

21th October 2022

COMPLEMENTARY ROYALTY FUNDING FOR MT CARBINE DEVELOPMENT

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

- EQ Resources and Regal Resources Royalties Fund have agreed non-binding terms on a first stage \$10 million royalty based funding package for the Mt Carbine Tungsten Project, with the parties intending to negotiate in good faith the terms for an additional (second stage) \$10 million.
- A royalty percentage of 3% with a buy back clause after recovery of the first stage royalty (and prior to the 7th anniversary of the execution of definitive agreements) and a payment of \$2.75 million reducing the Royalty to 1.5%.
- A technical due diligence by Regal Resources Royalties Fund has been successfully completed and a (non-binding) term sheet executed which is now being advanced to sign the definitive agreement (pending tax and legal due diligence).
- The royalty funding complements the Company's already established funding plan as part of the Mt Carbine Bankable Feasibility Study, allowing acceleration of the 2023 drilling program comprising identified drill targets towards the Open Pit Western Extension.

EQ Resources Limited ("EQR" or "the Company") is pleased to announce 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").

The parties had engaged an independent technical advisory firm to perform a technical due diligence on the Project, which was successfully completed. The parties have executed a non-binding term sheet which is now being advanced to the definitive agreement stage. The first stage royalty funding is proposed to come in staged advances and is 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.

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. **For details on the term sheet see Annex 1.**

Already Australia's only primary producer of tungsten concentrate, a listed critical mineral by the US and EU, the royalty funding complements the Company's already established funding plan as part of the Mt Carbine Bankable Feasibility Study. The funding plan comprises of the capital already invested in the processing plants, the \$6 million grant funding under the Federal Government's Critical Minerals Accelerator Initiative, a financing package from global processing equipment supplier Sandvik, a shareholder loan and offtake partner support (see ASX announcement '[Capex Funding For Mt Carbine Expansion Secured](#)', dated 02 May 2022).

EQR's Chief Executive Officer, Mr Kevin MacNeill, commented, "We are pleased having secured support from such a high-profile fund in the Australian resource space. We have developed a strong working relationship with the Regal Royalties team. The timing to start this relationship is just about right, as we are scheduled to restart open cut mining from the Andy White pit in the second quarter of calendar year 2023."

"Our upgraded Ore Reserve Statement published last month is the basis for an expanded mine plan reporting into the BFS Update due in a few weeks' time. In addition to the secured funding package announced earlier this year, the royalty funding allows us to aggressively drill for further resources to the west and below the existing pit, with many drill targets at an advanced stage of planning", Mr MacNeill said further.

The global tungsten market is being supported by long-term demand for traditional metal hardening additives. However, recent developments in lithium-ion battery technology suggests that tungsten may play a role in the fast charging of a range of large and small batteries, something that has emerged in the UK.

The ongoing expansion project at Mt Carbine will continue EQR's commitment to building a sustainable mining operation. Advanced ore-sorting is playing a vital role in the Company's cost-efficient process flowsheet as well as facilitating production of Mt Carbine's second value stream being green aggregates for road making and construction projects in Far North Queensland.

"XRT sorting helps make use of every tonne of rock. There are significant savings in overall power usage from this advanced process, while we have reduced truck movements around site through the use of a slurry pipeline to the existing Gravity Plant. We aim to build onto this Project with a sustainable footprint, something we are working towards every day", Mr MacNeill commented.

Once fully commissioned, the Project is expected to create a permanent workforce of more than 100 at Mt Carbine, where the current headcount is around 70. EQR will be a major employer in the Mt Molloy district, a thriving hub of pioneering tin, tungsten and gold mining more than 100 years ago.

About Regal Resources Royalties Fund:

Regal Funds Management Pty Limited is the investment manager and trustee of the Regal Resources Royalties Fund ("the Fund").

The Fund aims to provide exposure to a portfolio of natural and renewable resource royalty investments that can provide both income and growth while seeking to minimise some of the downside risks usually associated with investing in mining activities, such as costs and exploration expenditure.

The Fund will invest in a mix of natural and renewable resource royalties, commodity streams and royalty-related products, including listed and unlisted securities, such as equities, warrants, debt and similar instruments. The Fund will utilise Regal's in-house expertise and strong corporate relationships to gain exposure to these opportunities.

For more information, please refer to the Regal Resources Fund Information Memorandum which can be obtained by contacting Regal (www.regalfm.com).

Released on authority of the Board by:

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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.

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.

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Annex 1: Key terms and conditions of the term sheet

1. Parties	EQ Resources Limited (ACN 115 009 106) and its various relevant subsidiaries, (together the "Payer"); and Regal Funds Management Pty Limited as trustee for the Regal Resources Royalties Fund ("RRF") ("Payee") or its designated subsidiary, (together, "the Parties").
2. Project	The Mt Carbine tungsten mine (Project).
3. Product	All minerals, excluding certain quarry products to be agreed within the Royalty Deed (defined below).
4. Royalty	3% of gross revenue (Royalty).
5. Upfront payment	Upfront Payment 1: AU\$5.0 million, payable 5 business days after the date on which all the Conditions Precedent to the Upfront Payment 1 are satisfied or waived by the Payee. Upfront Payment 2: AU\$5.0 million, payable 5 business days following satisfaction (or waiver by the Payee) of all the Conditions Precedent to Upfront Payment 2.
6. Conditions Precedent to Upfront Payment 1:	Usual for a transaction of this nature, and to include (without limitation): 1. Completion to the satisfaction of the Payee of a due diligence process; 2. Written evidence on terms satisfactory to the Payee that the Payer has executed a binding offtake agreement; 3. Evidence that the Payer has complied with all provisions of the Native Title Act 1993 (Cth), and any other legislation dealing with the interests of native title holders in respect to the grant of, and the Payer's operations on, the tenements; 4. All permitting, licensing and approvals have been granted for the Project other than the open pit mining approvals; 5. All necessary bonds and other surety have been lodged with the relevant Government department to permit construction of the Project; 6. Written evidence that the Payer has sufficient funds available to complete the Project; 7. Payee investment committee approval; 8. Approval of the Board of the Payee (to be obtained once final agreed forms of a mineral royalty deed (Royalty Deed) are available); 9. Execution of the Royalty Deed; 10. The Payee has completed to its satisfaction all relevant customer identification and verification requirements in respect of the Payor and other associated entities in compliance with the AML/CTF requirements; and 11. Perfection of caveats contemplated by this document.
7. Conditions Precedent to Upfront Payment 2:	1. The Conditions Precedent for Payment 1 have been met; 2. Grant of all open pit mining approvals at the Project; and 3. Written evidence on terms satisfactory to the Payee that the Payer has entered into a binding offtake agreement.
8. Binding agreement	The Parties must use their reasonable endeavours to finalise, agree and enter into the definitive Royalty Deed by no later than 30 November 2022 or such later date as may be agreed by the Parties in writing.