

EQ Resources Limited

Quarterly Activities Report

Quarter ended 31 December 2022

EQ Resources Limited (EQR) is the 100% owner of the Mt Carbine Tungsten Mine near Cairns, Australia's only primary producer of tungsten, a critical metal. Production recommenced in 2020 with dual product streams of tungsten concentrate and by-product high-quality specialised aggregate and road-making materials.

HIGHLIGHTS

MT CARBINE OPERATIONS

- EQR wins AMEC 2022 National Environment Award for Mt Carbine
- New 20-year commercial agreement with AWC (Australian Wildlife Conservancy) formalised, to co-operate in several areas relating to Brooklyn Wildlife Sanctuary
- Mt Carbine notches up 500 days of no lost time injuries
- Debottlenecking of slurry pipe connecting crushing plant with gravity plant and trials of additional crushing capacity deliver further improvements

MT CARBINE DEVELOPMENT & FUNDING

- BFS Update enhanced by 29% Open Pit Ore Reserves upgrade resulting in a 15% higher tungsten concentrate (50% WO₃ content) output over an expanded 14 years production schedule and a bottom line 59% NPV₈ uplift*
- EQR and Regal Resources Royalties Fund execute Royalty Funding Agreement; First drawdown of \$5 million in January 2023
- Receipt of first drawdown of the Federal Government CMAI Grant funding in December 2022

EXPLORATION

- Phase 2 2022 drilling campaign initiated with a strong value-add focus on life of mine, area definition and orebody extension; Work program includes completion of the Western Extension drill out, to confirm economics of the potential Phase III Pit Extension**

* Compared to initial BFS, December 2021

** Details on Phase III Pit Extension see 'Mt Carbine Tungsten Project Update (slide 23/24)' dated 21 September 2022

MT CARBINE OPERATIONS

BFS UPDATE DELIVERS 59% NPV INCREASE FOR MT CARBINE

The Company announced positive results from the November 2022 Update of its Bankable Feasibility Study (“BFS Update”) for the Mt Carbine Expansion Project (“Project”) (see ASX announcement [‘Strong BFS Update Delivers 59% Increase in NPV’](#), dated 9 November 2022).

Key Highlights from the BFS Update include:

- BFS Update enhanced by recently announced 29% Open Pit Ore Reserves upgrade resulting in a 15% higher tungsten concentrate output (50% WO₃ content) over an expanded 14-year production schedule.
- Project delivers strong Pre-Tax Economics* including:
 - NPV8** of \$209.6 million*** (59% increase compared to initial BFS, December 2021)
 - IRR of 397%
 - Payback period of 1.5 years
 - Life of Mine EBITDA of \$324 million
- Initial low capital cost of \$22.9 million has been further optimised to \$21.4 million as an effect of scope changes and defined costing, out of which approximately \$5 million has been expensed and installed by October 2022.
- Successful implementation of the Phase 1 Scope provided invaluable data for further expansion works, with the process plant already achieving target recoveries.
- Tungsten concentrate production C1 Cash Cost**** remains amongst lowest in industry with an equivalent of US\$118/mtu.

* 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

*** \$209.6M NPV is Project NPV; NPV attributable to EQR as 50% portion of LGS Joint Venture and 100% of Open Pit results to \$172.5M

**** 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 contemplates a 14-year production schedule with the Project delivering impressive economics including a NPV₈ of \$210 million and an IRR of 397%. The BFS Update covers total concentrate production of approximately 31,000 tonnes (50% WO₃ content), an increase of 15% over the initial BFS output.

The Project implementation was split into two phases, with the Company having successfully completed Phase 1 Scope as per the initial BFS. The BFS Update highlights that scope changes and cost updates have resulted in a positive net effect of approximately \$1.5 million in total Capex savings. Of the revised Capex of \$21.4 million, approximately \$5 million has been expensed and installed by end of October 2022.

MT CARBINE PROCESSING PLANT OPERATIONS

The crushing plant is now achieving its average throughput of +170tph during operations. The wet screening installation has shown its capacity on throughput with ongoing operational optimisations taking place, such as automation within the crushing plant; increases to the size of the process water pump and certain design improvements to increase running times and overall throughput of the plant.

Due to the La Niña climate conditions in Australia, the wet season started early in 2022 with rain beginning in November and carrying on through December on a relatively constant basis. The three processing plants, Crushing/Screening; XRT Sorters and Gravity processing plant were able to continue processing through the various rain events throughout the end of the quarter.



Figure 1 - Crushing plant achieving throughput targets



Figure 2 - Tertiary Cone Crusher for XRT Sorter Concentrate

The Company set out during the last quarter that a tertiary cone crusher circuit was set to be hot commissioned in October 2022. This was completed during the quarter, allowing the operation to no longer rely on external contractors for the crushing of the high-grade XRT concentrates which are now crushed and fed directly into the gravity processing plant.

The Company continues to increase its production into a firm and steady market for tungsten concentrates and a strong, stable price for the major end product APT, currently around US\$340/MTU, compared with US\$320/MTU a year ago. CRONIMET continues to give strong support for the operation and have the capability to purchase and ship all concentrates produced at Mt Carbine.

XRT SORTER & GRAVITY PLANT PRODUCTION

The XRT Sorter Plant continued to perform strongly during the quarter. It was found with the early rains that additional washing was required on the XRT Sorting Plant to deal with the remaining 2% fines contaminating the XRT Sorter feed material. This fines material was causing slower throughputs on the XRT Sorters and leading to a slight dilution of concentrates. It was therefore decided to convert the Vibrating Screen that is part of the Ore Sorting Plant from a dry screen into a wet screen. This was completed on the 23rd of December with commissioning and optimisation taking place through January. The system improvement has proven remarkably beneficial to the throughput capacity, seeing an increase in throughput capacity of approximately 20% and a reduction in downtime for cleaning of the XRT Sorters required due to fine mud build-up in the machines. The two TOMRA's continue to run in parallel and have reached new daily production records in January 2023. The production of XRT Sorter produced 9,832t of concentrate in Q2 FY2023. The Company continues to focus on the production of concentrates through the XRT Sorters. The Company produced all its own feed materials over the period with no reliance on external contractors.



Figure 3 - Two XRT Sorters running in parallel achieved new daily production records in January 2023

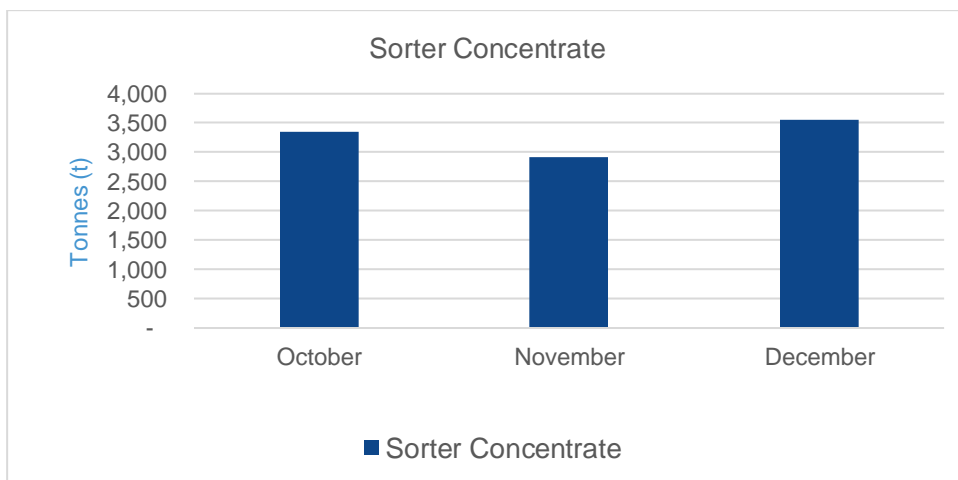


Figure 4 - Monthly XRT Sorter Concentrate Production Q2 FY2023

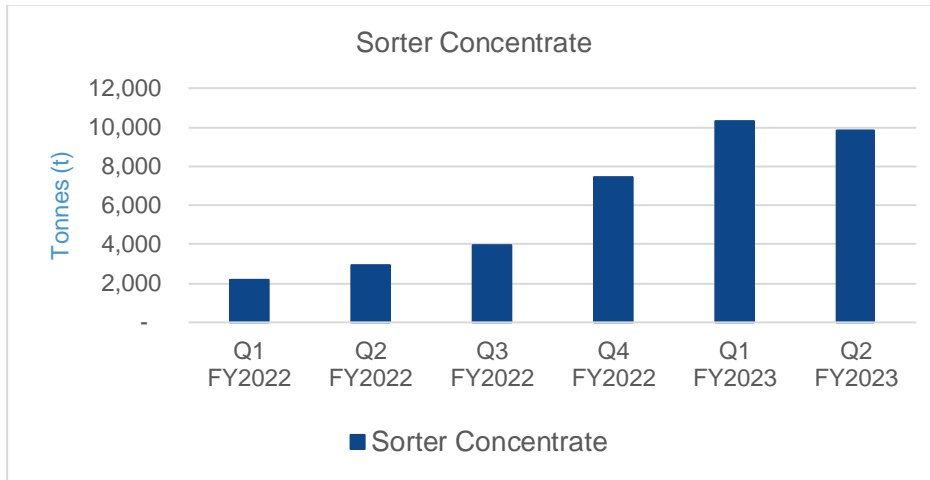


Figure 5 - Quarterly XRT Sorter Concentrate Production 2022-2023

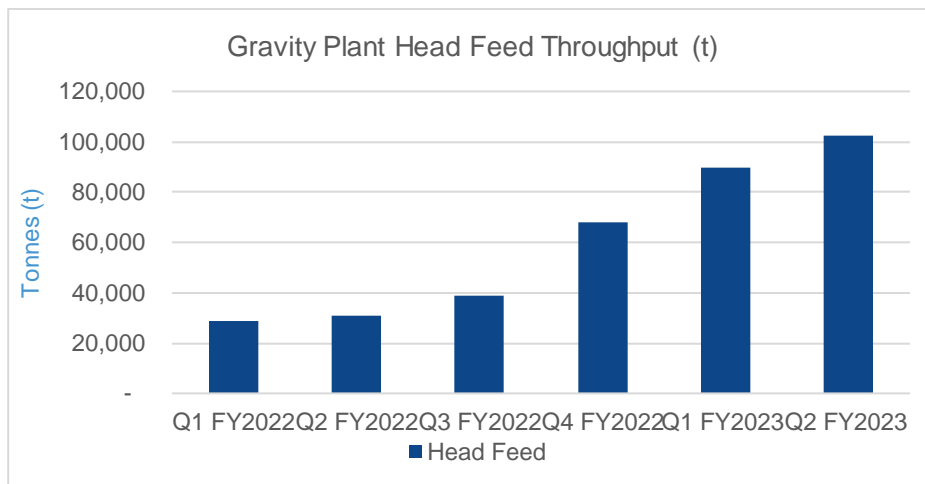


Figure 6 - Quarterly Gravity Plant Head Feed Throughput 2022-2023

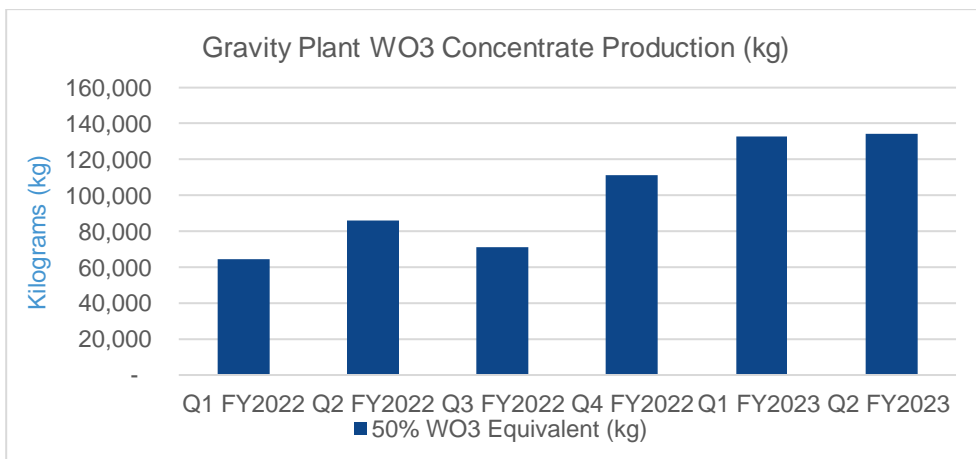


Figure 7 - Quarterly Gravity Plant Tungsten Concentrate Output 2022-2023

The Company continues to grow its tungsten concentrate production output quarter on quarter as seen in Figure 7. The Gravity Plant head feed throughput continued to increase in Q2 FY2023, due to increased efficiencies in running times, through plant upgrades and implementation of new preventative maintenance schedules. However, the gravity processing plant continues to be topped up with feed materials from the historic tailings to ensure the plant is operating at maximum capacity (Figure 6).

The Company solidifies its place as a reliable and sustainable critical minerals producer, demonstrating that its investment in high-tech ore-sorting technology is paying off.



Figure 8 - Concentrate production growth continues, solidifying Mt Carbine as a Reliable and Sustainable Critical Minerals Producer

The Gravity Plant continued to operate consistently through the period while processing through major rain events to ensure uninterrupted production. The Gravity Plant is meeting throughput and recovery targets, the main focus for the operations team has been increasing the run time on the crushing plant for the delivery of increased -6mm fines feed material to the Gravity Plant to reach the concentrate output production targets.

QUARRY OPERATIONS

The quarter saw smaller local contracts focusing on the sale of road base materials and select fill for the local regional area as well as the final deliveries of armour rock for the water break projects happening within the region. The Quarry will take the time through the wet season, which is generally quieter for the associated industries, to look at value-added products, production of key aggregates for the upcoming dry season, and focus on the strategic growth plan for the quarry business.

The Quarry continues to tender on regional developments and look for new ways to value-add its products. The quarry products from Mt Carbine are produced from recycled inert mine waste allowing EQR to focus on a circular economy approach to its operations.

ESG PROGRAM OVERVIEW

The Company has continued to mature its ESG position in the last quarter, with a proactive ESG program underway to deliver tangible outcomes against its commitments. Utilising the Turner & Townsend JukesTodd

ESG Categorisation framework to manage its ESG program, the Company's ESG program is closely aligned to its core values and purpose and incorporates the environmental and social aspects most material to its stakeholders as identified in EQR's 2021 Stakeholder Sentiment Survey.

The EQR ESG Program includes a governance framework and a program workbook which underpins how the Company will measure, track and report on the program's objectives

Outlined below is an overview of the Company's ESG Foundational Commitments aligned to its values and purpose, including metrics to be used for future reporting. Followed by an infographic showcasing the Company's ESG initiatives and achievements over the last quarter.



EQR CORE VALUES	ESG FOUNDATIONAL COMMITMENTS IN PLACE	ESG REPORTING FRAMEWORK
<p>Act Safe. Feel Safe.</p>	<p>Act safe at work. Care and respect each other. Feel safe to be yourself.</p>	<ul style="list-style-type: none"> Updated H&S policy to include wellbeing (importance of mental wellness) H&S programmes (continuing to mature safety management system; Conducting physical and psychological safety training for employees)
<p>Embrace Difference</p>	<p>Diversity of thinking, skills and background creates value and drives innovation.</p>	<ul style="list-style-type: none"> Pride ourselves on our existing diversity: Women and Indigenous workforce participation (targets). Current diversity of backgrounds and skills mix Investigating how we can encourage and attract more diversity (programs) Youth training programs
<p>Tread Lightly</p>	<p>Embed resource efficiency to minimise environmental footprint & deliver positive societal impact</p>	<ul style="list-style-type: none"> Commitment to low carbon future - ARTEH GHG Tracking Down track - Renewables / IPP Updated water management plan and included alignment to ICMM Water Stewardship Statement Tomra sorting technology - reduce waste and chemical use Participating in AMECs "More Resourceful Than Ever" Campaign
<p>Dig Deep</p>	<p>Go one better. Strive to continuously learn and improve. Challenge the status quo.</p>	<ul style="list-style-type: none"> In project design, operation and de-commissioning, implement cost-effective measures for the recovery, re-use or recycling of energy, natural resources and materials. (ICMM)
<p>Buddy Up</p>	<p>Collaboration is key to realising shared value.</p>	<ul style="list-style-type: none"> Social collaborations: Partnership with councils (material for road repairs etc) Support community events Supply materials for community projects Environmental Collaboration Commitment to Local procurement Continued partnership with UQ SMI and Cominet on studying sustainable remining Working with indigenous elders on programs European Raw Metals Alliance (ERMA) membership Everledger critical minerals supply block chain
<p>Lead with Integrity</p>	<p>Have courage to do the right thing. Be accountable.</p>	<ul style="list-style-type: none"> Strengthened Corporate Policy Quarterly ESG Council and internal committee (employees) Regular Stakeholder Sentiment surveys etc and other forms of stakeholder engagement Transparent sharing of information

- Local stakeholder information evening : Port Douglas



- Stakeholder engagement sausage sizzle: Mt Carbine



- Community outreach: EQR employees' container collection donation to Mareeba State School & Jullatten State School



- Environmental conservation collaboration –AWC partnership



[Learn More](#)

- Regular, scheduled training



[Learn More](#)

- Active dust management process put in place



- ITEC Group visit



[Learn More](#)

- Internship and traineeship programmes



[Learn More](#)

- Updated water management plan and included alignment to ICMM Water Stewardship Statement



- Resourcing the Industrial, Building, Construction & Landscaping Industry with sustainable aggregate products while actively managing mining waste



Lead with Integrity

Act Safe. Feel Safe.

Embrace Difference

Q2 2022 ESG SHOWCASE



RESOURCES

resourcing the new economy for a better tomorrow

Buddy Up

Tread Lightly

Dig Deep

- EQR wins AMEC Environment Award



[Learn More](#)

- Plotlogic mining technology programme continues



[Learn More](#)

SAFETY PERFORMANCE AT MT CARBINE

The below graph demonstrates continued positive safety performance achieved by the Company in this financial quarter.

During the quarter numerous contractors and employees have been working side by side with no lost time injuries recorded for this quarter. To date, we are 598 LTI Days free. An authentic 'Safety Culture' continues to be cultivated as employees at Mt Carbine actively look to reduce the risk to themselves and others by identifying hazards and addressing them before they conduct work activities.

Below is a graph of the rolling frequency rate over a one-year period which is determined by data averaged over a yearly period. Mt Carbine Operations has worked 143,287 hours in the last year period. All figures are better than standard industry rates.

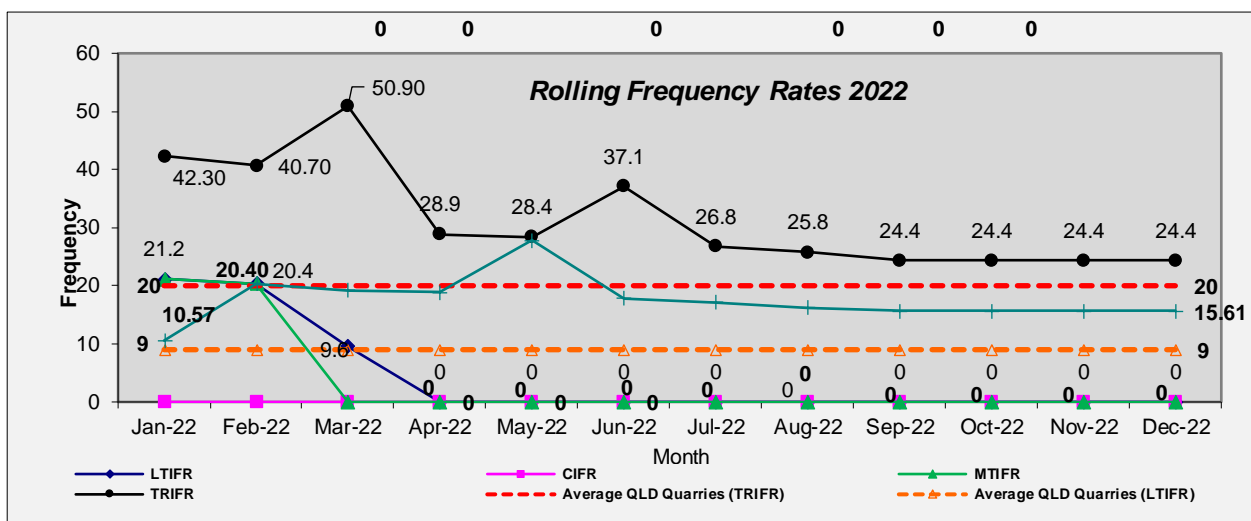


Figure 9 - Rolling Frequency Rates - Safety Statistics

LTI FR = Lost Time Injury Frequency Rate

MTIFR = Medical Treatment Injury Frequency Rate

HPIFR = High Potential Incident Frequency Rate

Average QLD Quarry's (LTI FR)

CIFR = Critical Injury Frequency Rate

TRIFR = Total Recordable Injury Frequency Rate

Average QLD Quarry's (TRIFR)

A total of 2,967 positive safety indicators have been recorded for this quarter. Area Foreman have increased workplace inspections which will help the overall safety onsite by ensuring the areas they are responsible for are being maintained & kept to the appropriate standard required of EQR. Take 5's being completed have increased from approximately 400 per month to around 800 per month.

Other training conducted saw 1 employee complete Drugs of Abuse Testing Officer training, 8 employees completed Confined Space Enter and Work training, 8 employees completed Gas Test Atmosphere, 10 employees completed Working at heights training, 12 employees completed First Aid & CPR training, 6 employee's completed supervisor training, 3 employees have completed HR -B license upgrades, 96 VOCs for mobile equipment were completed.

30 employees have been signed up with the RTO Civil Safety supported by Government funding to complete a Certificate III in Surface Extraction Operations.

ENVIRONMENTAL ACTIVITIES AT MT CARBINE

The Company is proud to have been awarded the prestigious Association of Mining and Exploration Companies (“AMEC”) Environmental Award 2022 at a gala ceremony in Perth. The event brought together representatives of the most active resources companies in exploration, development, and production in Australia. (For details see EQR Media Release [‘EQR Wins 2022 AMEC Environment Award’](#), dated 14 December 2022).



Figure 3 - EQR Receives Prestigious AMEC Environment Award

The Company is pleased to have entered a long-term agreement with Australian Wildlife Conservancy (“AWC”) as part of its renewed mining lease with a focus on general co-operation. The formalised relationship with AWC highlights co-operation in several areas relating to Brooklyn Wildlife Sanctuary which surrounds the Mining Licence. The 20-year commercial agreement with AWC will enable execution of ecological well-being initiatives and will also support social aspects through job provision in the conservancy area. (See ASX announcement [‘EQR Responsibly Mining For The Future and Engaging in Wildlife Conservation’](#), dated 23 November 2022).



Figure 4 - EQR employees actively participate in consistent ecological health monitoring initiatives in the area

During the quarter the Company completed the environmental studies required for the reopening of the open pit with the final EA Amendment submitted in November 2022.

Once approved, the EA Amendment allows the recommencement of the Open Pit mining operations set to commence in Q2 2023 (calendar year). As set out in the Annual Report, several studies were completed to inform the approval process associated with the Company's plans to recommence open cut mining and to de-risk the project in line with its core values of 'Treading Lightly' to minimise its environmental footprint and deliver positive societal impact.

Some of the ongoing monitoring and activities undertaken through this process at site are:

- Noise, Air & Vibration Studies;
- Water Management Plan Update;
- Waste Rock & Tailings Management;
- Enhanced Conceptual Groundwater Model which involved the drilling of 18 additional investigation bores;
- Flora and Fauna Studies; and
- Water Engineering Works

MT CARBINE DEVELOPMENT

COMPLEMENTARY ROYALTY FUNDING FOR MT CARBINE DEVELOPMENT

EQR announced, that it has agreed non-binding terms with Regal Resources Royalties Fund for a first stage \$10 million royalty based funding package for the advancement of the redevelopment of the historic Mt Carbine tungsten mine, 130km north of Cairns, in Queensland, Australia, ('The Project'). (See ASX announcement '[Complementary Royalty Funding for Mt Carbine Development](#)', dated 21 October 2022).

The parties engaged an independent technical advisory firm to perform a technical due diligence on the Project, which was successfully completed. The royalty funding was proposed to come in staged advances and was subject to finalisation of the tax and legal due diligence and other landmark conditions, the first of which being the signing of the definitive agreement, followed by final environmental permitting for the restated open pit mining operations.

A definitive agreement was signed following the successful completion of the technical, tax and legal due diligence conducted by independent advisors engaged by the parties. The second \$5 million drawdown can be executed upon receipt of final environmental permitting for the restarting of open pit mining operations and satisfaction of stipulated Conditions Precedents in the term sheet signed between EQR and Regal Resources Royalties Fund

As part of the executed term sheet the parties intend to negotiate in good faith the terms for an additional (second stage) \$10 million royalty-based funding package.

The Company received the first drawdown based on the executed Term Sheet of \$5 Million in January 2023.

(See ASX announcement '[EQR Completes First Drawdown of \\$5M Royalty Funding For Mt Carbine Tungsten](#)', dated 21 October 2022).

CRITICAL MINERALS ACCELERATOR INITIATIVE (CMAI)

In December the Company announced it had received its first drawdown equating to 30% of the awarded \$6 million grant from the Federal Government's Critical Minerals Accelerator Initiative (see ASX announcement '[EQR Receives First Drawdown From \\$6M Federal Grant](#)', dated 2 December 2022).

Under the leadership of Hon Minister Madeleine King, Minister for Resources and Northern Australia, the new Federal Government announced reconfirmation of the grant award to the Company as one of six companies

to receive Australian government support for accelerated critical minerals sector expansion that will in turn drive regional economic growth, job creation and development across North Australia. (See Media Release of the Hon Minister Madeleine King '[Government Support for Critical Minerals](#)', dated 16th September 2022).

The CMAI co-investment will be utilised to implement the scope defined in the Company's Bankable Feasibility Study, for a large-scale, sustainable source of tungsten in which the operation utilises historic mine waste and high-grade resources as identified in the accessible and recently upgraded Andrew White Open Pit. (See ASX Announcement '[Material Increase In Mount Carbine Ore Reserve](#)' dated 16 September 2022).

Specifically, it will be used to fund plant and equipment, drilling and additional studies, as well as expand on innovative technologies to efficiently produce tungsten concentrate from relatively low-grade ore currently stockpiled above ground and from high-grade resources identified in the Andrew White Open Pit set to recommence in 2023.

With this expansion and commencement of open-cut mining activities, The Company will also become a significant employer within the local economy with employee numbers expected to exceed 100.

For previous related ASX announcements, See: [Government Funding for Mt Carbine Critical Minerals Program](#) dated 28 April 2022 [Federal Government Funding for Mt Carbine Reconfirmed](#) dated 19 September 2022.

EXPLORATION ACTIVITIES

MINERAL RESOURCE ESTIMATE & ORE RESERVE UPGRADED

WESTERN PIT EXTENSIONS

This area of the project is immediately west of the existing pit and is under investigation for mineralisation extensions. Currently the BFS pit is planned to commence mining in Q2 2023 (calendar year) and is designed to continue into the year 2028. The resources known immediately west of the pit require further drilling to indicated resource category before any planning can take place for mining extensions in this area. Once further drilling takes place, it will also be known whether these resources are best suited to open cut extension or for underground mining. (See ASX announcement '[Drilling targeting New Discoveries and Potential Western Pit Expansion](#)', dated 17 November 2022). The drill program to define these parameters was started on the 28th November, 2022.

The program has 4 objectives:

1. Infill western area to fully define the extension of the mineralisation in this area.
2. Bring to indicated level the resources in this area, so that plans can be made of either open cut or underground extensions.
3. Target a western extension hole to the high-grade mineralisation located in Hole EQ026. It has been postulated that high grade mineralisation in this area plunges to depth.
4. Explore one of the soil anomalies found in the Northern Iron Duke Zone. Soils in this area would indicate that there continues to be tungsten veins that are parallel to the main ore body. Several high-grade surface exposures of high-grade tungsten have been located when following up the soil anomaly areas.

At the end of the quarter, two holes were completed from the top of Mt Carbine hill. The results showed only many narrow 3-5 cm vein zones of mineralisation were present where deeper extensions showed these veins blossom to wider, well mineralised areas. It would appear the ridge top at 460-480m RL would be too high in altitude to hit the better mineralized parts of the Mt Carbine system which occur between 150-350m RL.

Illustrated in the figure below, the first two drill holes of this program. Although results are not yet available in this quarter, the level control to the mineralisation is evident. Note that above 350m RL only minor quartz

veining is present and where it occurs it is less than 5cm in width. Below this level we see abundant veins with good mineralisation occurring in veins that reach 1m or more in width.

This level control to the mineralisation is one of the key exploration tools available to the Company and is being reconfirmed around different parts of the project.

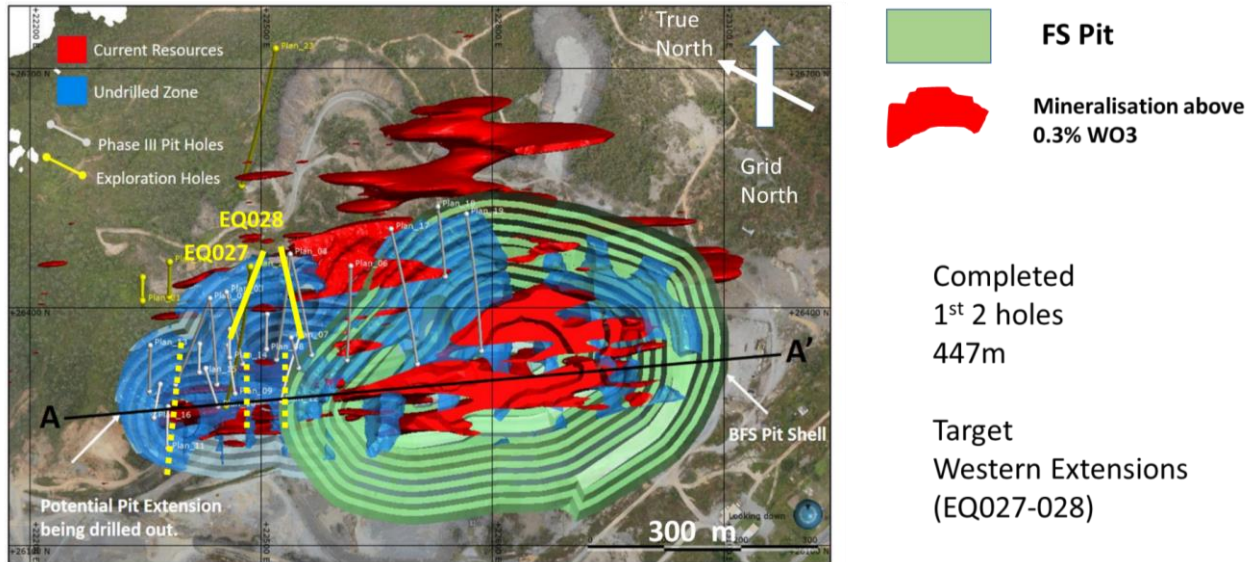


Figure 5 - Phase II Drilling Program 2022: First Two Holes' Locations

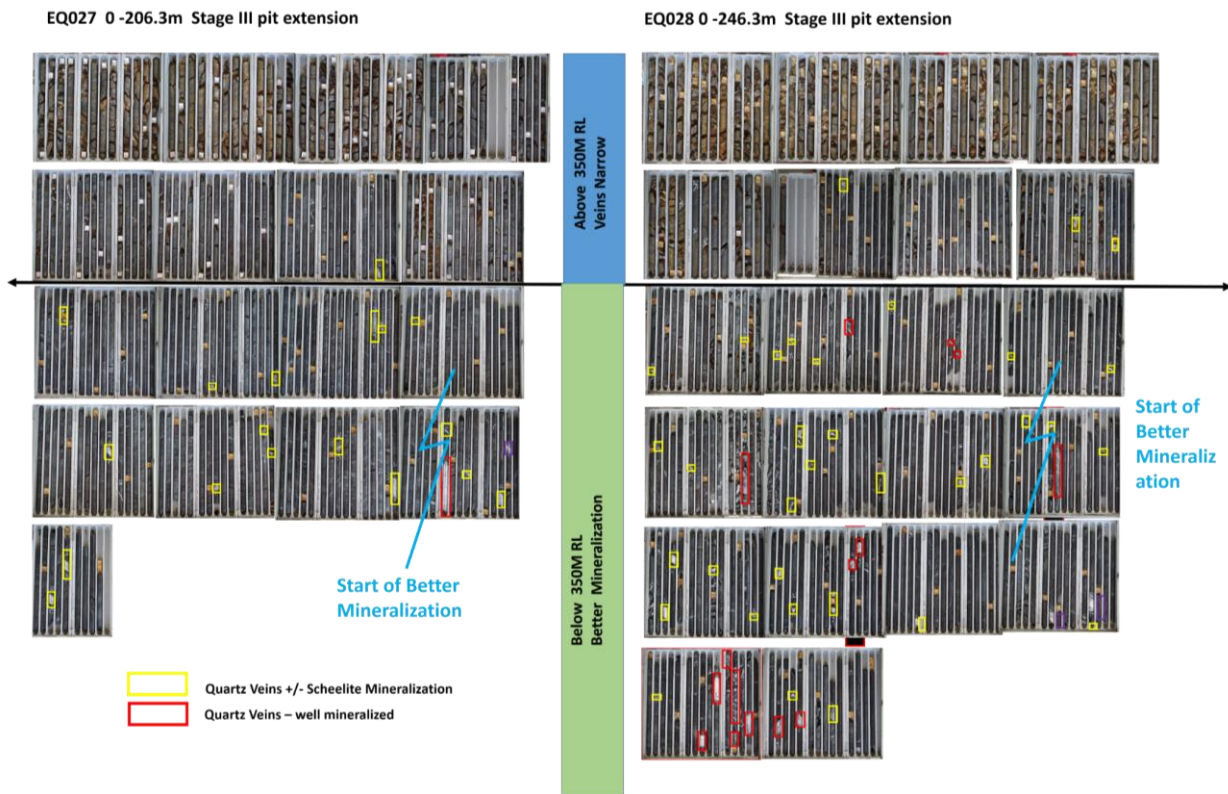


Figure 6 - Phase II Drilling Program 2022: Drill Core of First Two Holes

OTHER EXPLORATION ACTIVITIES

PLOTLOGIC R&D Project

The hyperspectral R&D project is continuing underway at Mt Carbine using a multi sensor scanner. Currently 90% of EQR's drill core has been scanned on a multispectral basis. The scanning recognises various minerals including wolframite and will be utilised on a larger basis in delineation of ore zones within the open cut during mining. Understanding the mineralogy of Mt Carbine assists in interpretation of the fluid flow and temperature models.



Figure 14 - Plotlogic's technology informs decision making through core sample scanning

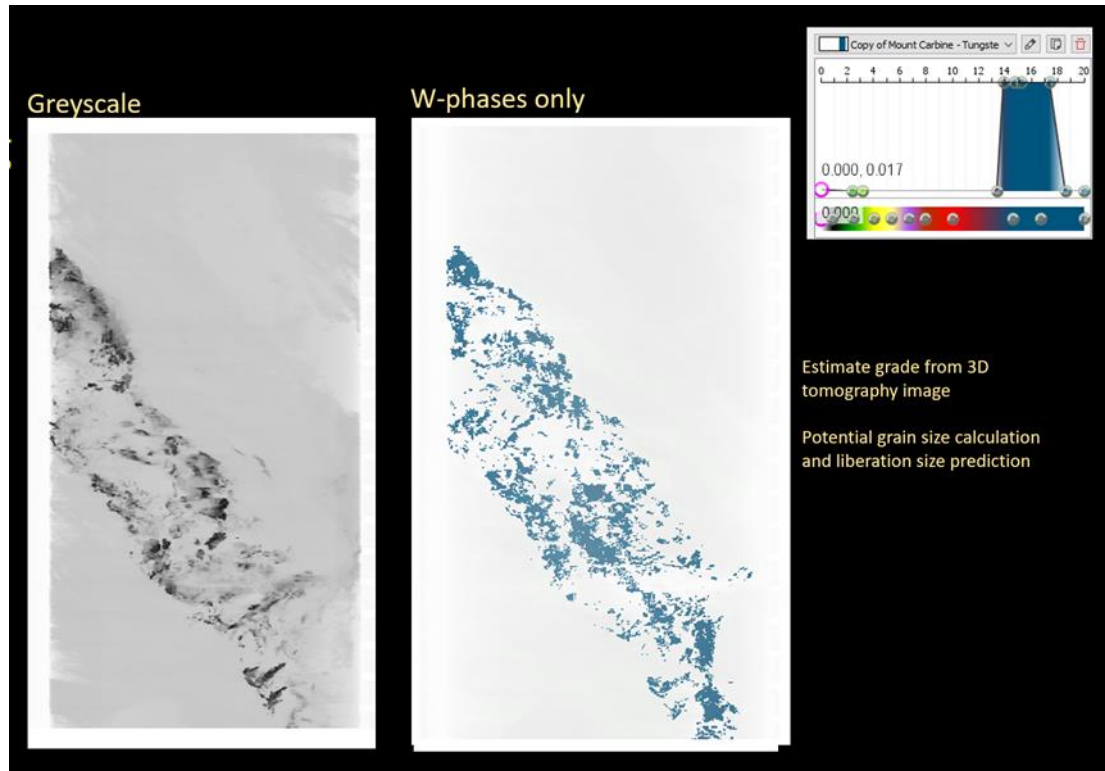
WH Bryan Mining and Research Institute

Cooperation with the University of Queensland Special Research Centre for a full microXRF program on Mt Carbine core has given insight into the nature of the mineralisation and the understanding of the high-grade versus barren vein types.

The two figures below show a high-grade vein adjacent to a barren vein in the same sheeted system. Barren veins appear earlier and are lower temperature gaseous events, whereas high grade are more saline brine events that occur later in the evolution of the deposit.



As shown below, MicroXRF scanning can quantify the mineral species (e.g. scheelite in this case) and other alteration minerals that determine the sample's position in a dynamic fluid system. Fluid modelling is being used in EQR's exploration programs.



Future Programs

The recent geological work confirms there exists 4 major targets that need continued work and the listed four programs are still set to be completed by the Company:

1. Upgrade of the Iron Duke Inferred Resources into Indicated Resources - Iron Duke contains 5.8Mt @ 0.59% WO₃.
2. Continue to extend the known veins along strike extents both Grid West and East.
3. Drill to the depth. Away from the South Wall Fault, the depth extent of the mineralisation remains open.
4. Evaluate and test the True Blue, Daisy, MacDonald's and Red Cap Package Zones.

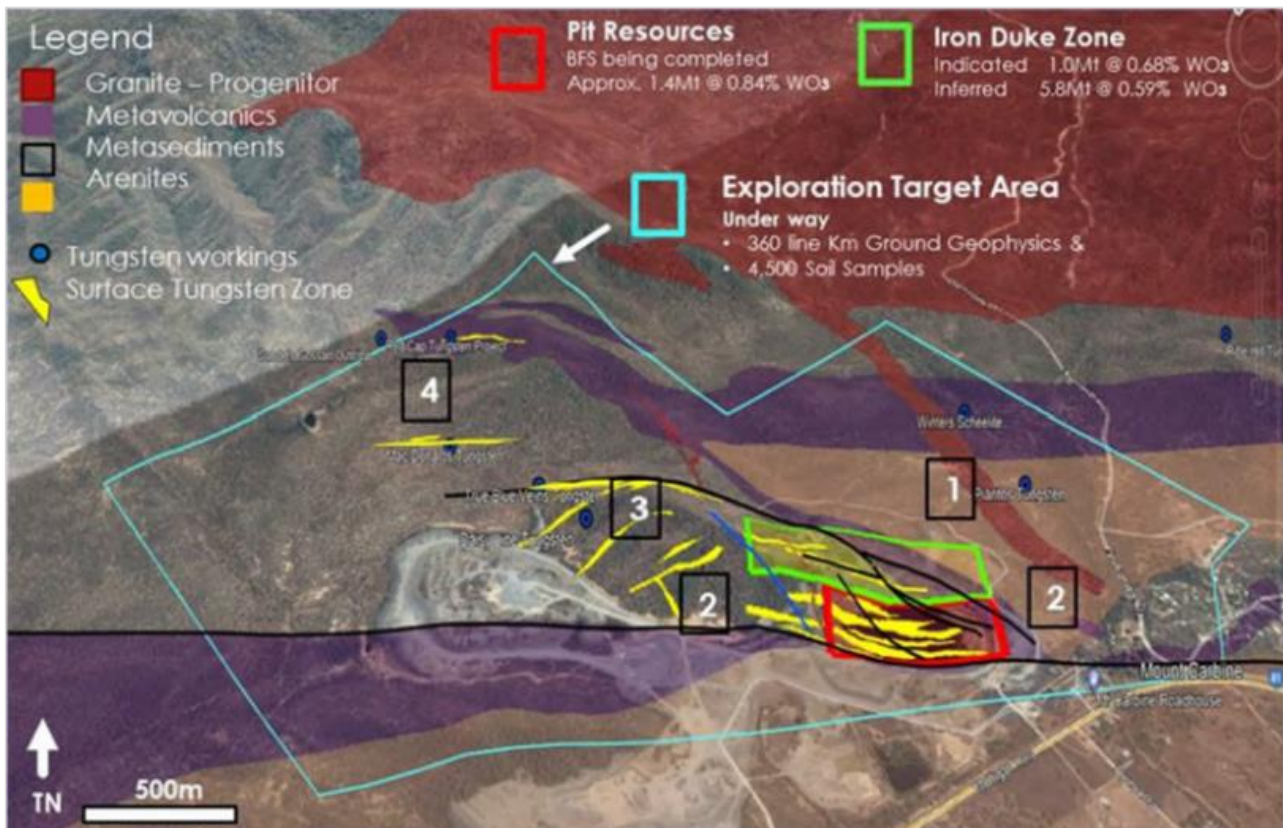


Figure 15 - Mt Carbine Exploration Potential and Work Areas (Numbering 1-4 as per description above)

Given the extent of surface vein traces, the open depth consideration and the immediate tungsten working areas, it is conceivable that the resource could significantly increase from its current size. The Company is targeting future drilling to continue to replace any future mined ore including drilling from the existing underground decline in 2023.

On a regional scale, there are over 50 locations with historical workings within EQR's exploration tenements, which have reported tungsten or tin mineralisation.

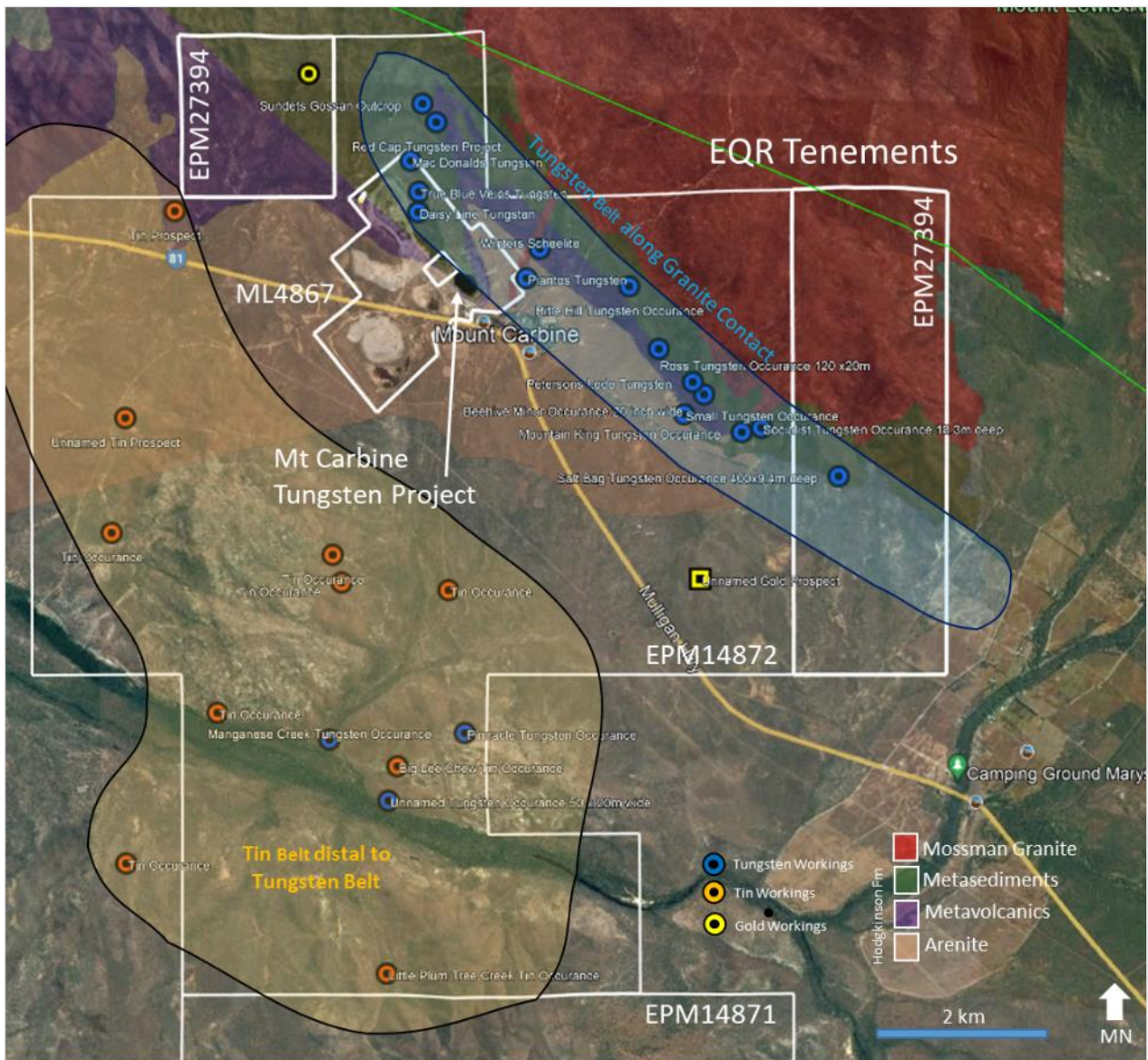


Figure 16 - Regional Historical Tungsten & Tin Workings relative to Mt Carbine

Mt Holmes – EPM 14871

An initial survey at Mt Holmes tin project revealed over 30 massive quartz veins cross the tenement at right angles to a major feldspar porphyry dyke swarm. 82 rock chip samples of these veins did not reveal any major mineralisation but minor marginal zones of tin. The remainder of the license will be explored this field season commencing in July 2023.

NSW Gold Exploration Tenements

Please refer to the Company's [Annual Report](#) for a detailed update on the NSW Gold Exploration activities.

EL6648 Crow Mountain tenement was renewed on 3rd February 2022 for a period until 19th October, 2026. EL8024 remains current until 29 November 2024.

Currently a private group called Sozo Resources Ltd is farming into the NSW gold tenements. The team at Sozo have a long history of exploration success. The terms require Sozo to spend \$1.1M over the next 4 years to earn an 80% stake in the licenses. EQ Resources has rights to contribute back to the JV.

Work undertaken by Sozo Resources Limited (“Sozo”) in the last calendar year is summarised as follows:

EL8024 Panama Hat

Land Access agreements are in place with Huonville and Sunnydale Stations.

Field trips were postponed several times due to weather events, but Sozo was able to get on the ground in June 2022. 20 x rock chip samples were taken from the main prospects and analysed for fire assay gold and a 33 element 4 acid digest. Notable assays include:

Sample PH0004: 2.03g/t Au on Southwestern extension of Williams Prospect

Sample PH0020: 4.45g/t Au from Willyong Tank Prospect

Sample PH 0014: 4.34g/t Au from Panama Hat Prospect

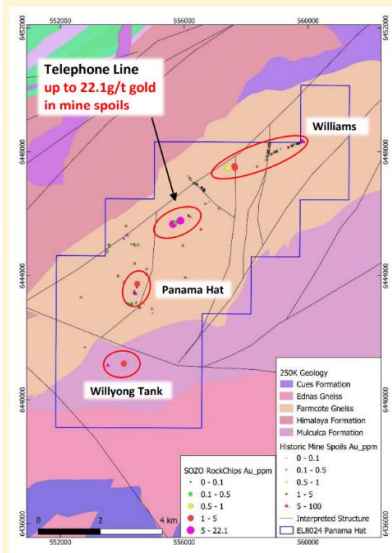
Sample PH0018: 22.1g/t Au from Telephone Line Prospect

The dominant strike of the broader Farmcote Gneiss host rock is in a north-easterly direction and cross cutting this semi-regional fabric are NW trending shear zones. These shear zones contain sheeted and sub vertical quartz veins and where sampled returned positive gold grades.

The Panama Hat Project appears structurally complex and the intersection of the NE and NW trending structures probably represent target areas for drilling. Telephone Line is the preferred Prospect at this stage, because high grade gold exists at surface, multiple historic pits are available, it is positioned on a small rise and there is geology to map with no evidence of historic drilling.

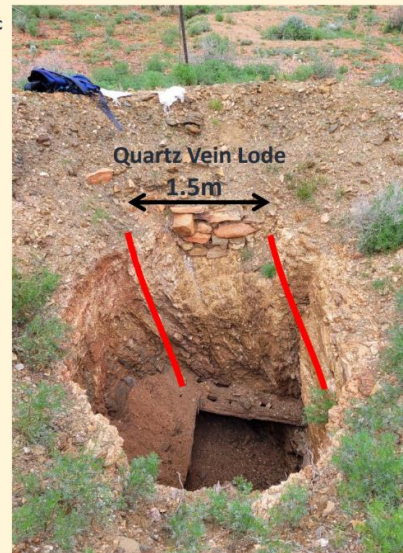
Next stages would see a field mapping and sampling campaign start at the Telephone Line Prospect.

Panama Hat (Gold) - high grade gold at surface



(Left) SOZO rock chip sampling from historic workings confirms high grade gold at surface:

- Williams: PH0004 = 2.03 g/t Au
- Telephone Line: PH0018 = 22.1g/t Au
- Panama Hat: PH0014 = 4.34g/t Au
- Willyong Tank: PH0020 = 4.45g/t Au

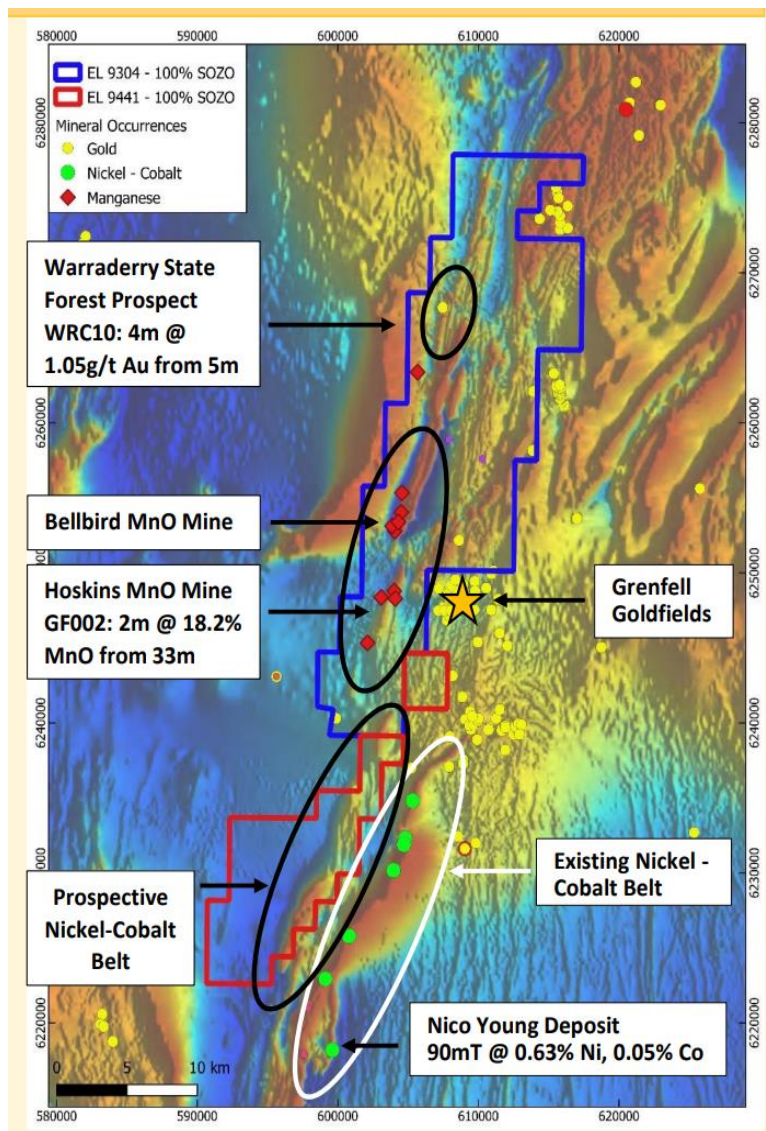


(Right) Panama Hat Project – Historic shaft exposure south west of the Williams prospect, showing south-west dipping auriferous quartz vein lode. This area has not been drill tested.

EL6648 Crow Mountain

- Land Access Agreement is in place with the main station owner being Kilpara. SOZO is paying monthly rent for the shipping container which houses the ICON era drill core.
- SOZO has secured the contiguous exploration ground to the Crow Mountain exploration lease through EL 9406.

- Preliminary field trip conducted with geologist Darcy Milburn in February 2022 and 17 x rock chip samples taken across the project and include:
- Sample CMRC008: 9.71g/t Au from the Crow King Prospect and CMRC011: 5.23g/t Au from the Princess Mine area. These prospects are east of the Peel Fault and hosted in schistose sediments and quartz veins. Looks structurally controlled and more akin to an orogenic gold system. Abigano drilled in this area in the 80s and intersected gold mineralisation close to surface such as: 17m @ 0.75g/t Au from 6m incl **2m @ 1.85g/t Au from 16m**. Ultimately Abigano abandoned the area due to the low gold price of circa US \$300/Oz. Opportunity therefore exists to work this with prospect scale mapping, soil sampling and then shallow percussion drilling.



Multiple rock chip samples were taken of the Listwanite (silica-carbonate altered serpentinite) outcrop in the vicinity of the historic Icon drill holes and as expected, low level gold was returned, up to a maximum of 58ppb. Note: the gold in Listwanites is related to the early Permian-Triassic batholiths which drove hydrothermal cells and led to the silica-carbonate or “Listwanite” alteration of the serpentinites. This alteration scavenges gold from magnetite and is transported large distances as an Au-S complex, typically along fault planes. The gold in this case, has most likely dropped out of solution when it encountered the carbonaceous fault gouge of the Peel Fault, as observed when Sozo inspected the drill core. More drilling is required directly targeting the Peel Fault itself.

Electromagnetics are being considered to assist in fleshing out the stronger conductive carbonaceous areas and the IP chargeability anomalies (obtained by Specialty Metals) coincident with Au-As-Hg anomalism at surface remain valid drill targets.

No PGEs associated with the Listwanite alteration.

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	Beneficial Interest	Interest Acquired / Farm-in or Disposed / Farm-out	Area	Expiry Date
Queensland, Australia		31 Dec 2022	31 Dec 2022		
ML 4867	Mt Carbine Quarries Pty Ltd	100%	-	358.5 ha	31/07/2022 ¹⁾
ML 4919	Mt Carbine Quarries Pty Ltd	100%	-	7.891 ha	31/08/2023
EPM 14871	Company	100%	-	10 sub-blocks	12/12/2025
EPM 14872	Company	100%	-	21 sub-blocks	11/12/2025
EPM 27394	Company	100%	-	4 sub-blocks	01/06/2025
New South Wales, Australia					
EL 6648	Company	100%	-	4 Units	19/10/2026 ²⁾
EL 8024	Company	100%	-	19 Units	29/11/2024 ²⁾
ML = Mining Lease; EPM = Exploration Permit for Minerals (Qld); EL = Exploration Licence (NSW)					
1) Renewal application submitted on 31 January 2022.					
2) Sozo farm-in arrangement.					

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

FINANCIAL PERFORMANCE

EQR's cash balance as at 31 December 2022 was \$2.708 million (compared with \$0.510 million for the quarter ended 30 September 2022), representing a net increase of \$2.198 million for the quarter.

Cash receipts from customers totalled \$2.281 million (compared with \$1.425 million in the previous quarter) representing EQR's 50% share of tungsten concentrate sales for the quarter of \$3.281 million with the balance of the inflow generated from numerous quarry contracts. Cash inflows from operating activities were also boosted by the receipt of the Critical Minerals Accelerator Incentive (CMAI) grant funding of \$1.800 million in this quarter.

The Company continues its investment of \$0.149 million on property, plant and equipment with an additional \$0.785 million being expended on capitalised exploration and evaluation activities.

The increase in production costs of \$3.236 million is in line with the planned increase of production activities in this quarter.

Cash inflows from financing activities were improved with equity securities raising of \$4.612 million with the associated costs of \$0.296 million in this quarter.

The Company continues to increase its quarry inventory stockpiles generated from the XRT Sorter waste stream and maintains a strong focus on cost control across its operating and corporate activities.

CORPORATE

EQR RAISES \$4.56 MILLION IN WELL SUPPORTED PLACEMENT

The Company has received \$4.56 million (before costs) of firm commitments in a well-supported placement of new fully paid ordinary shares (“New Shares”) with one (1) free attaching unlisted option for every four (4) New Shares (“Option”) subscribed for and issued (“Placement”). Strong support was shown for the Placement from a broad range of high-quality institutional and sophisticated investors, including two funds with integrated ESG policies.

Issue price for the Placement of \$0.04 (4 cents) per share, being a 18% discount to the most recent closing price and a 14% discount to the 15-day VWAP. Subject to shareholder approval, the Directors of the Company have committed to subscribe for \$200,000 in the Placement.

Details of Placement

The Placement will comprise two Tranches:

Tranche 1 – 109,000,000 New Shares (raising \$4.36 million) and 27,250,000 free attaching unlisted options will be issued utilising EQR’s placement capacity under ASX Listing Rules 7.1 and 7.1A; and

Tranche 2 – 5,000,000 New Shares (raising \$200,000) and 1,250,000 free attaching unlisted options will be issued subject to shareholder approval at the General Meeting proposed to be held on or around 25 January 2023. This tranche comprises all Directors (or their associated / related parties) Placement participation. The Tranche 2 Placement New Shares and free attaching unlisted options are expected to be issued following shareholder approval on or around 1 February 2023.

Use of Funds

Proceeds from the Placement will be used to fund the ongoing Mt Carbine expansion program as per the Bankable Feasibility Study, additional drilling towards the open pit west extension and exploration work related to the recently identified geophysical and soil anomalies north of the Andy White open pit. Proceeds were considered bridge funding for the delayed pay-out of the \$6 million CMAI Federal Government Grant (delayed by administrative measures due to change in Government)

CHANGES IN EQR BOARD & LEADERSHIP TEAM

There have been no changes in the EQR Board during the period. One change in the EQR Management with Gary Battensby, the Site Senior Executive (“SSE”) leaving with the role set to be fill through internal promotion in January 2023. Until then, as the SSE position is a statutory position, an external consultant will hold the role, until the credentials are received to promote the Company’s internal candidate. Ms Patricia Vanni de Oliveira resigned as Joint Company Secretary with Ms Melanie Leydin continuing her role as sole Company Secretary.

RELATED PARTY PAYMENTS

In line with its obligations under ASX Listing Rule 5.3.5, the Company has advised in the Appendix 5B for the period ended 31 December 2022, that the only payments to related parties of the Company pertain to payments to Directors and Senior Executives for salaries, fees and consultancy including expense reimbursements.

Released on behalf of the Board by:

Kevin MacNeill
Chief Executive Officer
EQ Resources Limited

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.

Follow us:  

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

EQ RESOURCES LIMITED

ABN

77 115 009 106

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,281	3,706
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(152)	(164)
(c) production	(3,236)	(4,442)
(d) staff costs	(1,364)	(2,654)
(e) administration and corporate costs	(183)	(549)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(13)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other		
- Diesel Fuel Tax Credits	45	81
- AMGC Grant	11	209
- CMAI Grant	1,800	1,800
- Traineeship Subsidies	91	201
- Other (provide details if material)	14	14
1.9 Net cash from / (used in) operating activities	(705)	(1,819)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(149)	(1,150)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) exploration & evaluation	(785)	(1,304)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	2	13
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(200)	(200)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,132)	(2,641)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,612	4,612
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(296)	(296)
3.5	Proceeds from Borrowings		
	- Offtake Advance Extension	-	1,483
3.6	Repayment of borrowings	(200)	(200)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	-Lease Repayments	(45)	(104)
3.10	Net cash from / (used in) financing activities	4,071	5,495

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	510	1,723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(705)	(1,819)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,132)	(2,641)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,071	5,495
4.5	Effect of movement in exchange rates on cash held	(36)	(50)
4.6	Cash and cash equivalents at end of period	2,708	2,708

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	2,708	510
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,708	510

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	169
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	
Payments to Directors and Senior Executives for salaries (including superannuation), fees, consultancy, and expense reimbursements.	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Shareholder Loan	1,500	1,500
7.3 Convertibles Notes	4,000	4,000
7.4 Total financing facilities	5,500	5,500
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>7.2 Unsecured 15-month Loan at an interest Rate of 8.00% p.a.</p> <p>7.3 Unsecured 2-Year Convertible Notes with a Coupon Rate of 7.00% p.a. payable in shares or cash at the election of the Note Holders.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(705)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(785)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,490)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,708
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,708
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.8
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The Company is expecting further quarter-on-quarter improvement of its net operating cashflows, driven by a further increase of production output. Relevant improvements to the plant have been implemented in the past 12 months.</p> <p>While the Company continues to implement its planned Capex Expansion Program, the operational expenses are stabilising with the benefit of increasing revenue.</p>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: After quarter end, Regal Royalty Fund Tranche 1 of \$5m was received (4th January 2023), with Tranche 2 (\$5m) expected within the coming quarter. The Company will furthermore receive balance payment of the \$6m CMAI grant, which is considered a cost reimbursement for expenses realised in the current and upcoming quarters. A second tranche of the CMAI grant is scheduled for quarter ending June.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Funding of the Company's expansion plans has been well structured and secured through various funding instruments, supported by the CMAI grant. While production ramp up has been slower than anticipated in recent months, the Capex program and related improvements show first positive results and with the conclusion of the wet season, the Company expect production to meet target levels.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.