

ASX: EQX | 30 July 2021 | ASX RELEASE

JUNE 2021 QUARTERLY REPORT

Equatorial Resources Limited (“Equatorial” or “Company”) presents its quarterly report for the period ending 30 June 2021. Relevant activities and events during and subsequent to the quarter include:

- *Equatorial is seeking compensation from 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.*
- *Equatorial notes the RoC government have purported to withdraw the Mining Licence for the Mayoko-Moussondji Iron Project (“Mayoko-Moussondji”) held by Midus Global. Equatorial is investigating the status of the 2% royalty the Company holds over on all future production from Mayoko-Moussondji and intends to include any consequential loss resulting from the licence withdrawal in the dispute resolution process, and any compensation discussions, with the RoC government.*
- *Equatorial has engaged the Investor-State dispute settlement team of multinational law firm Clifford Chance who have lodged a Notice of Dispute in accordance with a relevant international treaty.*
- *Should compensation discussions continue to be non-productive and no amicable settlement of the dispute is reached with the RoC government, Equatorial intends to commence international arbitration against the RoC government, claiming full compensation for expropriation and damages, plus costs.*
- *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 the dispute resolution process and pursue additional business opportunities in the resources sector.*
- *The Company currently has A\$35 million in cash and listed investments, with 125.9 million shares on issue.*

For further information contact:

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

Themis Kailis *Business Development Manager*
Email: tkailis@equatorialresources.com.au
Telephone: +61 8 9322 6322

Badondo Iron Project

Badondo is a potentially large-scale iron project in the northwest region of the RoC, within a regional cluster of world-class iron ore exploration projects. Equatorial has been actively exploring and investigating project development opportunities at Badondo since 2010.

As previously announced, a dispute with the RoC arose in December 2020, when Equatorial became aware that the RoC government had granted a newly-formed, Chinese-backed company called Sangha Mining Development SASU (“Sangha Mining”) an exploitation licence over the Badondo iron ore tenement, in respect of which Equatorial (through its subsidiary Congo Mining Exploration Limited SARL (“CME”)) holds an exploration licence, a pending exploitation licence application and rights under a Mining Exploration Convention with the RoC Government.

Equatorial's investments in RoC are held through a Mauritius company, EEPL Holdings Mauritius (“EEPL”), and are therefore protected from unlawful expropriation and other forms of government mistreatment by the Agreement between the RoC Government and the Government of the Republic of Mauritius for the Reciprocal Promotion and Protection of Investments (“Treaty”). The Treaty is what is known as a bilateral investment treaty (“BIT”) and provides for disputes between Mauritian investors (such as EEPL) and the RoC government to be resolved by international arbitration if amicable settlement cannot be achieved within six months from the date notice of the dispute is given.

Accordingly, on 21 December 2020, Equatorial and EEPL instructed their lawyers, Magic Circle law firm Clifford Chance, to issue to the RoC government a Notice of Dispute and Request for Negotiations under the Treaty (“Notice”). In the Notice, EEPL informed the RoC government that the measures taken against EEPL's investments in CME and Badondo violated various provisions of the Treaty, including Article 2(3) (fair and equitable treatment) and Article 5 (expropriation).

In the Notice EEPL requested good faith consultations with the RoC government (as required by the Treaty), to commence within 30 days of the date of the Notice and to be conducted by videoconference (in-person consultations being impossible due to COVID-19 travel restrictions). EEPL invited the RoC government to advise in writing whether it agreed to this proposed timing and format for consultations. EEPL also sought certain assurances from the RoC government, intended to reverse the measures taken and permit EEPL to resume the use and enjoyment of its investments in CME and Badondo. The RoC government has not responded to the Notice.

On 26 February 2021, EEPL wrote again to the RoC government, renewing its request for assurances and re-stating its willingness to participate in discussions. The RoC government has not responded to this letter.

On 13 March 2021, the RoC government purported to grant a Mining Convention over Badondo to Sangha Mining, with apparent disregard to the fact that Badondo is already subject to a Mining Exploration Convention in favour of Equatorial. Since then, representatives of RoC government have openly promoted the interests of Sangha Mining, including in negotiations with the Government of the Republic of Cameroon (“Cameroon”).

On 26 June 2021, an Australian company, AustSino Resource Group Ltd (“AustSino”) issued a market announcement titled "Shareholder Update Following Execution of MOU with Government of the Republic of Cameroon", stating (amongst other things) that AustSino had entered into a Memorandum of Understanding with the Government of Cameroon and Bestway Finance Ltd – the Hong Kong entity that controls Sangha Mining – for development of a major iron ore project. The AustSino announcement mentioned Badondo and the other iron ore tenements recently granted to Sangha Mining in the RoC (previously held by Sundance Resources Ltd and Core Mining Ltd).

Equatorial and EEPL have written to the RoC government to express disappointment at these developments and the RoC government's lack of engagement in the negotiation process required by the Treaty. Equatorial has made it clear that the Company remains open to a negotiated outcome and, to that end, has asked the RoC government to advise by the end of August 2021 whether it is willing to meet (by videoconference) with representatives of Equatorial to discuss compensation for the RoC government's breaches of the Treaty.

Mayoko-Moussondji Iron Project

Equatorial notes that the RoC government recently issued a decree withdrawing the exploitation permit for the Mayoko-Moussondji iron ore project, which is owned by Congo Mining Limited, a wholly owned subsidiary of Midus Global Limited.

Under the terms of the sale of Mayoko-Moussondji to Midus Global Limited in 2015, Equatorial retained a 2% royalty on all future production from Mayoko-Moussondji, calculated on the value of all sales of ore extracted, produced, sold or otherwise disposed of from the project.

Equatorial is investigating the status of the 2% royalty the Company holds over on all future production from Mayoko-Moussondji and will consider the addition of any consequential loss the Company may suffer from the withdrawal of the licence from Midus Global to the Company's dispute resolution process, and any compensation discussions, with the RoC Government.

Potential for Compensation and/or International Arbitration with RoC Government

As stated above, Equatorial remains open to a negotiated outcome with the RoC government in relation to Badondo and Mayoko-Moussondji and will continue to seek the opportunity to discuss potential compensation for the RoC government's actions and breaches of the Treaty.

If these attempts continue to be non-productive and no amicable settlement of the dispute is reached with the RoC government by 26 August 2021 (which marks the end of the 6-month negotiation period under the Treaty), Equatorial intends to commence international arbitration against the RoC government under the Treaty, claiming full compensation for expropriation and damages for any and all breaches of the Treaty by the RoC government, plus costs.

Salt Lake Potash Investment

Equatorial currently holds 44,222,223 shares in Salt Lake Potash Limited (ASX:SO4) ("SO4"). At 30 June 2021, based on SO4's closing price on ASX on 30 June 2021 of \$0.345, Equatorial's investment in SO4 was valued at A\$15.3 million.

The Company notes that subsequent to the end of the quarter, on 29 July 2021, SO4 released an ASX announcement titled "Lake Way Project & Financing Update". The announcement advised of a revised ramp up strategy for the commissioning of the Lake Way plant, a reduction in plant feed availability, changes to operating methodology, and the requirement for further funding. SO4 have requested a suspension from trading while discussions to resolve the funding shortfall are concluded. SO4 shares last traded on the Australian Securities Exchange on 27 July 2021 at A\$0.31.

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 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 30 June 2021, Equatorial had 125,945,353 shares on issue and no other securities outstanding. Equatorial is in a strong financial position with \$20.0 million in cash and \$15.3 million in listed investments at 30 June 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	(12)
ROC field supplies, travel, and other holding costs	(6)
Total as reported in Appendix 5B	(18)

Related Party Payments

During the quarter, the Company made payments of approximately \$211,000 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 Managing Director & 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")

30 June 2021

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	(18)	(194)
(b) development	-	-
(c) production	-	-
(d) staff costs	(151)	(486)
(e) administration and corporate costs	(121)	(393)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	201
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	(28)	(114)
1.9 Net cash from / (used in) operating activities	(288)	(986)
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	-	(19,820)
(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	-	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	-	(19,810)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	450	450
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	(4)	(4)
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	446	446
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19,793	40,301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(287)	(986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(19,810)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	446	446

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	19,951	19,951

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	19,951	19,793
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)	19,951	19,793

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	(211)
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)	(288)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(288)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	19,951
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	19,951
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	69
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 July 2021.....

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

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.