

ASX: EQX | 21 December 2020 | ASX RELEASE

Badondo Update

Equatorial Resources Limited (**Equatorial** or **Company**) advises that on the 19th December 2020 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 will serve 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.

About Badondo

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 including Sundance Resources Limited's Mbalam-Nabeba project and Core Mining Congo's Avima project. Equatorial's successful exploration programs at Badondo have defined a large direct shipping ore (**DSO**) hematite exploration target. Assay results received to-date have confirmed the presence of thick high-grade iron mineralisation at, and close to, surface.

About Equatorial

Equatorial is an ASX-listed company focused on advancing its existing projects and assets as well as searching for new opportunities in the resources sector which have the potential to build shareholder wealth. Equatorial's main project focus is the potentially large scale Badondo Iron Ore Project in the Republic of Congo. The Company also holds a 2% royalty on all future production from the Mayoko-Moussondji Iron Project. As at 30 September 2020, Equatorial had A\$41.2 million in cash and listed investments with 124.4 million shares on issue.

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This announcement has been authorised for release by the Company's Board of Directors.