

JUNE 2020 QUARTERLY REPORT

Equatorial Resources Limited ("**Equatorial**" or "**Company**") presents its quarterly report for the period ending 30 June 2020. Highlights during and subsequent to the quarter include:

- Completed a strategic investment in Salt Lake Potash Limited (ASX:SO4) ("**Salt Lake Potash**") via a subscription for A\$10 million of convertible notes. Salt Lake Potash is in the final stages of completing a significant project financing that will support the development of its exciting Lake Way sulphate-of-potash ("**SOP**") project in the Goldfields region of Western Australia.
- Equatorial has been actively pursuing new opportunities in the resources sector that have the potential to build shareholder value, and the investment in Salt Lake Potash follows a detailed review by Equatorial.
- The Salt Lake Potash convertible notes provide Equatorial with a discounted investment entry price by converting into ordinary shares in the event of a future equity raising by Salt Lake Potash at the lower of A\$0.45 per share or a 5% discount to the equity capital raising price. Salt Lake Potash's last share price on ASX was A\$0.565 on 22 July 2020.
- 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**"). 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.
- 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.
- 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.
- Following the investment in Salt Lake Potash, Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities at the Company's existing iron ore project as well as pursue additional business opportunities in the resources sector.

For further information contact:

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Lake Way Potash Project

During the quarter, Equatorial subscribed for A\$10 million of unsecured convertible notes (“Convertible Notes”) in Salt Lake Potash Limited (ASX:SO4) (“Salt Lake Potash”).

Salt Lake Potash has plans to develop an integrated sulphate-of-potash (“SOP”) operation, producing from a number of lakes within the Goldfields region of Western Australia. Salt Lake Potash’s initial development efforts are focused on the Lake Way project, an operation that could produce 245kt of SOP for capital expenditure of A\$264 million and with operating costs of A\$302 per tonne, placing it in the first quartile of global SOP operations. SOP is the premium source of potassium favoured by high value, chloride intolerant crops.

Construction of the Lake Way evaporation pond network and brine abstraction trenches commenced in Q1 2019 and the project is now substantially progressed with plant practical completion and first revenues expected in Q1 2021.

The investment decision follows detailed review by Equatorial focused on investigating opportunities related to Salt Lake Potash’s current financing requirements and operational progress. Salt Lake Potash is in the final stages of completing a significant project financing that will support the development of the Lake Way SOP project. The Convertible Note funds will allow Salt Lake Potash to continue the rapid development of Lake Way as construction activities ramp-up through July 2020.

The Convertible Notes have been structured as deferred equity and convert into ordinary shares in the event of a future equity raising by Salt Lake Potash of at least A\$10 million at the lower of A\$0.45 per share or a 5% discount to the equity capital raising price.

The timing of Equatorial’s investment in Salt Lake Potash is opportunistic. Equatorial believes Salt Lake Potash is currently undervalued. The Convertible Notes provides Equatorial with a discounted investment entry price at a time when a number of near-term value catalysts have the potential to drive a significant re-rating of Salt Lake Potash’s share price. These catalysts include completion of project funding, completion of process plant construction, and commencement of production in Q1 2021.

Equatorial has been actively pursuing new opportunities in the resources sector that have the potential to build shareholder value. New business opportunities are regularly assessed and potential transactions are rigorously evaluated against criteria designed to ensure any investment will build significant additional value for shareholders.

The conversion of the Convertible Notes will result in Equatorial being issued with ordinary shares in Salt Lake Potash. Subject to market conditions and strategic considerations, Equatorial may consider a future in-specie distribution of Salt Lake Potash shares to shareholders.

Following the investment, Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities at the Company’s existing iron ore project as well as pursue additional business opportunities in the resources sector.

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.

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.

In February 2020, 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.

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.

No substantive mining exploration activities were undertaken during the quarter.

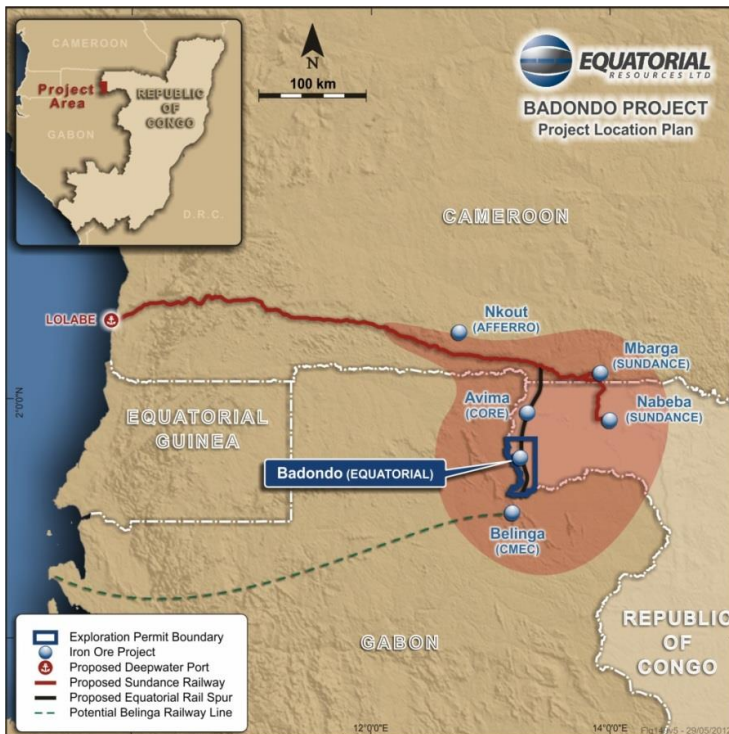


Figure 1: Badondo Project Location

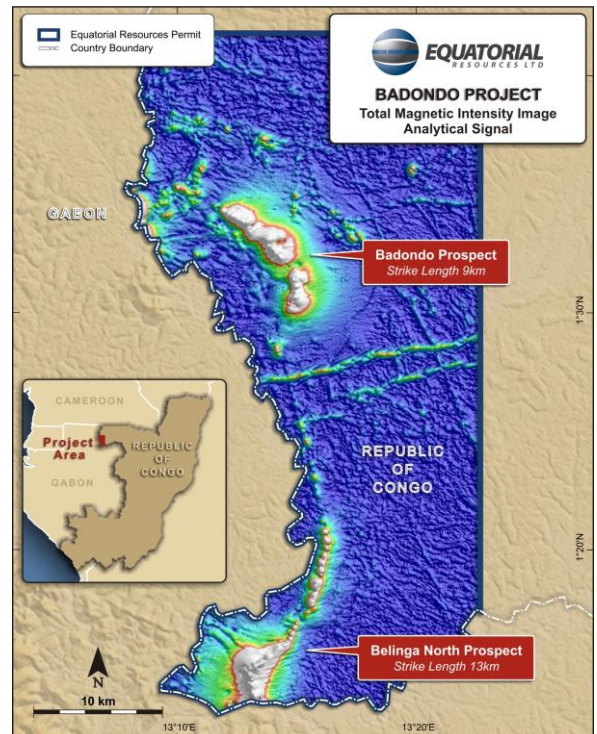


Figure 2: Badondo Exploration Targets

Mayoko-Moussondji Iron 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 30 June 2020 (pro-forma A\$30.3 million at 30 June 2020 adjusted for A\$10.0 million investment in Salt Lake Potash).

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.

Mining Tenements

As at 30 June 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 A\$154,000 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's Company Secretary, Mr. Greg 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(40)	(211)
(b) development	-	-
(c) production	-	-
(d) staff costs	(74)	(132)
(e) administration and corporate costs	(75)	(365)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	158	797
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	(19)	(87)
1.9 Net cash from / (used in) operating activities	(50)	2
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	40,329	40,277
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(50)	2
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	40,279	40,279

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	2,854	404
5.2	Call deposits	37,425	39,925
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)	40,279	40,329

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	(154)
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

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 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)	(50)
8.2 (Payments for exploration & evaluation classified as investment activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(50)
8.4 Cash and cash equivalents at quarter end (item 4.6)	40,279
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	40,279
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	806

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.

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?
	[] Not applicable
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?
	[] Not applicable
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?
	[] Not applicable
	<i>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.</i>

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: 23 July 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.