC and TMG together TMG Group**).

TMG Group is the owner and operator of the largest and most advanced ferrotungsten (FeW) plant outside of China, with the potential to produce 4,000tpa of FeW. The facility is located in Vĩnh Bảo, Haiphong Province, Vietnam, and was built in 2011. In recent years the facility has mainly operated as a toll treatment facility for third-party customers, converting primary and secondary tungsten raw materials into high-quality FeW. Due to its scale and favourable cost structure in Vietnam, particularly with regards to electricity usage and cost of labour, the facility is regarded as one of the most competitive in the industry.

Per the terms of the HoA, EQR has determined that the enterprise value of TMG Group is A$13.5 million (**Enterprise Value**), inclusive of the Acquisition Shares (being 100% of TMG shares plus George Chen's 40% interest in ATC) and inclusive of liabilities as of the date of the HoA. Subject to the satisfaction of Conditions

Precedent and any applicable adjustments, at closing of the Transaction, EQR has agreed to issue an estimated 170 million new fully paid ordinary EQR shares (**Consideration Shares**) and make payment of A$2.5 million in cash (the Company intends to fund this through customer prepayments for FeW) while assuming TMG Group liabilities.

EQR's CEO, Kevin MacNeill said, "EQR is pleased to announce the execution of a Heads of Agreement for the 100% acquisition of the TMG Group. This Transaction aligns with EQR's strategic initiatives to be the pre-eminent western tungsten producer. Upon completion of the Transaction, EQR will have achieved a strategic diversification of products, customers and geography, and be proud 100% owner and operator of critical western tungsten operations on three continents. Additionally, EQR will have achieved vertical integration of our upstream operations, leveraging our substantial resource base and existing production output, throughout the tungsten supply chain."

TMG's Executive Chair, Tony Adcock said, "Bringing together TMG Group's advanced ferrotungsten plant in Vietnam with EQR's high quality upstream operations represents a compelling investment case for all shareholders. The TMG Board believes there are significant synergies that can be realized following this potential transaction, with the enlarged EQR positioned very well to benefit from the tailwinds in the tungsten and ferrotungsten markets globally."

Strategic Rationale

EQR's interest in pursuing the Transaction is derived from its understanding of TMG Group's business, prospects, goals and market positioning both currently and in the future, and both on a stand-alone basis and in the context of a combination with EQR's own upstream tungsten assets (existing and those under development).

The Transaction will allow for vertical integration of EQR's upstream operations aligning with EQR's corporate strategy to leverage its existing substantial resource base and production output along the tungsten supply chain. Upon completion, EQR will have operations on three continents and further advances its footprint as a leading western producer and supplier of tungsten and tungsten related products to the relevant markets, in the form of both tungsten concentrate and ferrotungsten.

Tungsten is one of the metals classified in the U.S. Restoring Essential Energy and Security Holdings Onshore for Rare Earths ("REEShore") Act, as a rare earth metal not able to be sourced from China for U.S. armaments after 2026 (Source: www.congress.gov/bill/117th-congress/senate-bill/3530/text). Furthermore, the Council of the European Union (EU) in March 2024 adopted the European critical raw materials act, as demand for rare earths is expected to increase exponentially in the coming years. Critical raw materials are defined by the EU as those that have high economic importance and a high risk of supply disruption due to their concentration of sources and lack of good, affordable substitutes. In its assessment, the EU has determined tungsten to be one of 17 strategic critical raw materials, given its widespread industrial applications and rising demand from strategic industries such as defence, semiconductors and renewable energy. (Source: www.consilium.europa.eu/en/infographics/critical-raw-materials).

FeW is a master-alloy formed by combining iron and tungsten. The addition of FeW to steel increases the steel's hardness, wear resistance and toughness at high temperatures. FeW is produced at the Vĩnh Bảo FeW facility (pictured below) by combining tungsten concentrates and selected recycled tungsten material with other materials such as ferrosilicon, pitch coke and scrap iron.

Source: Tungsten Metals Group website (www.tungstenmetalsgroup.com)

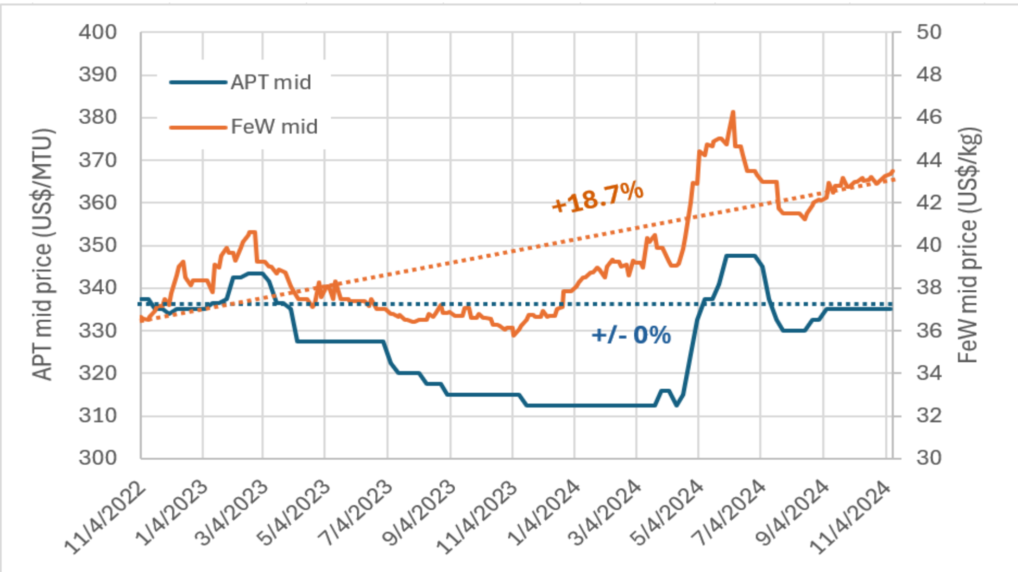
The facilities production capacity represents >80% of FeW capacity installed outside of China and Russia. Main markets for FeW outside of China are Europe, Japan, South Korea and Americas, with a combined annual consumption of approx. 5,000 tonnes. FeW is primarily used as an alloying agent for specialty alloys, with the defence, aerospace and automotive industries key end markets for the product.

The Transaction provides EQR a high-quality value-add operation, where the Company is able to provide significant feedstock to the FeW facility. In addition, the Transaction provides EQR with a strategic diversification of products, customers and geography, cementing a platform for the Company to continue its promising growth trajectory.

Pricing Dynamics and Markets

FeW pricing dynamics are partly decoupled from the tungsten concentrate market (currently being EQR's sole product) and respective ammonium paratungstate (APT) markets, which are currently EQR's primary offtake industries. As shown in below diagram, FeW prices over the past 24 months have outperformed APT prices.

EQR is aiming to utilise a certain volume of internal supply, and utilise other supply sources, to capture value in a tightening FeW market and provide additional financial returns to its shareholders in the form of value-add margin.



Source: Company data; FastMarkets

FeW is a key component in numerous superalloys and special steels, thanks to its extraordinary physical properties. It is used in alloys when it is necessary to increase their tensile and yield strengths. It also increases hardness, without increasing breakability, and wear resistance. FeW has a beneficial effect on the mechanical properties of steels at elevated temperatures, through the elevation of the alloys melting point. It also increases the electrical conductivity of the alloys.

Transaction Overview

The parties have agreed to work together to complete due diligence and finalise definitive agreements by 20 December 2024. The TMG board will also unanimously recommend that TMG shareholders vote in favour of all resolutions required to implement the Acquisition, subject to an independent expert concluding that the scheme is in the best interest of TMG shareholders.

The Acquisition of TMG Group will involve the purchase by EQR:

(a) of all shares in TMG, which holds a 60% interest in ATC, by way of a Scheme of Arrangement (with the acquisition structure being subject to change); and

(b) of all Chen's shares (which currently holds a 40% interest in ATC) in ATC by way of a share sale agreement (**Share Sale Agreement**),

(together the **Acquisition Shares**).

Under the HoA, the Acquisition is subject to a number of conditions precedent to be satisfied by 31 January 2025 including:

(a) the Parties each completing due diligence within the Exclusivity Period (defined below);

(b) the Parties entering into definitive agreements to document the terms of the Acquisition consistent with that set out in the HoA;

(c) EQR and TMG obtaining all necessary regulatory and shareholder approvals required to lawfully complete the Acquisition; and

(d) such other conditions which are customary for such a transaction.

(together the **Conditions Precedent**)

Valuation and Consideration

Per the terms of the HoA, EQR has determined that the enterprise value of TMG Group is A$13.5 million (**Enterprise Value**), inclusive of the Acquisition Shares and inclusive of liabilities as of the date of the HoA. Subject to the satisfaction of Conditions Precedent and any applicable adjustments, at closing of the Transaction, EQR has agreed to issue an estimated 170 million new fully paid ordinary EQR shares (**Consideration Shares**) and make payment of an estimated A$2.5 million in cash (the Company intends to fund this through customer prepayments for FeW) while assuming TMG Group liabilities.

The parties have agreed that if there is an adjustment to the total liabilities of TMG and/or to the previously agreed deductions to the Enterprise Value, the amount of Consideration Shares to be issued shall be adjusted accordingly.

Related parties and any relevant advisors who may receive Consideration Shares as part of the Transaction will be subject to a voluntary escrow period of 12 months. During this time, they will be restricted from selling or otherwise transferring these shares, ensuring alignment with the long-term objectives of the Transaction and maintaining stability in share ownership.

Exclusivity

The parties have agreed to an exclusivity period up until 20 December 2024, (unless mutually extended), in which neither party shall participate in negotiations or enter into any understanding or agreement for a competing offer or transaction. The parties shall use the period of exclusivity to conduct due diligence.

Approvals and Timing – Scheme of Arrangement

Acquisition of the shares in TMG is to be completed by way of a Scheme of Arrangement requiring various shareholder and court approvals. Assuming the scheme proceeds successfully, with no rival bids or regulatory obstacles, the Acquisition is expected to be completed in the first half of 2025.

TMG will require the usual shareholder approvals to implement a scheme of arrangement. To approve the scheme, each class of TMG shareholders must pass a resolution by:

- having at least 75% of the votes cast being in favour of the scheme, and
- more than 50% in number of the TMG shareholders voting on the resolution.

For more information about TMG, visit www.tungstenmetalsgroup.com.

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 a leading tungsten mining company dedicated to sustainable mining and processing practices. The Company is listed on the Australian Securities Exchange, with a focus on expanding its world-class tungsten assets at Mt Carbine in North Queensland (Australia) and at Barruecopardo in the Salamanca Province (Spain). The Company leverages advanced minerals processing technology and unexploited resources across multiple jurisdictions, with the aim of being a globally leading supplier of the critical mineral, tungsten. While the Company also holds gold exploration licences in New South Wales (Australia), it aims to create shareholder value through the exploration and development of its current project portfolio whilst continuing to evaluate corporate and exploration opportunities within the new economy and critical minerals sector globally.

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.