

ASX: EQX | 30 April 2021 | ASX RELEASE

## MARCH 2021 QUARTERLY REPORT

**Equatorial Resources Limited (“Equatorial” or “Company”)** presents its quarterly report for the period ending 31 March 2021. Relevant activities and events during and subsequent to the quarter include:

- *Lodgement of a Notice of Dispute with the Republic of Congo (“RoC”) government 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 assert the Company is the only party with a legitimate and appropriate entitlement to a valid Mining Licence for Badondo.*
- *The Company has engaged the Investor-State dispute settlement team of multinational law firm Clifford Chance who have lodged the Notice of Dispute 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 has also advised they are investigating a potential listing on Canada’s TSX-Venture stock exchange.*
- *Equatorial 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 A\$40 million in cash and listed investments, with 124.4 million shares on issue.*

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## Badondo Iron Project

In December 2020, the Company received notification, via publication in the Official Journal of the Republic of Congo, that a decree was issued on 30 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. 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 manifestly 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.

During the quarter, 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 multinational 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.

During 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 investigating a possible listing on Canada's TSX-Venture stock exchange.

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

## Business Development Opportunities

In addition to advancing the Company's existing portfolio of mineral resource assets in Africa, Equatorial continues to search for, and review, new opportunities in the resources sector which have the potential to build shareholder value. Due diligence activities on multiple potential opportunities were conducted during the quarter. New business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation. The Company's success in its acquisition activities depends on its ability to identify suitable projects, acquire them on acceptable terms, and integrate the projects successfully, which the Company's Board is experienced in doing. However, there is no guarantee that any proposed acquisition will be completed or be successful.

## Corporate

Equatorial owns 44,222,223 shares in Salt Lake Potash Limited (ASX:SO4) ("SO4"). At 31 March 2021, based on SO4's closing price on ASX on 31 March 2021 of \$0.435, Equatorial's investment in SO4 was valued at A\$19.2 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 March 2021, Equatorial had 124,445,353 shares on issue and no other securities outstanding. Equatorial is in a strong financial position with \$19.8 million in cash and \$19.2 million in listed investments at 31 March 2021.

## 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                                 | (13)   |
| ROC field supplies, vehicles, travel, and other | (14)   |
| Total as reported in Appendix 5B                | (27)   |

### Related Party Payments

During the quarter, the Company made payments of approximately \$256,000 to related parties and their associates. These payments relate to director's fees, superannuation and 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 March 2021

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               | -                          | -                                     |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | (27)                       | (176)                                 |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) staff costs   | (221)                      | (335)                                 |
| (e) administration and corporate costs                    | (101)                      | (269)                                 |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | 30                         | 171                                   |
| 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                                  | -                          | (86)                                  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(319)</b>               | <b>(695)</b>                          |
| <b>2. Cash flows from investing activities</b>            |                            |                                       |
| 2.1 Payments to acquire:                                  |                            |                                       |
| (a) entities  | -                          | -                                     |
| (b) tenements   | -                          | -                                     |
| (c) property, plant and equipment                         | (3)                        | (3)                                   |
| (d) exploration & evaluation                              | -                          | -                                     |
| (e) investments   | -                          | (19,820)                              |
| (f) other non-current assets                              | -                          | -                                     |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 2.2   | Proceeds from the disposal of:  |                                    |  |
|   | (a) entities  | -                                  | -  |
|   | (b) tenements   | -                                  | -  |
|   | (c) property, plant and equipment   | -                                  | -  |
|   | (d) investments   | -                                  | -  |
|   | (e) other non-current assets  | -                                  | 10   |
| 2.3   | Cash flows from loans to other entities   | -                                  | -  |
| 2.4   | Dividends received (see note 3)   | -                                  | -  |
| 2.5   | Other (provide details if material)   | -                                  | -  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b>                                   | <b>(3)</b>                         | <b>(19,813)</b>                                |
| <b>3.</b>                                   | <b>Cash flows from financing activities</b>   |                                    |  |
| 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)   | -                                  | -  |
| <b>3.10</b>                                 | <b>Net cash from / (used in) financing activities</b>                                   | <b>-</b>                           | <b>-</b>                                       |
| <b>4.</b>                                   | <b>Net increase / (decrease) in cash and cash equivalents for the period</b>            |                                    |  |
| 4.1   | Cash and cash equivalents at beginning of period  | 20,115                             | 40,301   |
| 4.2   | Net cash from / (used in) operating activities (item 1.9 above)                         | (319)                              | (695)  |
| 4.3   | Net cash from / (used in) investing activities (item 2.6 above)                         | (3)                                | (19,813)                                       |
| 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

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(9 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 4.5   | Effect of movement in exchange rates on cash held | -                                  | -  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b> | 19,793                             | 19,793   |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 19,793                             | 20,115                              |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | 19,793                             | 20,115                              |

| <b>6.</b> | <b>Payments to related parties of the entity and their associates</b>                   | <b>Current quarter<br/>\$A'000</b> |
|-----------|---|------------------------------------|
| 6.1       | Aggregate amount of payments to related parties and their associates included in item 1 | (256)                              |
| 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

| <b>7.</b> | <b>Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|-----------|--|---|--|
| 7.1       | Loan facilities  | -   | -  |
| 7.2       | Credit standby arrangements  | -   | -  |
| 7.3       | Other (please specify)   | -   | -  |
| 7.4       | <b>Total financing facilities</b>  | -   | -  |

**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

| <b>8.</b> | <b>Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
|-----------|---|----------------|
| 8.1       | Net cash from / (used in) operating activities (Item 1.9)   | (319)          |
| 8.2       | Capitalised exploration & evaluation (Item 2.1(d))  | -              |
| 8.3       | Total relevant outgoings (Item 8.1 + Item 8.2)  | (319)          |
| 8.4       | Cash and cash equivalents at quarter end (Item 4.6)   | 19,793         |
| 8.5       | Unused finance facilities available at quarter end (Item 7.5)   | -              |
| 8.6       | Total available funding (Item 8.4 + Item 8.5)   | 19,793         |
| 8.7       | <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>   | <b>62</b>      |
| 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: 30 April 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

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[*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.