

ASX: EQX | 31 January 2022 | ASX RELEASE

DECEMBER 2021 QUARTERLY REPORT

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

- Through its Mauritian subsidiary, EEPL Holdings, Equatorial commenced international arbitration against the Republic of the Congo seeking financial compensation for unlawful measures taken by the Republic of Congo Government against EEPL Holding's investments in two iron ore projects: the Badondo Iron Ore Project and the Mayoko-Moussondji Iron Ore Project. The arbitral tribunal is in the process of being constituted at the International Centre for Settlement of Investment Disputes in Washington, DC.
- 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 approximately A\$19.3 million in cash, with 125.9 million shares on issue.
- Equatorial is focused on the identification and active review of high-quality strategic opportunities in the resources sector.

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Badondo and Mayoko-Moussondji Iron Projects – International Arbitration

The Badondo Iron Project (“Badondo”) is a potentially large-scale iron project in the northwest of the Republic of Congo (“RoC”), situated within a cluster of world-class iron ore exploration projects. Equatorial invested in exploration and project development feasibility assessment at Badondo commencing in 2010 and, following significant exploration success, applied for a Mining Licence in 2016 under the framework of the relevant Mining Code and in compliance with local laws.

The Mayoko-Moussondji Iron Project (“Mayoko-Moussondji”) is located in the southwest region of the RoC and has access to an existing railway line running to the deep-water port of Pointe-Noire. Equatorial invested in exploration and development of Mayoko-Moussondji from 2010 and was granted a 25-year Mining Licence in 2014. Equatorial sold Mayoko-Moussondji in 2015 and retained a 2% royalty on all future production from the project.

Equatorial’s investments in Badondo and Mayoko-Moussondji (“the Projects”) have been expropriated and subjected to other unlawful measures by the RoC government as part of a wider campaign to dispossess foreign mining companies of their iron ore interests in RoC. Various mining assets in the RoC, including Badondo, have been granted to a Chinese-linked company named Sangha Mining Development SASU with no apparent due process or legal validity.

During the quarter, Equatorial, through its subsidiary, EEPL Holdings (“EEPL”), referred its investment dispute with the RoC to arbitration at the International Centre for Settlement of Investment Disputes (“ICSID”) in Washington, DC. EEPL is referring its investment dispute with the RoC to arbitration at ICSID in accordance with Article 7 of the Agreement between the Government of RoC and the Government of the Republic of Mauritius for the Promotion and Reciprocal Protection of Investments (“Congo-Mauritius BIT”), under which EEPL’s investments in RoC are protected by virtue of EEPL being a Mauritian company. The RoC Government’s measures against EEPL’s investments in the Projects violate multiple provisions of the Congo-Mauritius BIT, including (among others) the prohibition against unlawful expropriation and the fair and equitable treatment standard.

Under the ICSID rules, EEPL is entitled to appoint one member of the three-member arbitral tribunal. Exercising this right, EEPL has appointed prominent United States arbitrator John Townsend. Mr Townsend has significant experience in cases of this nature. The other members of the arbitral tribunal remain to be appointed. Once the arbitral tribunal is fully constituted, it will convene a case management conference, at which the procedural calendar for the arbitration will be fixed in consultation with the parties. In accordance with this procedural calendar, EEPL will then present its full case against RoC in the form of a written Statement of Claim supported by evidence.

Potential for Compensation from RoC Government

Through EEPL, Equatorial is seeking compensation from RoC Government for the treaty violations described above. The compensation sought is for an amount equal to the fair market value of EEPL’s investments in the Projects and other relief, as appropriate.

The ICSID arbitration is expected to take up to four years to be completed. EEPL has engaged a specialist team at Magic Circle law firm Clifford Chance to represent it in these proceedings.

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 Congo-Mauritius BIT.

New Project Opportunities

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. There is no guarantee that the identification and due diligence of potential new business opportunities will result in any transaction or that any future transaction will be completed or will be successful.

Corporate

Equatorial remains in a strong financial position with A\$19.3 million in cash as at 31 December 2021. The Company has 125,945,353 shares on issue and is in a strong financial position to progress exploration and development activities as well as pursue additional business opportunities in the resources sector.

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) |
| Total as reported in Appendix 5B | (13) |

Related Party Payments

During the quarter, the Company made payments of approximately A\$156,000 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")

31 December 2021

| 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 | (13) | (42) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | (141) | (283) |
| | (e) administration and corporate costs | (132) | (245) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 29 | 59 |
| 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 | (24) | (92) |
| | (b) ROC arbitration | (70) | (70) |
| 1.9 | Net cash from / (used in) operating activities | (351) | (673) |
| 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 (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 | - | - |
| 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 | 19,643 | 19,965 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (351) | (673) |
| 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) | - | - |

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| 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 | 19,292 | 19,292 |

| 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 | 19,292 | 19,643 |
| 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) | 19,292 | 19,643 |

| 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 | (156) |
| 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 | | | |

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| 8. | Estimated cash available for future operating activities | \$A'000 |
|-----------|-------------------------------------------------------------------------------|----------------|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (351) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | - |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (351) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 19,292 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 19,292 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 55 |

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: 31 January 2022

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.