

ASX: EQX | 30 April 2020 | ASX RELEASE

MARCH 2020 QUARTERLY REPORT

Equatorial Resources Limited ("**Equatorial**" or "**Company**") presents its quarterly report for the period ending 31 March 2020. Highlights during the quarter include:

- Continued to progress a Mining Licence application lodged for the Company's potentially large-scale Badondo Iron Project ("**Badondo**") located in the northwest region of the Republic of Congo ("**ROC**"). During the quarter, Equatorial met with the ROC Government to assist in progressing their review of the Mining Licence application.
- Badondo has a large direct shipping ore hematite exploration target and assay results received to-date have confirmed the presence of thick high grade iron mineralisation at, and close to, surface.
- Entered into a strategic alliance agreement with Rock Mining SARL ("**Rock Mining**") to advance the development of Badondo. Rock Mining will assist Equatorial with its ongoing activities in the ROC and securing a Mining Licence for Badondo. In return, Rock Mining has been granted a 20% indirect economic interest in Badondo.
- Upon receipt of the Badondo Mining Licence, Equatorial will finalise plans for further exploration programs and technical/economic studies at Badondo on the basis that current iron ore prices, and recent regional infrastructure developments, justify new development activities at Badondo.
- Equatorial undertook a reconnaissance mission to the Bandondo Project during the quarter to meet with key stakeholders and assess the status of the site camp, with a view to planning further exploration programs upon receipt of the Badondo Mining Licence.
- Equatorial has re-established a dedicated company office in Brazzaville, capital of the ROC.
- Badondo is located within a regional cluster of world-class iron ore exploration projects including Sundance Resources Ltd's Mbalam-Nabeba project, Core Mining's Avima project, and the Belinga project in Gabon.
- Equatorial continues to investigate additional opportunities for partnership and cooperation with strategic investors at a project level, in order to maximise the value of Badondo for shareholders.
- Equatorial also retains a 2% royalty on all future production from the Mayoko-Moussondji Iron Project, located in the southwest region of the Republic of Congo.
- Equatorial is in a strong financial position with significant cash reserves and no debt. At 31 March 2020 the Company had cash reserves of A\$40 million.
- Equatorial is focused on creating value from Badondo in addition to identifying and evaluating new opportunities in the resources sector which have the potential to build shareholder value.

For further information contact:

Greg Swan Company Secretary
Telephone: +61 8 9322 6322

Badondo Iron Project

Equatorial is the 80% owner of the Badondo Iron Project (“Badondo”), which is held by the Company’s 80% owned subsidiary Congo Mining Exploration Ltd SARL (“CME”). Badondo is a potentially large-scale iron project in the northwest region of the Republic of Congo (“ROC”), within a regional cluster of world-class iron ore exploration projects including Sundance Resources Limited’s (“Sundance”) Mbalam-Nabeba project.

Badondo has a large direct shipping ore (“DSO”) hematite exploration target and assay results received to-date have confirmed the presence of thick high-grade iron mineralisation at, and close to, surface.

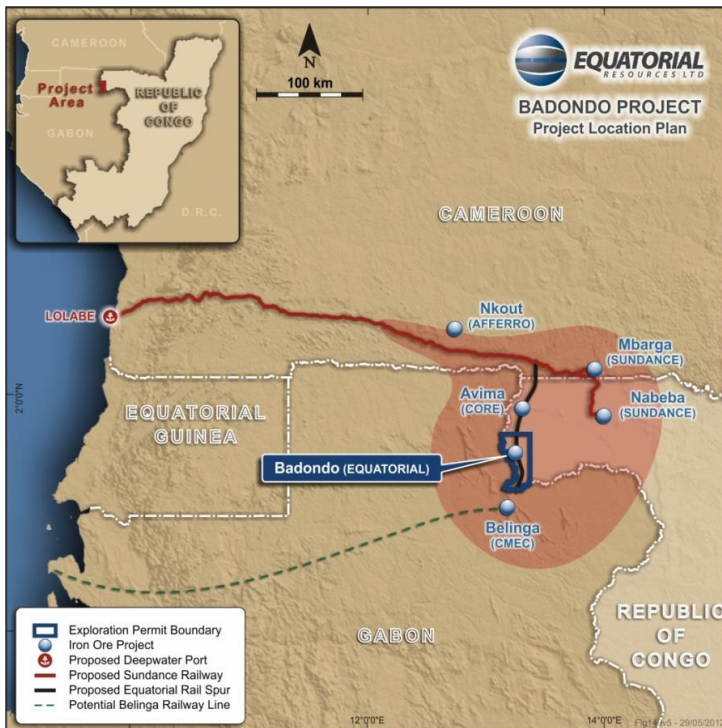


Figure 1: Badondo Project Location

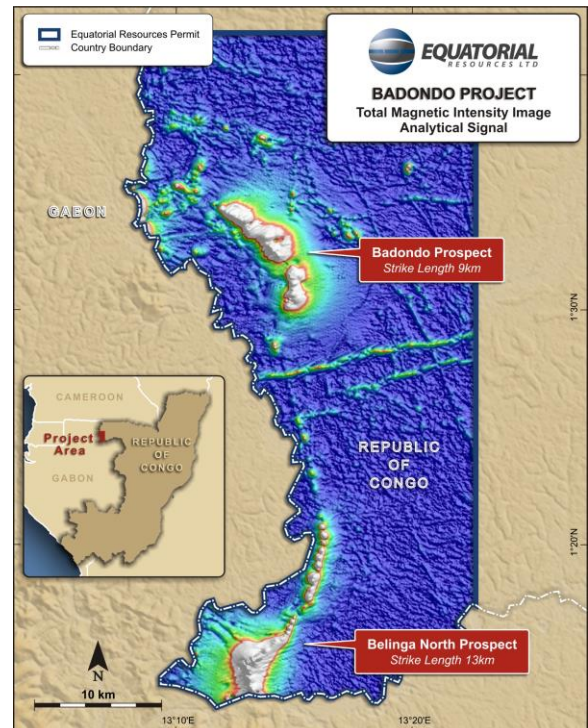


Figure 2: Badondo Exploration Targets

Government Approvals

In November 2016, the Company lodged a Mining Licence Application (“MLA”) for Badondo. Under the terms of the ROC Mining Code, Exploration Licences are granted for an initial three year period and are then capable of being renewed, upon application, for two further periods of two years. The Badondo Exploration Licence was renewed for the second time by Government Decree dated 7 December 2015. According to the ROC Mining Code, if an exploration licence expires before a decision is made by the mining administration in regards to a MLA in respect of that exploration licence, then the validity of the exploration licence shall be extended. On 22 November 2016, Equatorial lodged the MLA for Badondo based on completed exploration work in order to position the Company with a 25 year right to mine at the project.

To date, the Company has not received a response from the ROC Government in relation to its 2016 MLA. In 2019, CME submitted additional materials to the ROC Ministry of Mines to support the original application.

Meeting with Minister of Mines

Equatorial continues to work and meet with the Government with the aim of securing the Badondo Mining Licence. Mr John Welborn, Director, met with the ROC’s Minister of Mines the Hon. Minister Pierre Oba and members of the Ministry of Mines delegation in Cape Town, South Africa during the annual Mining

Indaba conference in early February 2020, to discuss and assist the ROC government in progressing their review of the MLA. Minister Oba affirmed the government's support and expectations for the development of sustainable iron ore production from ROC and outlined a process to progress the government's evaluation and approval of the Company's MLA for Badondo.

Strategic Alliance

During the quarter, Equatorial entered into a strategic alliance agreement with Rock Mining to advance the development of Badondo. Rock Mining is a Congolese company whose management has strong regional business and government relationships and considerable experience in the mining industry in ROC. The strategic alliance is focused on the advancement of Badondo via securing a valid Mining Licence for the project and progressing the opportunities for regional collaboration that will enable the financing of a future mining operation at Badondo as well as access to the transport infrastructure required.

Pursuant to the strategic alliance, Rock Mining will assist Equatorial with its ongoing activities in the ROC in relation to Badondo, including logistical support, staffing, and maintaining relationships with the ROC government, local communities and other stakeholders. As consideration for entering into the alliance agreement and provision of the above services, Rock Mining has been granted a 20% indirect economic interest in Equatorial's Congolese subsidiary, Congo Mining Exploration Ltd SARL, which is the legal and beneficial owner of Badondo, in accordance with the strategic alliance and shareholders agreement on usual terms including board composition, pre-emptive transfer rights and drag along provisions based on each party's shareholding.

Upon receipt of the Badondo Mining Licence the Company will finalise its plans for further exploration programs and technical/economic studies at Badondo on the basis that current iron ore prices, and recent regional infrastructure developments, justify new development activities at Badondo. The Company will continue to investigate additional opportunities for partnership and cooperation with strategic investors at a project level, in order to maximise the value of Badondo for shareholders.

Company office re-established in Brazzaville

In preparation for increased exploration and development activity at Badondo, Equatorial has re-established a dedicated company office in Brazzaville, capital of the ROC. The Company retains an office presence in the ROC port city of Point-Noire which functions as a logistics and accounting base. The new office in Brazzaville will enable closer communication with the ROC government and facilitate the new strategic alliance with Rock Mining.

Increasing African iron ore investment

Equatorial is encouraged by recent investment in African iron over the past twelve months.

In November 2019 a joint-venture funded by Chinese investors was awarded the rights to develop the Simandou iron ore project in Guinea. Simandou is one of the world's largest untapped deposits of iron ore. The development of the mine is proposed to include construction by the joint venture of a 650km railway and deepwater port on the coast of Guinea to ship the ore to China and other markets.

In November 2019, the Robert Friedland backed company High Power Exploration signed a deal with Guinea to develop the Mount Nimba Iron Ore ("Nimba") deposit located in the south east of Guinea.

In April 2019, the ROC exported its first shipment of iron ore from the Sapro and Glencore owned Mayoko-Lekoumou mine and neighbouring ground to Equatorial's former asset, Mayoko-Moussonndji in the south-west of the country. Port infrastructure in Pointe-Noire and the existing railway between the port and Mayoko is proposed to undergo major habilitation by Sapro, the ROC Government and British shipping company Ashley Global.

Reconnaissance mission to Badondo

During the quarter, the Company undertook a site visit to Badondo in the northwest region of the ROC to meet with key stakeholders, assess the status of CME's tenement and site camp to commence planning for the restart of field work at the Project upon receipt of the Badondo Mining Licence and assess regional infrastructure to support potential future operations.

Headed by Mr Florent Deckous, Managing Director of Rock Mining and Equatorial's primary representative in the ROC, the mission resulted in successful information gathering and positive engagement with key stakeholders. Throughout the mission, Mr Deckous conducted meetings with key stakeholders to advise and discuss the Company's intentions for the future of Badondo.



Figure 3: The CME Mission Crew with Equatorial's drill rig at Badondo

No substantive mining exploration activities were undertaken during the quarter.

Mayoko-Moussondji Project

Equatorial retains a 2% royalty on all future production from the Mayoko-Moussondji iron ore project, calculated on the value of all sales of ore extracted, produced, sold or otherwise disposed of from the project. Progress on Mayoko-Moussondji is being closely monitored by Equatorial with reference to the production from the neighboring Mayoko-Lekoumou iron ore mine reported above and the planned upgrades to relevant port and rail infrastructure.

Corporate

Equatorial is in a strong financial position with A\$40.3 million at 31 March 2020.

In addition to maximising the value of existing assets, the Company continues to identify and evaluate resource projects which have the potential to build shareholder value. Equatorial has assessed a number of new business opportunities and will make announcements to the market as appropriate should an acquisition occur.

Mining Tenements

As at 31 March 2020, the Company has an interest in the following mining exploration tenements:

Project Name	Tenement Type	Tenement Number	% Interest	Status
Badondo Iron Project	Exploration Licence	Decree No. 2015-984	100%	Granted*

* Equatorial has applied for a Mining Licence for Badondo. According to the ROC Mining Code, if an Exploration Licence expires before a decision is made by the mining administration in regards to a Mining Licence application, then the validity of the Exploration Licence is automatically extended.

No mining tenements were acquired or disposed of during the quarter.

Related Party Payments

During the quarter, the Company made payments of approximately \$59,000 to related parties and their associates. These payments relate to director's fees, superannuation, company secretarial services and provision of a fully serviced office.

This announcement has been authorised for release by the Company Secretary, Mr Gregory Swan.

Appendix 5B

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

Name of entity

Equatorial Resources Limited

ABN

50 009 188 694

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(63)	(171)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(19)	(58)
	(e) administration and corporate costs	(111)	(290)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	187	639
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material):		
	(a) business development	(26)	(68)
1.9	Net cash from / (used in) operating activities	(32)	52
2.	Cash flows from investing activities		
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	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 borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	40,361	40,277
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(32)	52
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	40,329	40,329

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	404	461
5.2	Call deposits	39,925	39,900
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)	40,329	40,361

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

(59)

-

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		
Not applicable		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(32)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(32)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	40,329
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	40,329
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1,260
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?	
Not applicable	
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?	
Not applicable	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Not applicable	

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: 30 April 2020

Authorised by: Company Secretary
(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.