

EQ Resources Limited

Quarterly Activities Report

Quarter ended 31 December 2020

EQ Resources Limited is the 100% owner of the Mt Carbine Tungsten Mine near Cairns, Australia's only significant 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

FINANCIAL PERFORMANCE - RAMP-UP CONTINUES

- Cash receipts from customers totalling \$2.723 million represents a 7-fold increase from the previous quarter. Cashflow from operating activities was positive for the quarter.
- EQR continues to maintain a strong focus on cost control across its operating and corporate activities while expanding production.
- The XRT Sorter plant has continued bulk testing across the mineralised stockpile producing in excess of 900 tonnes of XRT Sorter concentrate for further beneficiation. Throughput ramped up from 5,900 tonnes in October to 9,000 tonnes in December, as operators fine-tuned the ore-sorting process.
- Further production gains are anticipated as feed is drawn from primary fines screened directly from the mineralized stockpile, supplementing tailings feed material at the Retreatment Plant to drive increased concentrate production.
- Efforts continue to develop markets for concentrate output, through EQR's partnership with CRONIMET Group, with shipments to leading tungsten manufacturers in the US, Austria and Vietnam building a strong customer base moving forward.
- In excess of 47,000 tonnes (approximately 74% of the contractually agreed volume) of various quarry products have been delivered under the Bama contract.
- Approximately 20,000 tonnes of finished quarry products have been added to the inventory. Costs have been recognised in this quarter while delivery and sales are expected to be realised throughout the next quarter.

EXPLORATION

- King-vein interpretation at Mt Carbine underground confirmed 1.2km extension of high-grade structural zones. Work focused on re-logging and re-assaying of historic drill core.
- Environmental approval received from the Department of Environment & Science for further underground exploration and sampling. Northern Consultancy Services Australia Pty Ltd has been appointed to complete the Facility Description Report for the reopening of Mt Carbine's historic decline.

EQ RESOURCES LIMITED ABN 77 115 009 106 (ASX: EQR)

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MT CARBINE OPERATIONS

XRT SORTER PILOT PLANT

EQ Resources Limited (**EQR** or the **Company**) initiated its XRT (x-ray transmission) sorter pilot plant (**XRT Sorter**) test program as part of the ongoing METS Ignited Australia Ltd (**METS**) program in the consortium led by CRONIMET Australia Pty Ltd (**CRONIMET**) during the previous quarter. The METS work program, following a specific sampling and test work regime, continued over this quarter ended 31 December 2020. For further details on the METS program, see the Company's 7 September 2020 announcement ([here](#)).

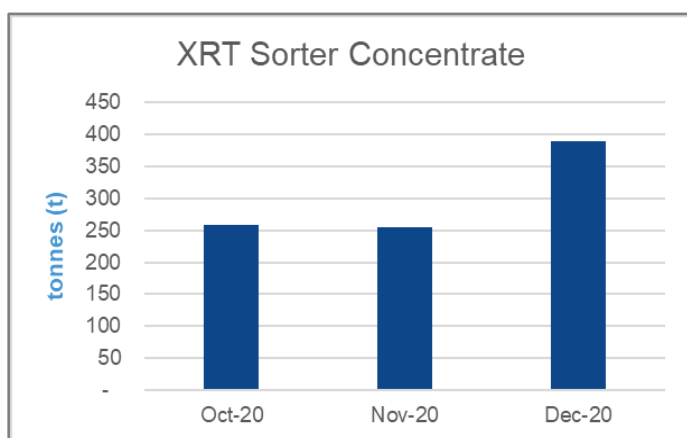


Figure 1 - XRT Sorter Concentrate Production

During this quarter, significant 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 20,852 tonnes of sample feed material from approximately 37 operational runs over the period. This test work generated approximately 944 tonnes of XRT Sorter concentrate.

The majority of the XRT Sorter concentrate has yet to be processed further through the gravity processing retreatment plant (**Retreatment Plant**). Small batch trials have

been 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 is currently commissioning an independent feed system at an independent feed point in the Retreatment Plant setup for the processing of the XRT Sorter concentrate to ensure high recovery rates while processing 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 towards the end of the quarter 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 in line with the early results as announced by the Company in its 7 September 2020 announcement ([here](#)).

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

Looking ahead in 2021, EQR will focus on continued bulk test work and data collection across the stockpiles on site as it aims to define a low-cost operation using the mineralised stockpiles to drive increased concentrate production.



Figure 2 - XRT Sorter Pilot Plant

RETREATMENT PLANT

The Retreatment Plant has continued to process historical tailings material along with the bulk 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.

Processing primary fines produces a significantly higher ratio of tungsten to head feed 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 the recoverability of the tungsten through the Retreatment Plant.

The operations team have met the challenges that comes with the high rainfall experienced over 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 and will be a factor to contend with, during Far North Queensland's wet season. The production team on site are continuing to optimise the processing plant where possible to increase production levels.

Concentrate outputs are anticipated to rise monthly once the operation finalises the feed system to enable the XRT Sorter concentrate to be fed to the Retreatment Plant on a consistent basis whilst ensuring maximum recovery of the higher value material. Some small test campaigns have been completed to date, showing the XRT Sorter concentrate positively impacting on concentrate production with high concentrate to feed ratios experienced. Once the feed system for the XRT Sorter concentrate is in place, the XRT Sorter concentrate will be fed into the Retreatment Plant as a supplementary feed on an ongoing basis.

The Company, via its offtake partner CRONIMET Asia Pte Ltd, has made monthly shipments of +/-20 metric tonnes of concentrate in this quarter. Concentrate shipments have gone to leading tungsten manufacturers in the US, Austria and Vietnam building a strong customer base moving forward.

APT (ammonium paratungstate; as the underlying price reference for tungsten concentrate) price improvements seen during the previous quarter continued throughout this quarter, recovering from a low of approximately US\$205/mtu (metric ton unit; equals 10 kg) in July-August 2020 to approximately US\$240/mtu as at the release of this quarterly report. 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

As previously announced, the Company started delivering quarry products to Bama Civil Pty Ltd (**Bama**) under the \$4 million contract. Bama is using the material for a major road construction project, being the Queensland Government's Peninsula Development Road in Far North Queensland.

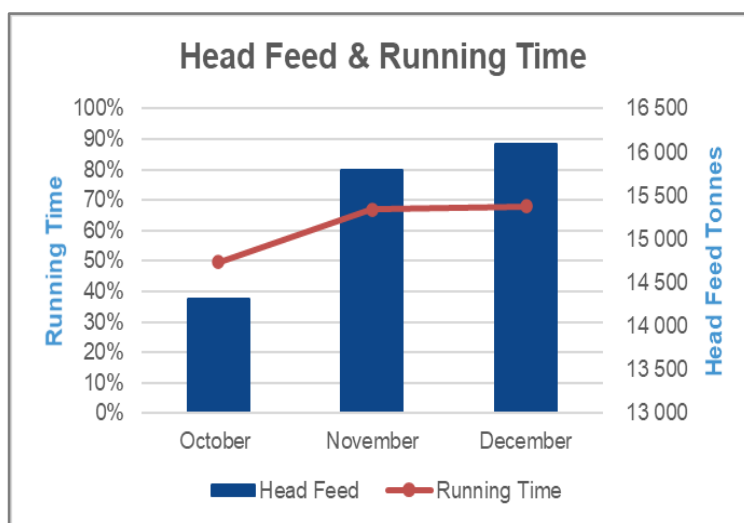


Figure 3 - Mt Carbine Gravity Plant Head Feed & Running



Figure 4 - Quarry product delivery

The Company has fulfilled approximately 74% of the contract as at the end of this quarter and receivables invoiced for the deliveries will continue to be collected in 2021.

The quarry has produced the majority of the bulk products to satisfy the Bama contract in its entirety, however the delivery schedule is kept in line with the requirements and capabilities for the road construction process. The Company will continue to make deliveries in 2021 with the aim of completing the contract, weather permitting, during the quarter ending 31 March 2021.

During this quarter, the quarry has demonstrated that it has the capability to satisfy large scale contracts for infrastructure development in the area satisfying all product specifications and delivery requirements. Plant and equipment upgrades (to support quarry capacity expansion and modernisation) have also continued throughout this quarter. EQR management and executive team are confident the quarry business is well placed to continue providing by-product revenue for the business.

EXPLORATION ACTIVITIES

MT CARBINE, QLD - MINING LEASES

The focus during this quarter, has been mainly on the continued development of the underground resource and on the implementation of grade control procedures for plant feed by the geological team. On 16 October 2020, the Company announced on the ASX ([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, the Company engaged John Murphy of Northern Consultancy Services Australia Pty Ltd as a specialist consultant for the drafting and completion of the Facility Description Report for the reopening of Mt Carbine's historic 430m decline and associated work program. This report is expected to be finalised by April 2021. Significant work has been completed over this period relating to the early costing of operational and capital costs with figures expected to be formalised and published in line with the Facility Description Report.

As part of the process to reopen the underground, EQR submitted an application to the Department of Environment & Science to allow underground sampling and exploration. EQR received this permission by way of an amended Environmental Authority as subsequently announced on the ASX ([here](#)).



Figure 5. Drill Core Samples

MT CARBINE, QLD – EXPLORATION PERMIT FOR MINERAL (EPM)

The Company received on 10 and 11 November 2020, the renewal approvals from the Queensland Department of Resources for two Mt Carbine EPMs for further 5-year terms. The expiry dates for EPM14872 (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 EL8024 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 six-year renewal application for EQR's Crow Mountain tenement (EL6648) 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, in order to likewise re-establish a work program.

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

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

FINANCIAL PERFORMANCE

The cash balance of EQR was A\$1.503 million at 31 December 2020 (compared with A\$1.555 million as at 30 September 2020), representing a net decrease of A\$0.052 million for this quarter.

Cash receipts from customers totalling A\$2.723 million (bolstered by sales proceeds from Bama contract amounting to A\$2.138 million, with the balance attributed to tungsten concentrate sale and minor quarry contract sales), represented a 7-fold increase from previous quarter of A\$0.318 million. Positive net cash flow from operating activities of A\$0.059 million was realised for the quarter.

Outstanding receivables from December quarry deliveries – not recognized in the Company's cash flow as at 31 December 2020 – amounted to A\$0.507million.

As a result of the increased quarry output and in line with management's expectation, production costs increased to A\$1.548 million for this quarter. The increased costs to Mt Carbine Quarry Operation of A\$1.167 million and to the Mt Carbine Retreatment Plant of A\$0.270 million, are mainly attributable to the costs of additional staff and operating expenditures to generate a positive operating cash flow for this quarter.

The production costs recognised during this quarter also went towards increased inventory of approximately 20,000 tonnes of finished quarry products. The delivery and sales of these products are expected to be realised throughout the next quarter.

As the Company continued to progress its underground development plans and secure the necessary permitting approvals, exploration and evaluation costs increased to A\$0.167 million for this quarter. Expenditures are attributed to geologist services, laboratory assaying work, consultancy payments for water studies and preparation of underground mining feasibility study.

Investment in plant equipment (mainly to support quarry capacity expansion and -modernisation) and other sustaining capex totalled A\$0.462 million for this quarter.

The Company continues to maintain a strong focus on cost control across its operating and corporate activities while expanding production.

CORPORATE

SAFETY PERFORMANCE AT MT CARBINE

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, was 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 refine and implement findings from the review, in order 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 Resources Safety & Health Queensland's vision of "zero serious harm".

ENVIRONMENTAL ACTIVITIES AT MT CARBINE

During this quarter, the Company secured a minimal increase to their Estimated Rehabilitation Cost for its Environmental Authority EPML00956913. EQR continues to engage with the Department of Environment & Science regarding the increase of quarry and sorter production allowances (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 EQR 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 CCO 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, being 14 April 2021, 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.

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 30 December 2020, that the only payments to related parties of the Company pertain to payments to Directors and Senior Executive 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:
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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:  

EQ RESOURCES LIMITED
ABN: 77 115 009 106

Consolidated statement of cash flows

**Year to date
(6 months)
\$A'000**

- 1.1 Receipts from customers
- 1.2 Payments for
 - (a) exploration & evaluation (if expensed)
 - (b) development
 - (c) production
 - (d) staff costs
 - (e) administration and corporate costs
- 1.3 Dividends received (see note 3)
- 1.4 Interest received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Government grants and tax incentives
- 1.8 Other
 - Diesel Fuel Rebates
 - ATQ Cash Flow Boost

723	3,041
167)	(208)
(52)	(302)
548)	(1,995)
798)	(1,369)
140)	(307)
-	-
1	9
(3)	(6)
-	-
-	-
21	41
22	78

59	(1,018)
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- 2.1 Payments to acquire:
 - (a) entities
 - (b) tenements
 - (c) property, plant and equipment
 - (d) exploration & evaluation (if capitalised)
 - (e) investments
 - (f) other non-current assets
- 2.2 Proceeds from the disposal of:
 - (a) entities
 - (b) tenements
 - (c) property, plant and equipment
 - (d) investments
 - (e) other non-current assets
- 2.3 Cash flows from loans to other entities
- 2.4 Dividends received (see note 3)
- 2.5 Other (provide details if material)

(462)	(761)
(5)	(5)
(467)	(766)

3.0 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5 Proceeds from Prepaid Sales	313	313
3.6 Repayment of borrowings	(2)	(4)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Working Capital Loan (unincorporated joint venture)	50	2
3.10 Net cash from / (used in) financing activities	361	311

4.0 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,555	2,990
4.2 Net cash from / (used in) operating activities (item 1.9 above)	59	(1,018)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(467)	(766)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	361	311
4.5 Effect of movement in exchange rates on cash held	(5)	(14)
4.6 Cash and cash equivalents at end of period	1,503	1,503

Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
5.0 at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	1,503	1,555
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term Deposits	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,503	1,555

6.0 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	180	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-	
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		
Payments to Directors and Senior Executives for salaries (including superannuation), fees, consultancy and expense reimbursements.		

Financing facilities	Total facility amount at quarter end	Amount drawn at quarter end
7.0	\$A'000	\$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	18	18
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	18	18
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		
Secured 3 year Equipment Finance Loan at an Interest Rate of 4.91% p.a.		

8.0 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	59
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	59
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,503
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,503
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	25.5
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
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?	
N/A	
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?	
N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
N/A	

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:

27-Jan-21

Authorised by:

By the Board

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".

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.
- 5