

ASX: EQX | 28 January 2021 | ASX RELEASE

DECEMBER 2020 QUARTERLY REPORT

Equatorial Resources Limited (“Equatorial” or “Company”) presents its quarterly report for the period ending 31 December 2020. Relevant activities and events during and subsequent to the quarter include:

- Appointment of Mr John Welborn as Managing Director and CEO of the Company.
- Lodgement of a Notice of Dispute on the Republic of Congo (“RoC”) in relation to the purported award to a third party of a Mining Licence for the Company’s potentially large-scale Badondo Iron Project (“Badondo”) in the RoC.
- Equatorial continues to believe the Company is legitimately and appropriately entitled to a valid Mining Licence for Badondo and has engaged the Investor-State dispute settlement team of Magic Circle law firm Clifford Chance to represent the Company.
- The Notice of Dispute has been lodged in accordance with a relevant international treaty which includes the requirement of a period of six months of negotiations prior to the commencement of arbitration.
- Equatorial retains a 2% royalty on all future production from the Mayoko-Moussondji Iron Project (“Mayoko-Moussondji”) in the RoC.
- The owner of Mayoko-Moussondji, Midus Global, announced that it has secured new investment support to fund the rapid startup of mining operations at Mayoko-Moussondji based on a ramp-up design to generate annual iron ore sales in excess of US\$300 million within the next two years. Midus Global also intends to list the company on Canada’s TSX-Venture stock exchange.
- Acquisition of a further 10.0 million shares in Salt Lake Potash Limited (ASX:SO4) (“SO4”) at an issue price of A\$0.40 per share, taking Equatorial’s total shareholding in SO4 to 44.2 million shares.
- The Company continues to identify and evaluate new resource projects which have the potential to build shareholder value.
- Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities as well as pursue additional business opportunities in the resources sector.
- The Company currently has over A\$43 million in cash and listed investments, with 124.4 million shares on issue.

For further information contact:

John Welborn Managing Director & CEO
Email: jwelborn@equatorialresources.com.au
Telephone: +61 414 695 800

Greg Swan Company Secretary
Email: gswan@equatorialresources.com.au
Telephone: +61 8 9322 6322

Badondo Iron Project

During the quarter, the Company received notification, via publication in the Official Journal of the Republic of Congo, that a decree was issued on 30th November 2020 which purports to award a mining licence for the Company's Badondo project to a company named Sangha Mining Development Sasu (Sangha Mining). The Official Journal also contains separate decrees which purport to award mining licences for Nabeba, previously held by Sundance Resources Limited (ASX:SDL), and Avima, previously held by Core Mining Congo, to Sangha Mining. Sangha Mining is not known to Equatorial and the Company is not aware that Sangha Mining has been previously active in the mining sector of the Republic of Congo (RoC). The Company considers the sudden awarding of the Badondo, Nabeba and Avima permits to Sangha Mining represents a flagrant breach of the RoC government's obligations under the Mining Code, the relevant Mining Conventions which exist between the permit holders and the RoC government, and international law.

The RoC Mining Code (the Mining Code) provides exclusive priority in the granting of a mining permit to the holder of an exploration permit who is successful in exploration and complies with the Mining Code. Being the uncontested holder of an exclusive valid exploration permit for Badondo since 2009, having complied with all relevant RoC law and regulations, and having successfully explored Badondo and correctly applied for a mining permit in 2016, Equatorial is surprised and shocked by the unlawful and arbitrary actions of the RoC government in awarding a mining licence for Badondo to Sangha Mining. Equatorial continues to believe that its subsidiary company, Congo Mining Exploration Limited (CME), is legitimately and appropriately entitled to a valid Mining License for Badondo.

The actions of the RoC government in granting multiple mining licences to Sangha Mining are unprecedented, unlawful and unfair. Sangha Mining has never held any research permit or exploration permit over Badondo and, as far as Equatorial is aware, has conducted no work at Badondo nor made any investment whatsoever in the exploration or development of Badondo. Under the applicable RoC legislation Sangha Mining is therefore ineligible for the grant of exploitation rights over the Badondo tenement.

Through its subsidiary, EEPL Holdings Mauritius (EEPL), Equatorial has served a Notice of Dispute and Request for Negotiations on the Republic of Congo under the Agreement between the Government of the Republic of Congo and the Government of the Republic of Mauritius for the Reciprocal Promotion and Protection of Investments (the Mauritius-RoC Treaty). The Mauritius-RoC Treaty requires six months of negotiations before international arbitration may be commenced, with the options including arbitration at the International Centre for Settlement of Investment Disputes (an autonomous institution under the auspices of the World Bank). During this six-month negotiation period, Equatorial (through EEPL) will continue to work in good faith the RoC government to resolve the dispute and seek that a mining licence for Badondo is correctly awarded to CME along with undertakings from the RoC government that no adverse measures will be taken against EEPL's other investments in RoC. If the investment dispute is not satisfactorily resolved within six months, Equatorial will consider commencing international arbitration proceedings to pursue full compensation from the RoC government. Equatorial has engaged the investor-State dispute settlement team of Magic Circle law firm Clifford Chance to represent the Company in the dispute resolution process with RoC.

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.

Subsequent to the end of the quarter, the owner of Mayoko-Moussondji, Midus Global, announced a plan to advance the project into production within the next two years such that full production from the project will generate annual iron ore sales in excess of US\$300 million at current iron ore prices. Midus Global has secured investment and support from Forbes and Manhattan and is expecting to list on Canada's TSX-Venture stock exchange within the next 90 days.

Equatorial will closely monitor the planned listing of Midus Global and any disclosure on the planned iron ore production from Mayoko-Moussondji.

Appointment of John Welborn as Managing Director

Mr John Welborn was appointed Managing Director and Chief Executive Officer (CEO) of the Company on 18 November 2020.

Mr Welborn is a highly accomplished and internationally respected senior executive. Most recently, Mr Welborn was Managing Director and CEO of Resolute Mining Limited over a five year period which saw the company's market capitalisation grow from less than \$200 million to more than \$1 billion corresponding with an increase in the share price during his tenure as CEO of more than 300%. Under Mr Welborn's leadership, Resolute was transformed through the development, acquisition, and operation of new underground and open-pit gold mining operations which resulted in production of more than 1.7 million ounces of gold. Additional achievements included elevation into the S&P/ASX200 Index, the acquisition of the high margin Mako Gold Mine in Senegal, the divestment of the Ravenswood Gold Mine in Australia, comprehensive refinancing and investment activities, and the admission of the company's shares for trading on the main board of the London Stock Exchange.

Mr Welborn has been a Director of Equatorial since August 2010 and was previously responsible for a successful period of transformation which included the acquisition and exploration of the Company's existing iron ore assets in West Africa and the acquisition and divestment of the Company's investment in African Iron Limited. Subject to necessary approvals Mr Welborn will subscribe for 1,500,000 new Equatorial shares at \$0.30 each for a total investment in the Company of \$450,000.

Corporate

During the quarter, Equatorial subscribed a further 10,000,000 ordinary shares in SO4 at an issue price of A\$0.40 per share. Equatorial's total shareholding in SO4 is now 44,222,223 shares.

Based on SO4's last closing price on ASX on 27 January 2020 of \$0.52, Equatorial's investment in SO4 is valued at A\$23.0 million. At 31 December 2020, based on SO4's closing price on ASX on 31 December 2020 of \$0.395, Equatorial's investment in SO4 was valued at A\$17.5 million.

Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities at Badondo as well as pursue additional business opportunities in the resources sector.

At 31 December 2020, Equatorial had 124,445,353 shares on issue and no other securities outstanding. Equatorial is in a strong financial position with \$20.1 million in cash and \$17.5 million in listed investments at 31 December 2020.

ASX Additional Information

Mining Exploration Tenements

At the end of the quarter, 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 | In dispute (refer to discussion above) |

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

Mining Exploration Expenditures

During the quarter, the Company made the following payments in relation to mining exploration activities:

| Activity | A\$000 |
|----------------------------------|--------|
| ROC consultants | (44) |
| Total as reported in Appendix 5B | (44) |

Related Party Payments

During the quarter, the Company made payments of approximately \$116,000 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 CEO, Mr. John Welborn.

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 December 2020

| 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 | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (44) | (149) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (95) | (114) |
| (e) administration and corporate costs | (78) | (168) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 38 | 141 |
| 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 | (12) | (86) |
| 1.9 Net cash from / (used in) operating activities | (191) | (376) |
| 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 | (3,820) | (19,820) |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 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 | 10 | 10 |
| 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 | (3,810) | (19,810) |
| 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 | 24,116 | 40,301 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (191) | (376) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (3,810) | (19,810) |
| 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 (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 20,115 | 20,115 |

| 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 | 20,115 | 24,116 |
| 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) | 20,115 | 24,116 |

| 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 | (116) |
| 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

| 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) | (191) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | - |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (191) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 20,115 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 20,115 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 105 |
| 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

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

Date: 28 January 2021.....

Authorised by: Company Secretary.....
(Name of body or officer authorising release – see note 4)

Notes

- 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.
- 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.
- 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.
- 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

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

[*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.