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HALF YEAR REPORT DECEMBER 2022

EQ RESOURCES LIMITED

ABN 77 115 009 106



CORPORATE DIRECTORY

Directors

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Non-executive Director
Non-executive Chairman

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Non-executive Director

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Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX)

ASX Code: EQR

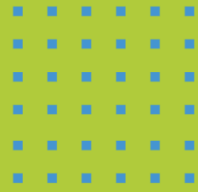
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OPERATING & FINANCIAL REVIEW



Operating and Financial Review

Mt Carbine Bankable Feasibility Study Update

The Company announced positive results from the November 2022 Update of its Bankable Feasibility Study (“BFS Update”) for the Mt Carbine Expansion Project (“Project”) (see ASX announcement ‘[Strong BFS Update Delivers 59% Increase in NPV](#)’, dated 9 November 2022).

Key Highlights from the BFS Update include:

- BFS Update enhanced by recently announced 29% Open Pit Ore Reserves upgrade resulting in a 15% higher tungsten concentrate output (50% WO₃ content) over an expanded 14-year production schedule.
- Project delivers strong Pre-Tax Economics* including:
 - NPV8** of \$209.6 million*** (59% increase compared to initial BFS, December 2021)
 - IRR of 397%
 - Payback period of 1.5 years
 - Life of Mine EBITDA of \$324 million
- Initial low capital cost of \$22.9 million has been further optimised to \$21.4 million as an effect of scope changes and defined costing, out of which approximately \$5 million has been expensed and installed by October 2022.
- Successful implementation of the Phase 1 Scope provided invaluable data for further expansion works, with the process plant already achieving target recoveries.
- Tungsten concentrate production C1 Cash Cost**** remains amongst lowest in industry with an equivalent of US\$118/mtu.

* Concentrate sales price basis US\$340/mtu (mtu = metric tonne unit, 10kg) in 2023, with a long-term forecast average of US\$369/mtu (2024-2040) calculated using the average of the Roskill Base Case and High Case price level scenarios (see Chapter 16 of 2021 BFS)

** 8% discount rate applied

*** \$209.6M NPV is Project NPV; NPV attributable to EQR as 50% portion of LGS Joint Venture and 100% of Open Pit results to \$172.5M

**** C1 Cash Cost: Direct costs (mining and processing cost), plus local G&A and by-product credits from sale of aggregate through quarry, but excluding royalty; Exchange rate AUD/USD 0.688

The BFS Update contemplates a 14-year production schedule with the Project delivering impressive economics including a NPV8 of \$210 million and an IRR of 397%. The BFS Update covers total concentrate production of approximately 31,000 tonnes (50% WO₃ content), an increase of 15% over the initial BFS output.

The Project implementation was split into two phases, with the Company having successfully completed Phase 1 Scope as per the initial BFS. The BFS Update highlights that scope changes and cost updates have resulted in a positive net effect of approximately \$1.5 million in total Capex savings. The revised Capex has been estimated to \$21.4 million.

Mt Carbine Operations

Primary Crushing and Screening Plant

The crushing plant is now achieving its average throughput of +170tph during operations. The wet screening installation has shown its capacity on throughput with ongoing operational optimisations taking place, such as automation within the crushing plant; increases to the size of the process water pump and certain design improvements to increase running times and overall throughput of the plant.

Due to the La Niña climate conditions in Australia, the wet season started early in 2022 with rain beginning in November and carrying on through December on a relatively constant basis. The three processing plants, Crushing/Screening; XRT Sorters and Gravity processing plant were able to continue processing through the various rain events throughout the half year.



Figure 1 - Crushing plant achieving throughput targets.



Figure 2 - Tertiary Cone Crusher for XRT Sorter Concentrate

The Company set out during the half year that a tertiary cone crusher circuit was set to be hot commissioned in October 2022. This was completed during the December quarter, allowing the operation to no longer rely on external contractors for the crushing of the high-grade XRT concentrates which are now crushed and fed directly into the gravity processing plant.

The Company continues to increase its production into a firm and steady market for tungsten concentrates and a strong, stable price for the major end product APT, currently around US\$340/MTU, compared with US\$320/MTU a year ago. CRONIMET continues to give strong support for the operation and have the capability to purchase and ship all concentrates produced at Mt Carbine.

XRT Sorter Pilot Plant

The XRT Sorter Plant ramped up production significantly during the past 6 months with the two TOMRA XRT Sorters fully operational. The plant experienced some short intermittent interruptions due to the integration of the new TOMRA unit, the operation is now seeing the benefit in having two XRT's available for operation. Interfacing of the double TOMRA system has allowed for the two TOMRA's to be run in parallel or individual, proving production efficiency and flexibility. The production of XRT Sorter concentrate has increased by 45% from 7,400 tons in Q4 FY2022 to 10,780 tons in Q1 FY2023, an average of almost 120 tons per day with 150 tons per day in September alone with the biggest jump in production in August '22 with commissioning of the double XRT Sorter system complete. This is an incredible step forward for the Company with production increased by 4x compared to last year Q1 FY2022 as seen in Figure 5. The scaled-up treatment amounting to record head feed throughput of 42,000 tons of low-grade stockpile (LGS) material in the month of August, and 44,000 tons in September alone compared to 65,529 tons treated in the entire Q4 FY2022 quarter. The XRT Sorter concentrate production went from 2,119 tons in July 2022 to 4,471 tons in September.

The Sorter Plant received upgraded conveyors in Q2 FY2023 allowing larger stockpiles to accumulate under the conveyors for ease of operating due to the significant increase in production tonnages.

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Figure 3 - Two XRT Sorters running in parallel achieved new daily production records in January 2023

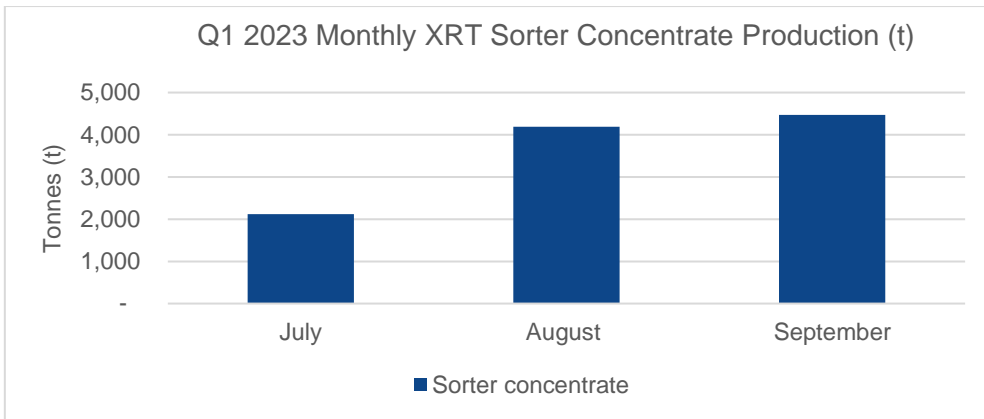


Figure 4 - Monthly XRT Sorter Concentrate Production Q1 FY2023

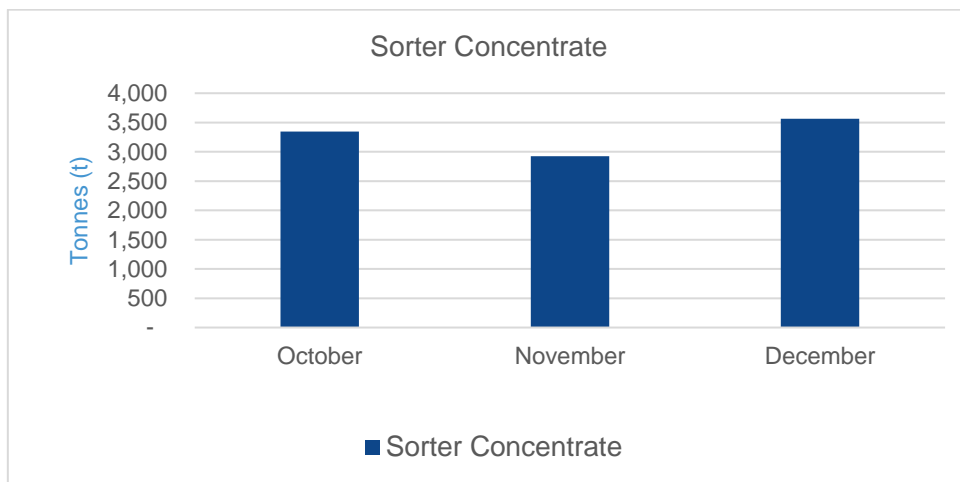


Figure 5 - Monthly XRT Sorter Concentrate Production Q2 FY2023

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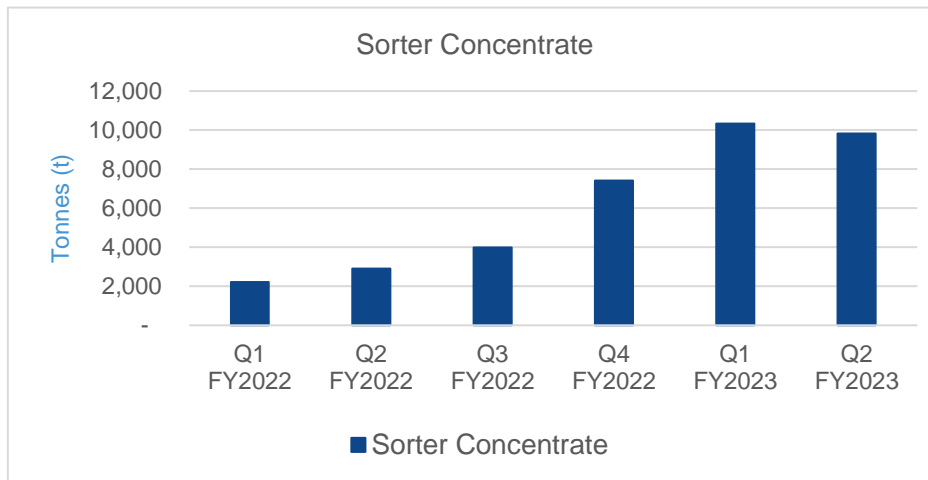


Figure 6 - Quarterly XRT Sorter Concentrate Production 2022-2023

Gravity Plant Processing Operations

The Company continues to grow its tungsten concentrate production output quarter on quarter as seen in Figure 8. The Gravity Plant head feed throughput continued to increase in Q2 FY2023, due to increased efficiencies in running times, through plant upgrades and implementation of new preventative maintenance schedules. However, the gravity processing plant continues to be topped up with feed materials from the historic tailings to ensure the plant is operating at maximum capacity.

The Company solidifies its place as a reliable and sustainable critical minerals producer, demonstrating that its investment in high-tech ore-sorting technology is paying off.



Figure 7 - Concentrate production growth continues, solidifying Mt Carbine as a Reliable and Sustainable Critical Minerals Producer

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The Gravity Plant continued to operate consistently through the period while processing through major rain events to ensure uninterrupted production. The Gravity Plant is meeting throughput and recovery targets, the main focus for the operations team has been increasing the run time on the crushing plant for the delivery of increased -6mm fines feed material to the Gravity Plant to reach the concentrate output production targets.

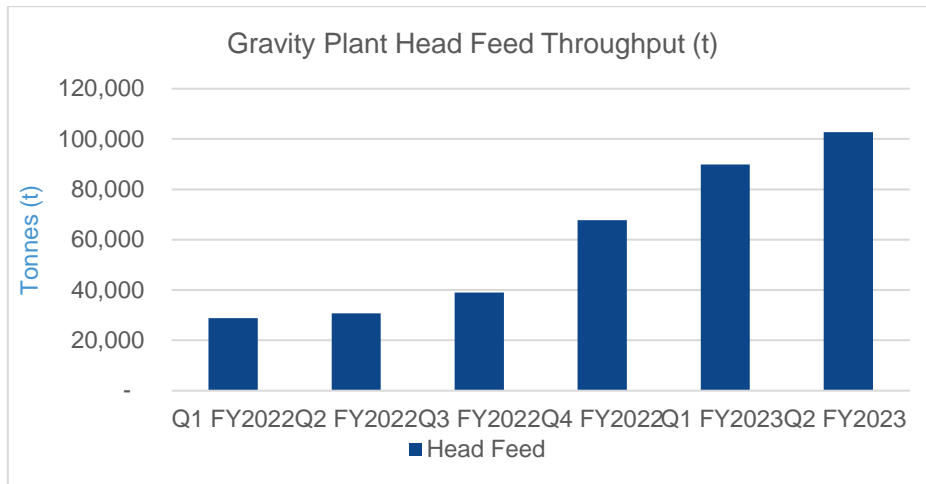


Figure 8 - Quarterly Gravity Plant Head Feed Throughput 2022-2023

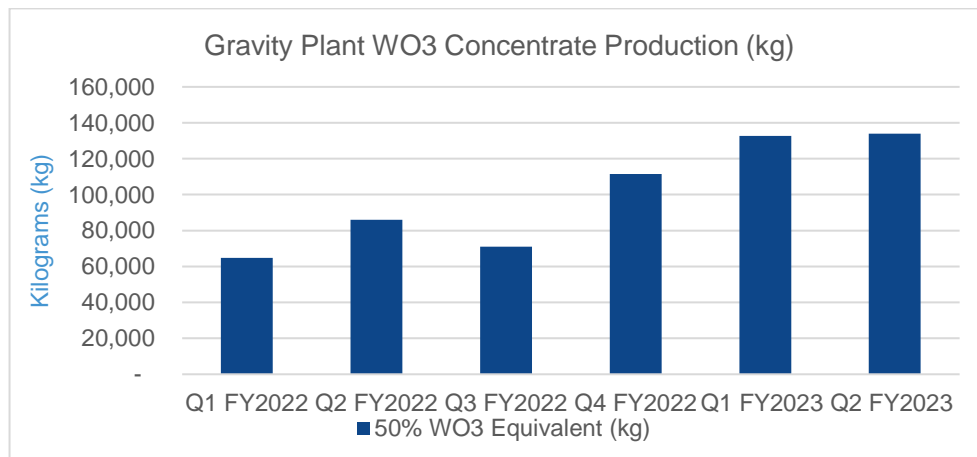


Figure 9 - Quarterly Gravity Plant Tungsten Concentrate Output 2022-2023

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The announcement of August's production record concentrate delivery coincided with a visit on the 7th of September to Mt Carbine from Queensland Resources Minister, the Hon Scott Stewart, who inspected the results of the successful two-stage capital investment at the historic mine site and witnessed firsthand the development of the expansion project and the considerable upscaling of the operations. The Minister expressed his support for the project, with the next major stage of development being reopening of open pit mining of primary tungsten ore from the existing 100% EQR owned Andy White open pit, subject to final permitting.



Figure 10 - Hon Scott Stewart MP witnesses the benefit of having two TOMRA XRT Ore Sorters installed on-site (left); Increased plant throughput leading to increased production of tungsten concentrate (right)

Quarry Operations

As stated in previous reports issued by the Company, the Mt Carbine Quarry operations repurposes various materials from historic stockpiles and barren waste rock from the Company's tungsten operations. EQR continues to develop its quarry business using a multitude of by-product materials and is tendering on regional as well as export-oriented projects.

The December quarter saw smaller local contracts focusing on the sale of road base materials and select fill for the local regional area as well as the final deliveries of armour rock for the water break projects happening within the region. The Quarry will take the time through the wet season, which is generally quieter for the associated industries, to look at value-added products, production of key aggregates for the upcoming dry season, and focus on the strategic growth plan for the quarry business.

The Quarry continues to tender on regional developments and look for new ways to value-add its products. The quarry products from Mt Carbine are produced from recycled inert mine waste allowing EQR to focus on a circular economy approach to its operations.

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Exploration

Mt Carbine, Qld - Mining Leases

Western Pit Extensions

This area of the project is immediately west of the existing pit and is under investigation for mineralisation extensions. Currently the BFS pit is planned to commence mining in Q2 2023 (calendar year) and is designed to continue into the year 2028. The resources known immediately west of the pit require further drilling to indicated resource category before any planning can take place for mining extensions in this area. Once further drilling takes place, it will also be known whether these resources are best suited to open cut extension or for underground mining. (See ASX announcement '[Drilling targeting New Discoveries and Potential Western Pit Expansion](#)', dated 17 November 2022). The drill program to define these parameters was started on the 28th November, 2022.

The program has 4 objectives:

1. Infill western area to fully define the extension of the mineralisation in this area.
2. Bring to indicated level the resources in this area, so that plans can be made of either open cut or underground extensions.
3. Target a western extension hole to the high-grade mineralisation located in Hole EQ026. It has been postulated that high grade mineralisation in this area plunges to depth.
4. Explore one of the soil anomalies found in the Northern Iron Duke Zone. Soils in this area would indicate that there continues to be tungsten veins that are parallel to the main ore body. Several high-grade surface exposures of high-grade tungsten have been located when following up the soil anomaly areas.

At the end of the December quarter, two holes were completed from the top of Mt Carbine hill. The results showed only many narrow 3-5 cm vein zones of mineralisation were present where deeper extensions showed these veins blossom to wider, well mineralised areas. It would appear the ridge top at 460-480m RL would be too high in altitude to hit the better mineralized parts of the Mt Carbine system which occur between 150-350m RL.

Illustrated in the figure below, the first two drill holes of this program. Note that above 350m RL only minor quartz veining is present and where it occurs it is less than 5cm in width. Below this level we see abundant veins with good mineralisation occurring in veins that reach 1m or more in width.

This level control to the mineralisation is one of the key exploration tools available to the Company and is being reconfirmed around different parts of the project.

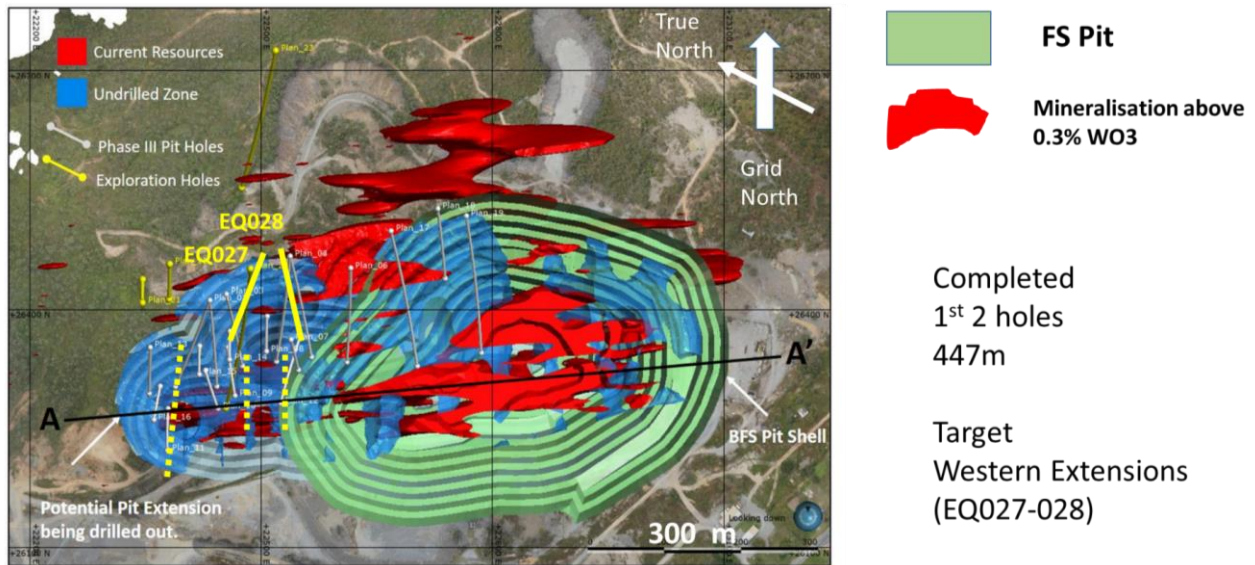


Figure 11 - Phase II Drilling Program 2022: First Two Holes' Locations

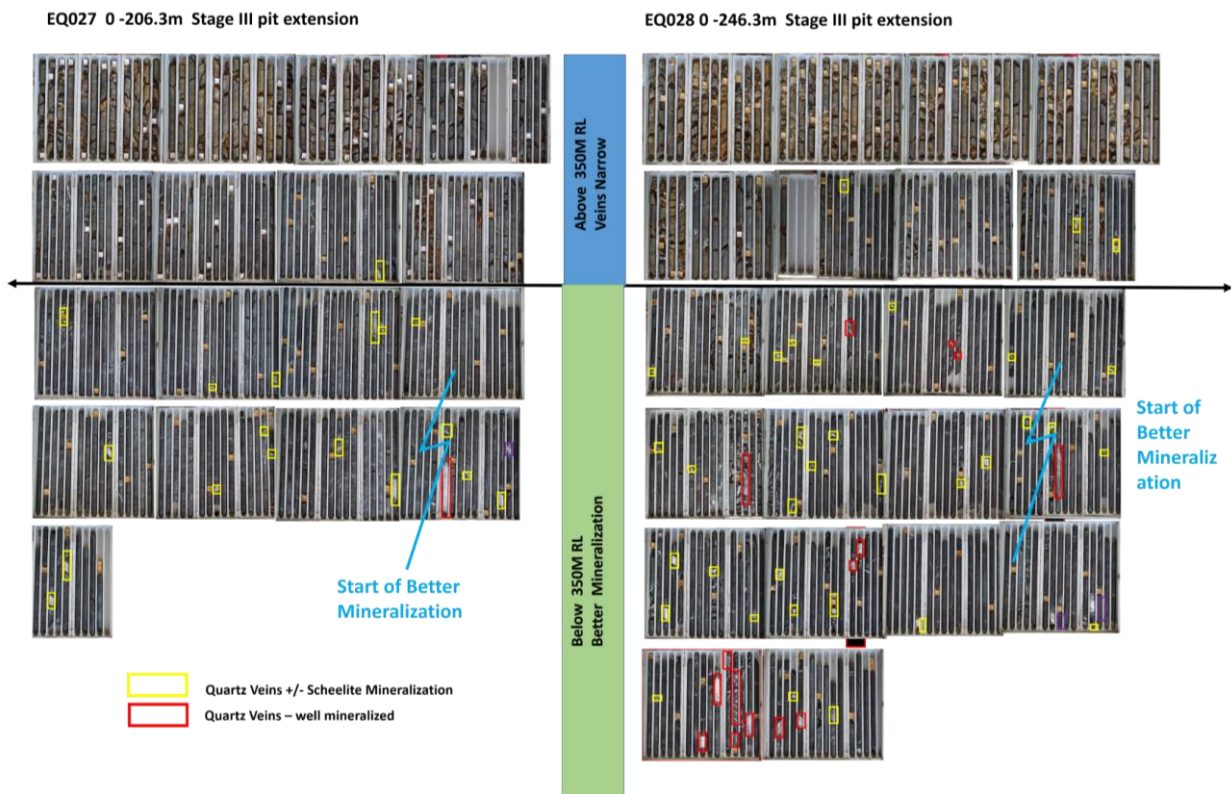


Figure 12 - Phase II Drilling Program 2022: Drill Core of First Two Holes

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OTHER EXPLORATION ACTIVITIES

PLOTLOGIC R&D Project

The hyperspectral R&D project is continuing underway at Mt Carbine using a multi sensor scanner. Currently 90% of EQR's drill core has been scanned on a multispectral basis. The scanning recognises various minerals including wolframite and will be utilised on a larger basis in delineation of ore zones within the open cut during mining. Understanding the mineralogy of Mt Carbine assists in interpretation of the fluid flow and temperature models.

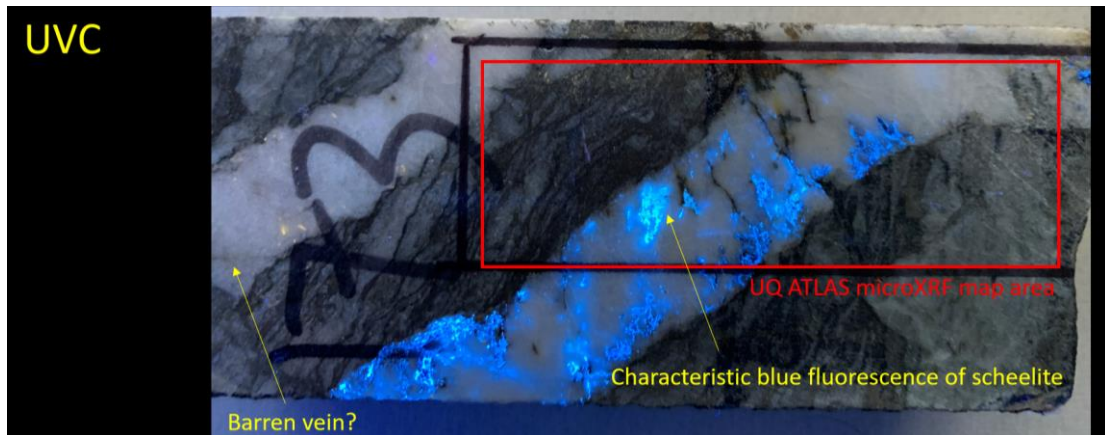


Figure 13 - Plotlogic's technology informs decision making through core sample scanning

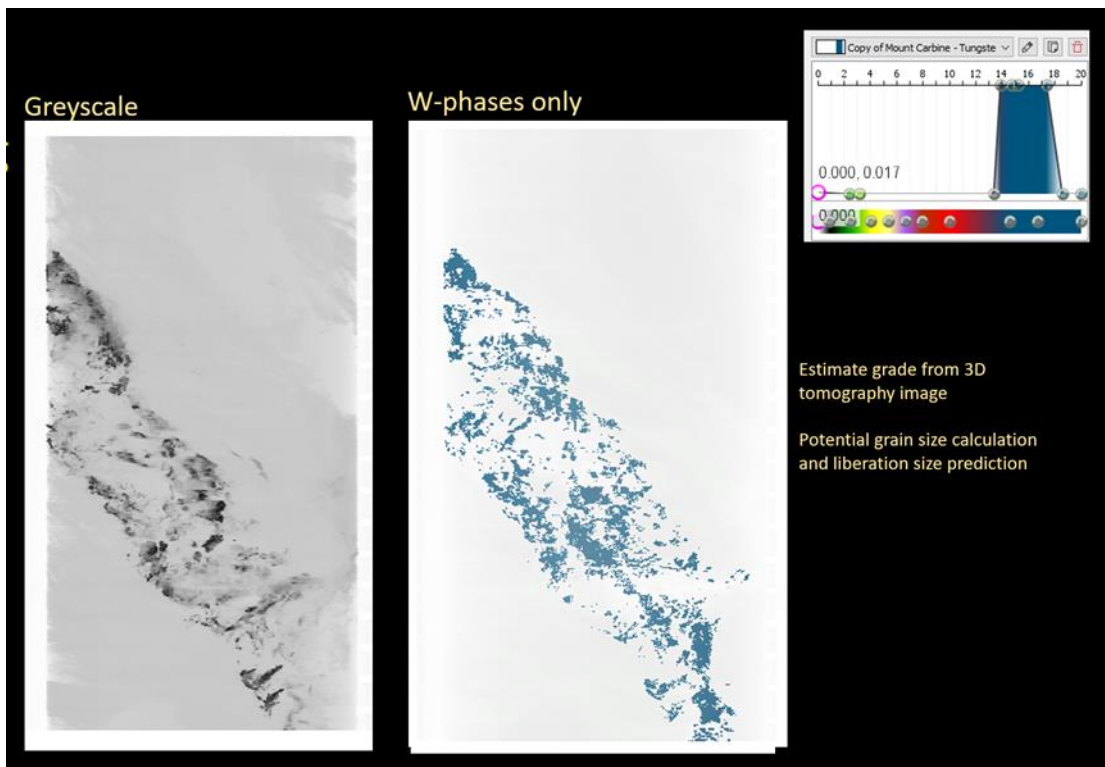
WH Bryan Mining and Research Institute

Cooperation with the University of Queensland Special Research Centre for a full microXRF program on Mt Carbine core has given insight into the nature of the mineralisation and the understanding of the high-grade versus barren vein types.

The two figures below show a high-grade vein adjacent to a barren vein in the same sheeted system. Barren veins appear earlier and are lower temperature gaseous events, whereas high grade are more saline brine events that occur later in the evolution of the deposit.



As shown below, MicroXRF scanning can quantify the mineral species (e.g. scheelite in this case) and other alteration minerals that determine the sample's position in a dynamic fluid system. Fluid modelling is being used in EQR's exploration programs.



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Future Programs

The recent geological work confirms there exists 4 major targets that need continued work and the listed four programs are still set to be completed by the Company:

1. Upgrade of the Iron Duke Inferred Resources into Indicated Resources - Iron Duke contains 5.8Mt @ 0.59% WO₃.
2. Continue to extend the known veins along strike extents both Grid West and East.
3. Drill to the depth. Away from the South Wall Fault, the depth extent of the mineralisation remains open.
4. Evaluate and test the True Blue, Daisy, MacDonald's and Red Cap Package Zones.

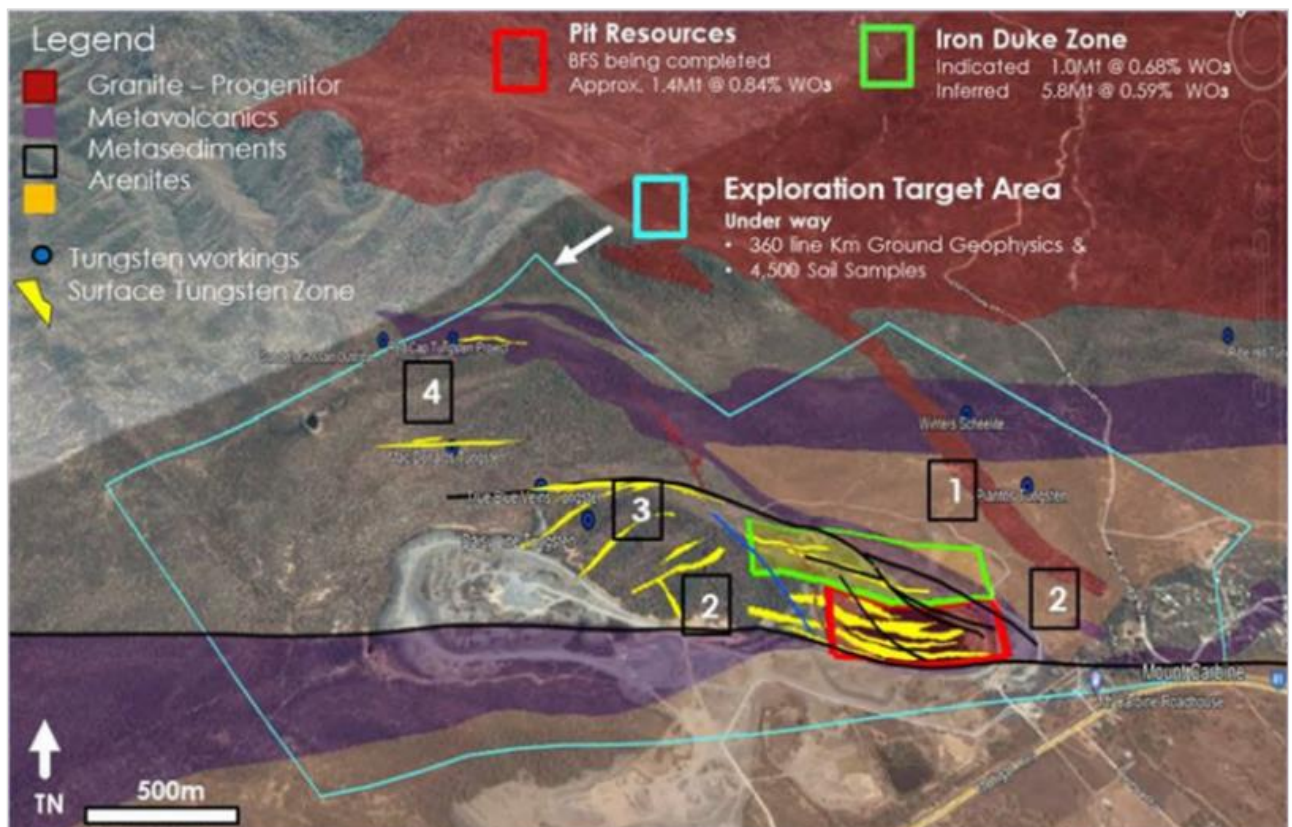


Figure 14 - Mt Carbine Exploration Potential and Work Areas (Numbering 1-4 as per description above)

Given the extent of surface vein traces, the open depth consideration and the immediate tungsten working areas, it is conceivable that the resource could significantly increase from its current size. The Company is targeting future drilling to continue to replace any future mined ore including drilling from the existing underground decline in 2023.

On a regional scale, there are over 50 locations with historical workings within EQR's exploration tenements, which have reported tungsten or tin mineralisation.

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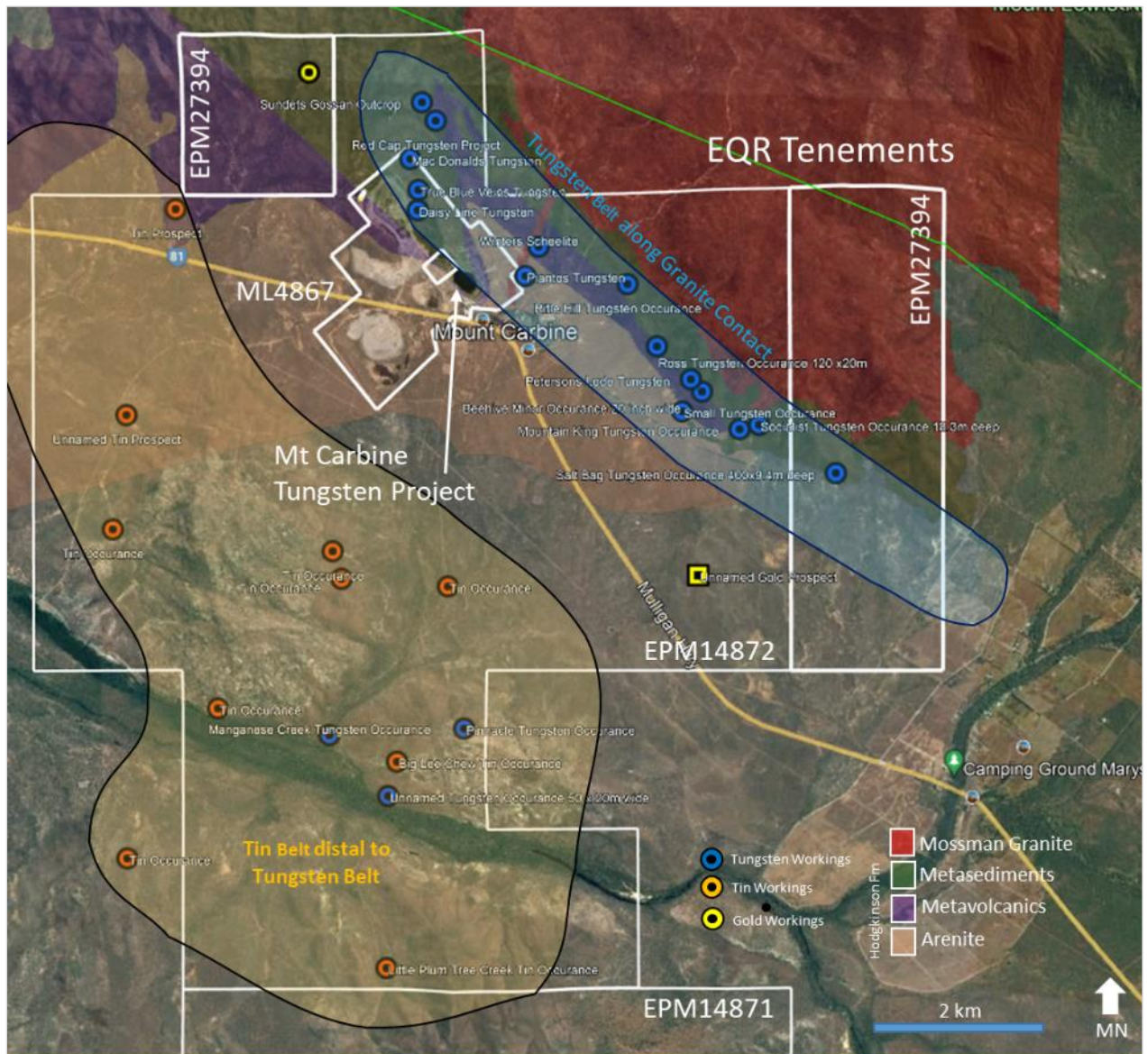


Figure 15 - Regional Historical Tungsten & Tin Workings relative to Mt Carbine

Mt Holmes – EPM 14871

An initial survey at Mt Holmes tin project revealed over 30 massive quartz veins cross the tenement at right angles to a major feldspar porphyry dyke swarm. 82 rock chip samples of these veins did not reveal any major mineralisation but minor marginal zones of tin. The remainder of the license will be explored this field season commencing in July 2023.

NSW Gold Exploration Tenements

Please refer to the Company's [Annual Report](#) for a detailed update on the NSW Gold Exploration activities.

EL6648 Crow Mountain tenement was renewed on 3rd February 2022 for a period until 19th October, 2026. EL8024 remains current until 29 November 2024.

Currently a private group called Sozo Resources Ltd is farming into the NSW gold tenements. The team at Sozo have a long history of exploration success. The terms require Sozo to spend \$1.1M over the next 4 years to earn an 80% stake in the licenses. EQ Resources has rights to contribute back to the JV.

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Work undertaken by Sozo Resources Limited (“Sozo”) in the last calendar year is summarised as follows:

EL8024 Panama Hat

Land Access agreements are in place with Huonville and Sunnydale Stations.

Field trips were postponed several times due to weather events, but Sozo was able to get on the ground in June 2022. 20 x rock chip samples were taken from the main prospects and analysed for fire assay gold and a 33 element 4 acid digest. Notable assays include:

Sample PH0004: 2.03g/t Au on Southwestern extension of Williams Prospect

Sample PH0020: 4.45g/t Au from Willyong Tank Prospect

Sample PH 0014: 4.34g/t Au from Panama Hat Prospect

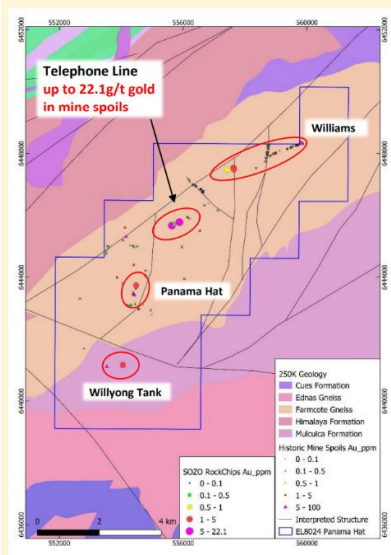
Sample PH0018: 22.1g/t Au from Telephone Line Prospect

The dominant strike of the broader Farmcote Gneiss host rock is in a north-easterly direction and cross cutting this semi-regional fabric are NW trending shear zones. These shear zones contain sheeted and sub vertical quartz veins and where sampled returned positive gold grades.

The Panama Hat Project appears structurally complex and the intersection of the NE and NW trending structures probably represent target areas for drilling. Telephone Line is the preferred Prospect at this stage, because high grade gold exists at surface, multiple historic pits are available, it is positioned on a small rise and there is geology to map with no evidence of historic drilling.

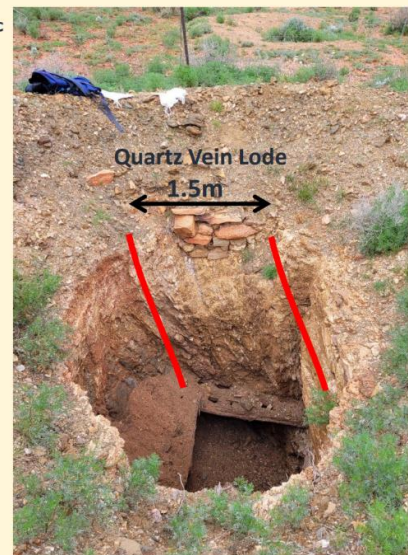
Next stages would see a field mapping and sampling campaign start at the Telephone Line Prospect.

Panama Hat (Gold) - high grade gold at surface



(Left) SOZO rock chip sampling from historic workings confirms high grade gold at surface:

- Williams: PH0004 = 2.03 g/t Au
- Telephone Line: PH0018 = 22.1g/t Au
- Panama Hat: PH0014 = 4.34g/t Au
- Willyong Tank: PH0020 = 4.45g/t Au



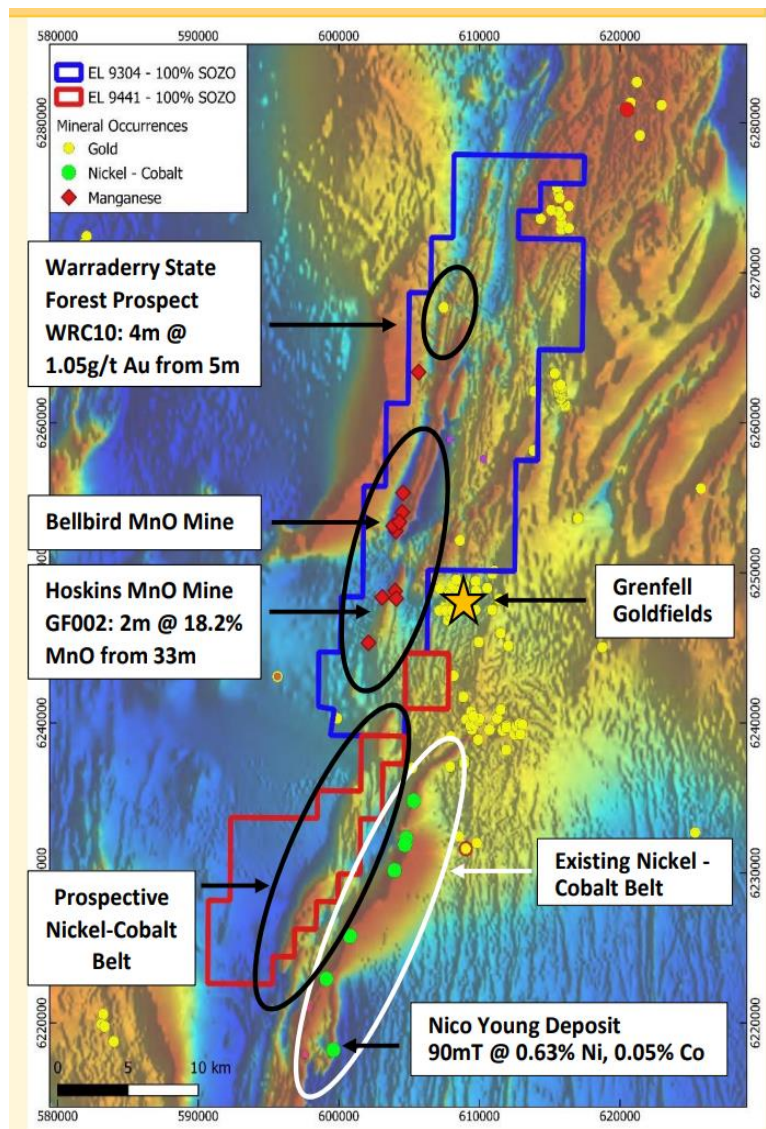
(Right) Panama Hat Project – Historic shaft exposure south west of the Williams prospect, showing south-west dipping auriferous quartz vein lode. This area has not been drill tested.

EL6648 Crow Mountain

- Land Access Agreement is in place with the main station owner being Kilpara. SOZO is paying monthly rent for the shipping container which houses the ICON era drill core.
- SOZO has secured the contiguous exploration ground to the Crow Mountain exploration lease through EL 9406.

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- Preliminary field trip conducted with geologist Darcy Milburn in February 2022 and 17 x rock chip samples taken across the project and include:
- Sample CMRC008: 9.71g/t Au from the Crow King Prospect and CMRC011: 5.23g/t Au from the Princess Mine area. These prospects are east of the Peel Fault and hosted in schistose sediments and quartz veins. Looks structurally controlled and more akin to an orogenic gold system. Abigano drilled in this area in the 80s and intersected gold mineralisation close to surface such as: 17m @ 0.75g/t Au from 6m incl **2m @ 1.85g/t Au from 16m**. Ultimately Abigano abandoned the area due to the low gold price of circa US \$300/Oz. Opportunity therefore exists to work this with prospect scale mapping, soil sampling and then shallow percussion drilling.



Multiple rock chip samples were taken of the Listwanite (silica-carbonate altered serpentinite) outcrop in the vicinity of the historic Icon drill holes and as expected, low level gold was returned, up to a maximum of 58ppb. Note: the gold in Listwanites is related to the early Permian-Triassic batholiths which drove hydrothermal cells and led to the silica-carbonate or "Listwanite" alteration of the serpentinites. This alteration scavenges gold from magnetite and is transported large distances as an Au-S complex, typically along fault planes. The gold in this case, has most likely dropped out of solution when it encountered the carbonaceous fault gouge of the Peel Fault, as observed when Sozo inspected the drill core. More drilling is required directly targeting the Peel Fault itself.

Electromagnetics are being considered to assist in fleshing out the stronger conductive carbonaceous areas and the IP chargeability anomalies (obtained by Specialty Metals) coincident with Au-As-Hg anomalism at surface remain valid drill targets.

No PGEs associated with the Listwanite alteration.

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Tenement Interests

In accordance with ASX Listing Rule 5.3.3, the following table is submitted with respect to tenements held by the Company and its controlled entities:

Location	Holding Entity	Beneficial Interest	Interest Acquired / Farm-in or Disposed / Farm-out	Area	Expiry Date
Queensland, Australia		31 Dec 2022	31 Dec 2022		
ML 4867	Mt Carbine Quarries Pty Ltd	100%	-	358.5 ha	31/07/2022 ¹⁾
ML 4919	Mt Carbine Quarries Pty Ltd	100%	-	7.891 ha	31/08/2023
EPM 14871	Company	100%	-	10 sub-blocks	12/12/2025
EPM 14872	Company	100%	-	21 sub-blocks	11/12/2025
EPM 27394	Company	100%	-	4 sub-blocks	01/06/2025
New South Wales, Australia					
EL 6648	Company	100%	-	4 Units	19/10/2026 ²⁾
EL 8024	Company	100%	-	19 Units	29/11/2024 ²⁾
ML = Mining Lease; EPM = Exploration Permit for Minerals (Qld); EL = Exploration Licence (NSW)					
1) <i>Renewal application submitted on 31 January 2022.</i>					
2) <i>Sozo farm-in arrangement.</i>					

No farm-in or farm-out agreements were entered into during the period.

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Corporate

ESG PROGRAM Overview

The Company has continued to mature its ESG position in the last half year, with a proactive ESG program underway to deliver tangible outcomes against its commitments. Utilising the Turner & Townsend JukesTodd ESG Categorisation framework to manage its ESG program, the Company's ESG program is closely aligned to its core values and purpose and incorporates the environmental and social aspects most material to its stakeholders as identified in EQR's 2021 Stakeholder Sentiment Survey.

The EQR ESG Program includes a governance framework and a program workbook which underpins how the Company will measure, track and report on the program's objectives

Outlined below is an overview of the Company's ESG Foundational Commitments aligned to its values and purpose, including metrics to be used for future reporting. Followed by an infographic showcasing the Company's ESG initiatives and achievements over the last quarter.



RESOURCING THE NEW ECONOMY FOR A BETTER TOMORROW

EQR CORE VALUES	ESG FOUNDATIONAL COMMITMENTS IN PLACE	ESG REPORTING FRAMEWORK	
Act Safe. Feel Safe.	Act safe at work. Care and respect each other. Feel safe to be yourself.	<ul style="list-style-type: none"> Updated H&S policy to include wellbeing (importance of mental wellness) H&S programmes (continuing to mature safety management system; Conducting physical and psychological safety training for employees) 	<ul style="list-style-type: none"> Health & Safety Stats Health & Safety improvements Health & Safety innovations
Embrace Difference	Diversity of thinking, skills and background creates value and drives innovation.	<ul style="list-style-type: none"> Pride ourselves on our existing diversity; Women and Indigenous workforce participation (targets). Current diversity of backgrounds and skills mix Investigating how we can encourage and attract more diversity (programs) Youth training programs 	<ul style="list-style-type: none"> Diversity Stats <ul style="list-style-type: none"> % women % Indigenous Training participation stats
Tread Lightly	Embed resource efficiency to minimise environmental footprint & deliver positive societal impact	<ul style="list-style-type: none"> Commitment to low carbon future - ARTEH GHG Tracking Down track - Renewables / IPP Updated water management plan and included alignment to ICMM Water Stewardship Statement Tomra sorting technology - reduce waste and chemical use Participating in AMECs "More Resourceful Than Ever" Campaign 	<ul style="list-style-type: none"> Environmental Stats <ul style="list-style-type: none"> Energy use / mix Scope 1, 2 and 3 GHG reporting Water reuse / recycle stats Waste reduce/reuse/recycle stats
Dig Deep	Go one better. Strive to continuously learn and improve. Challenge the status quo.	<ul style="list-style-type: none"> In project design, operation and de-commissioning, implement cost-effective measures for the recovery, re-use or recycling of energy, natural resources and materials. (ICMM) 	<ul style="list-style-type: none"> Tomra sorting technology Plotlogic mapping technology Other innovation initiatives Decarbonisation collaborations, initiatives
Buddy Up	Collaboration is key to realising shared value.	<ul style="list-style-type: none"> Social collaborations: Partnership with councils (material for road repairs etc) Support community events Supply materials for community projects Environmental Collaboration Commitment to Local procurement Continued partnership with UQ SMI and Cominet on studying sustainable reminding Working with indigenous elders on programs European Raw Metals Alliance (ERMA) membership Everledger critical minerals supply block chain 	<ul style="list-style-type: none"> Local procurement stats \$\$ spent and on local procurement % overall procurement purchased locally # of community feedback sessions held / attendance or feedback received
Lead with Integrity	Have courage to do the right thing. Be accountable.	<ul style="list-style-type: none"> Strengthened Corporate Policy Quarterly ESG Council and internal committee (employees) Regular Stakeholder Sentiment surveys etc and other forms of stakeholder engagement Transparent sharing of information 	<ul style="list-style-type: none"> Alignment with UN SDGs (Potential future) Sustainability reporting

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- Local stakeholder information evening : Port Douglas



- Stakeholder engagement sausage sizzle: Mt Carbine



- Community outreach: EQR employees' container collection donation to Mareeba State School & Jullatten State School



- Environmental conservation collaboration –AWC partnership



[Learn More](#)

- Regular, scheduled training



[Learn More](#)

- Active dust management process put in place



**Act Safe.
Feel Safe.**

Lead with Integrity

Embrace Difference

**Q2 2022 ESG
SHOWCASE**



RESOURCES

*resourcing the new economy
for a better tomorrow*

Buddy Up

Tread Lightly

Dig Deep

- EQR wins AMEC Environment Award



[Learn More](#)

- Plotlogic mining technology programme continues



[Learn More](#)

- ITEC Group visit



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- Internship and traineeship programmes



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- Updated water management plan and included alignment to ICMM Water Stewardship Statement



- Resourcing the Industrial, Building, Construction & Landscaping Industry with sustainable aggregate products while actively managing mining waste



Safety Performance

The below graph demonstrates continued positive safety performance achieved by the Company in the last half year.

During the half year numerous contractors and employees have been working side by side with no lost time injuries recorded for this quarter. To date, we are 598 LTI Days free. An authentic 'Safety Culture' continues to be cultivated as employees at Mt Carbine actively look to reduce the risk to themselves and others by identifying hazards and addressing them before they conduct work activities.

Below is a graph of the rolling frequency rate over a one-year period which is determined by data averaged over a yearly period. Mt Carbine Operations has worked 143,287 hours in the last year period. All figures are better than standard industry rates.

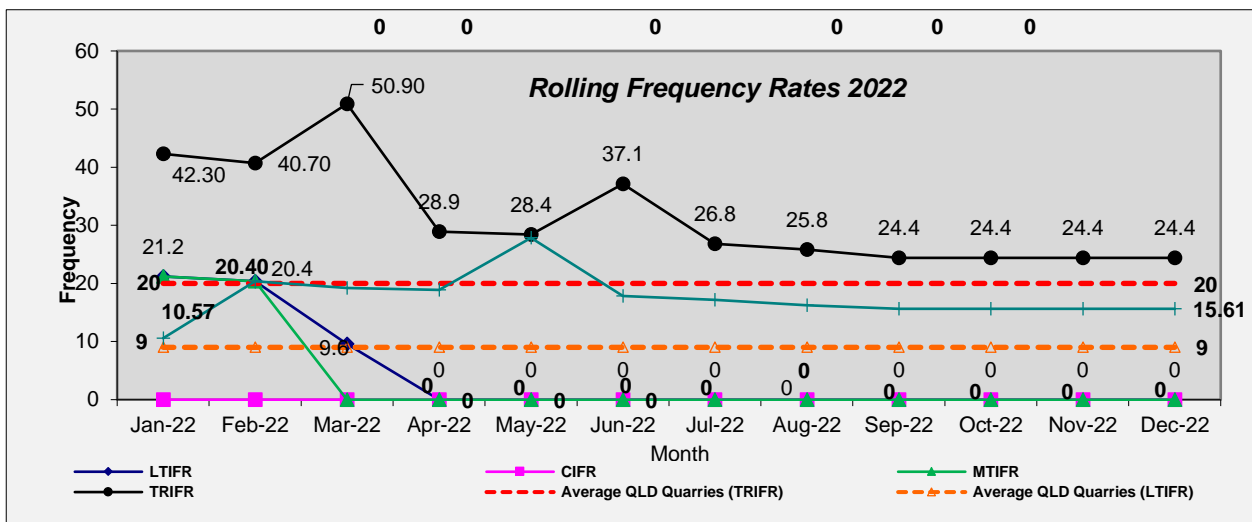


Figure 16 - Rolling Frequency Rates - Safety Statistics

LTI = Lost Time Injury Frequency Rate

MTIFR = Medical Treatment Injury Frequency Rate

HPIFR = High Potential Incident Frequency Rate

Average QLD Quarry's (LTI)

CIFR = Critical Injury Frequency Rate

TRIFR = Total Recordable Injury Frequency Rate

Average QLD Quarry's (TRIFR)

A total of 2,967 positive safety indicators have been recorded for the December quarter alone. Area Foreman have increased workplace inspections which will help the overall safety onsite by ensuring the areas they are responsible for are being maintained & kept to the appropriate standard required of EQR. Take 5's being completed have increased from approximately 400 per month to around 800 per month.

Other training conducted saw 1 employee complete Drugs of Abuse Testing Officer training, 8 employees completed Confined Space Enter and Work training, 8 employees completed Gas Test Atmosphere, 10 employees completed Working at heights training, 12 employees completed First Aid & CPR training, 6 employee's completed supervisor training, 3 employees have completed HR -B license upgrades, 96 VOCs for mobile equipment were completed.

30 employees have been signed up with the RTO Civil Safety supported by Government funding to complete a Certificate III in Surface Extraction Operations.

A supervisor at the Mt Carbine Operations, Mr Andrew Umland, has been presented with the first 'Safety Legend' Award in QLD by the Hon S.Stewart, Minister of Resources, and the Department of Resources Director General, M. Cridland. Mr Umland has been with the Company since November 2021 and is exceptionally passionate and vocal about driving real safety change for the site and the mentality on shift. He

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is a strong advocate for his crew regarding safety practices and their wellbeing (physical & psychological), placing a focus on training them appropriately and keenly surveilling them in this regard. From pre-start to safety documentation, Mr Umland places a big emphasis on procedure, training, and safety-first mentality. Mr Umland has implemented morale-boosting and teambuilding techniques directly leading to minimal staff turnover in a labour market where it is a very common occurrence. This emphasizes the Company's effort to build a strong team of engaged employees that will continue to deliver strong results in a safe manner.



Figure 17 - Mr Umland is the first recipient of the 'Safety Legend' Award in QLD

Environmental Activities

The Company is proud to have been awarded the prestigious Association of Mining and Exploration Companies (“AMEC”) Environmental Award 2022 at a gala ceremony in Perth. The event brought together representatives of the most active resources companies in exploration, development, and production in Australia. (For details see EQR Media Release [‘EQR Wins 2022 AMEC Environment Award’](#), dated 14 December 2022).



Figure 18 - EQR Receives Prestigious AMEC Environment Award

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The Company is pleased to have entered a long-term agreement with Australian Wildlife Conservancy (“AWC”) as part of its renewed mining lease with a focus on general co-operation. The formalised relationship with AWC highlights co-operation in several areas relating to Brooklyn Wildlife Sanctuary which surrounds the Mining Licence. The 20-year commercial agreement with AWC will enable execution of ecological well-being initiatives and will also support social aspects through job provision in the conservancy area. (See ASX announcement [‘EQR Responsibly Mining For The Future and Engaging in Wildlife Conservation’](#), dated 23 November 2022).



Figure 19 - EQR employees actively participate in consistent ecological health monitoring initiatives in the area

During the half year the Company completed the environmental studies required for the reopening of the open pit with the final EA Amendment submitted in November 2022.

Once approved, the EA Amendment allows the recommencement of the Open Pit mining operations set to commence in Q2 2023 (calendar year). As set out in the Annual Report, several studies were completed to inform the approval process associated with the Company’s plans to recommence open cut mining and to de-risk the project in line with its core values of ‘Treading Lightly’ to minimise its environmental footprint and deliver positive societal impact.

Some of the ongoing monitoring and activities undertaken through this process at site are:

- Noise, Air & Vibration Studies;
- Water Management Plan Update;
- Waste Rock & Tailings Management;
- Enhanced Conceptual Groundwater Model which involved the drilling of 18 additional investigation bores;
- Flora and Fauna Studies; and
- Water Engineering Works.

Mt Carbine Project Development

Complementary royalty funding for Mt Carbine development

EQR announced, that it has agreed non-binding terms with Regal Resources Royalties Fund for a first stage \$10 million royalty based funding package for the advancement of the redevelopment of the historic Mt Carbine tungsten mine. (See ASX announcement [‘Complementary Royalty Funding for Mt Carbine Development’](#), dated 21 October 2022).

The parties engaged an independent technical advisory firm to perform a technical due diligence on the Project, which was successfully completed. The royalty funding was proposed to come in staged advances and was subject to finalisation of the tax and legal due diligence and other landmark conditions, the first of

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which being the signing of the definitive agreement, followed by final environmental permitting for the restated open pit mining operations.

A definitive agreement was signed following the successful completion of the technical, tax and legal due diligence conducted by independent advisors engaged by the parties. The second \$5 million drawdown can be executed upon receipt of final environmental permitting for the restarting of open pit mining operations and satisfaction of stipulated Conditions Precedents in the term sheet signed between EQR and Regal Resources Royalties Fund.

As part of the executed term sheet the parties intend to negotiate in good faith the terms for an additional (second stage) \$10 million royalty-based funding package.

The Company received the first drawdown based on the executed Term Sheet of \$5 Million in January 2023.

(See ASX announcement '[EQR Completes First Drawdown of \\$5M Royalty Funding For Mt Carbine Tungsten](#)', dated 21 October 2022).

Critical minerals accelerator initiative (CMAI)

In December the Company announced it had received its first drawdown equating to 30% of the awarded \$6 million grant from the Federal Government's Critical Minerals Accelerator Initiative (see ASX announcement '[EQR Receives First Drawdown From \\$6M Federal Grant](#)', dated 2 December 2022).

Under the leadership of Hon Minister Madeleine King, Minister for Resources and Northern Australia, the new Federal Government announced reconfirmation of the grant award to the Company as one of six companies to receive Australian government support for accelerated critical minerals sector expansion that will in turn drive regional economic growth, job creation and development across North Australia. (See Media Release of the Hon Minister Madeleine King '[Government Support for Critical Minerals](#)', dated 16th September 2022).

The CMAI co-investment will be utilised to implement the scope defined in the Company's Bankable Feasibility Study, for a large-scale, sustainable source of tungsten in which the operation utilises historic mine waste and high-grade resources as identified in the accessible and recently upgraded Andrew White Open Pit. (See ASX Announcement '[Material Increase In Mount Carbine Ore Reserve](#)' dated 16 September 2022).

Specifically, it will be used to fund plant and equipment, drilling and additional studies, as well as expand on innovative technologies to efficiently produce tungsten concentrate from relatively low-grade ore currently stockpiled above ground and from high-grade resources identified in the Andrew White Open Pit set to recommence in 2023.

With this expansion and commencement of open-cut mining activities, The Company will also become a significant employer within the local economy with employee numbers expected to exceed 100.

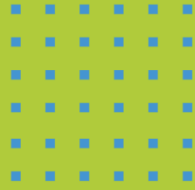
For previous related ASX announcements, See: [Government Funding for Mt Carbine Critical Minerals Program](#) dated 28 April 2022 [Federal Government Funding for Mt Carbine Reconfirmed](#) dated 19 September 2022.

Contract negotiations with Golding for restart of open pit mining

The Company has executed an Early Engagement Contract with Golding Contractors Pty Ltd (Golding) for the restart of the open pit mining operations. The Company selected Golding as its preferred partner after working through a high-quality engagement and approval process. Over the coming months, key areas of engagement and focus to finalise the mining contract and ensure smooth transition to mining operations will include stakeholder engagement, equipment selection, final pit design and price finalisation.

For further details refer to ASX announcement [EQR executes early engagement contract with Golding for restart of open pit mining](#), 4th July 2022.

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FINANCIALS



Directors' Report

The Directors of EQ Resources present the financial report of EQ Resources Limited (the **Company**) and its subsidiaries (the **Group**), for the half year ended 31 December 2022 (the **Period**).

Directors

The names of the Directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated, are:

- Oliver Kleinhempel
- Stephen Layton
- Richard Morrow
- Zhui Pei Yeo

Operating Results

The net result of operations after applicable income tax expense for the half year ended 31 December 2022 was a loss of \$3,616,030 (2021 Half Year Loss \$2,300,097).

Review of Operations

Information on the operations and financial position of the group, its business strategies and prospects for future financial years is detailed in the Review of Operations section of this Report.

Subsequent Events

There have been no matters or circumstances that have arisen since 31 December 2022 requiring disclosure, or amendment to these financial statements apart from those disclosed in Note 12.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out and located after the Director's Declaration and forms part of this report.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Oliver Kleinhempel
Non-executive Chairman

14 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

	Note	31/12/2022 \$	31/12/2021 \$
Revenue	2	2,613,109	2,233,646
Other income	2	2,307,311	150,619
Total revenue & other income		4,920,420	2,384,265
Administration expenses		(414,765)	(294,174)
Consultancy expenses		(186,573)	(34,145)
Depreciation		(759,385)	(164,769)
Amortisation (deferred exploration and evaluation assets)		(76,812)	(21,784)
Development and testwork costs		(278,699)	(150,438)
Exploration expenses written-off		(104,220)	(3,868)
Finance costs		(796,459)	(209,273)
Foreign exchange gains (losses)		(54,760)	(119,722)
Occupancy expenses		(76,580)	(62,132)
Other expenses		(36,540)	-
Production expenses		(2,769,606)	(1,418,890)
Salaries and employee benefits expense		(2,576,539)	(1,852,514)
Share based payments	9	(137,110)	(195,657)
Superannuation		(192,325)	(125,683)
Travel and accommodation		(76,077)	(32,860)
Total Expenses		(8,536,450)	(4,685,909)
Profit (Loss) Before Income Tax Expense		(3,616,030)	(2,301,644)
Income Tax Expense		-	-
Profit (Loss) After Income Tax Expense		(3,616,030)	(2,301,644)
Other comprehensive income/(loss)			
Gain/(loss) on revaluation of financial assets		-	1,547
Total Comprehensive Profit / (Loss) Attributable to Owners of EQ Resources Limited		(3,616,030)	(2,300,097)
		Cents	Cents
Basic profit (loss) per share		(0.26)	(0.17)
Diluted profit (loss) per share		(0.24)	(0.16)

Consolidated Statement of Financial Position

For the half year ended 31 December 2022

	Note	31/12/2022 \$	30/06/2022 \$
Current Assets			
Cash and cash equivalents		2,707,491	1,723,426
Trade and other receivables	5	2,611,646	2,323,599
Prepayments	5	352,131	632,292
Inventory	3	1,844,478	876,438
Total current assets		7,515,746	5,555,755
Non-Current Assets			
Tenement security deposits	6, 11	1,087,396	1,081,292
Plant and equipment		9,988,074	7,015,995
Right of use assets	13	1,805,891	-
Inventory	3	6,086,592	6,812,875
Deferred exploration and evaluation	8	12,270,336	10,803,974
Financial assets	4	5,543	5,543
Total Non-Current Assets		31,243,832	25,719,679
Total Assets		38,759,578	31,275,434
Current Liabilities			
Trade payables		6,300,652	5,026,531
Employee benefits	7	341,027	282,397
Lease liability	13	750,370	665,754
Contract liability – sublease		406,190	405,851
Contract liability – offtake		4,584,813	3,266,190
Convertible notes	10	3,097,200	-
Other payables		3,924,450	
Total Current Liabilities		19,404,702	9,646,723
Non-Current Liabilities			
Employee benefits	7	13,893	15,418
Lease liability	13	1,191,227	1,335,829
Convertible notes		-	3,004,651
Contract liability – sublease		1,409,811	1,432,259
Other borrowings		1,585,340	1,523,336
Total Non-Current Liabilities		4,200,271	7,311,493
Total Liabilities		23,604,973	16,958,216
Net Assets		15,154,605	14,317,218
Equity			
Issued capital	9	26,509,012	22,192,705
Reserves		2,985,686	2,848,576
Accumulated profit / (loss)		(14,340,093)	(10,724,063)
Total Equity		15,154,605	14,317,218

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	Note	31/12/2022 \$	31/12/2021 \$
Cash Flows from Operating Activities			
Proceeds from sales to customers		3,706,352	3,011,074
Proceeds from deferred revenue		-	-
Proceeds from diesel fuel rebate		81,172	115,445
Proceeds from Government COVID-19 relief packages		-	23,349
Payment to suppliers and employees		(7,810,182)	(5,222,938)
Interest paid		(22,000)	(2,122)
Interest paid for lease liabilities		-	(8,836)
Interest received		1,479	545
Others			
-Grants received		2,009,000	-
-Wage Subsidies received		200,761	-
-Other receipts		14,000	-
Net Cash Flows Used in Operating Activities		(1,819,418)	(2,083,483)
Cash Flows from Investing Activities			
Payments for the purchase of plant and equipment		(1,149,785)	(828,145)
Payments for capitalised exploration and evaluation expenditure		(1,304,431)	(1,801,097)
Payments of loans made to other parties		(200,000)	(117,500)
Payments for tenement security deposits		-	-
Proceeds from the sale or disposal of plant and equipment		13,499	-
Net Cash Flows Used in Investing Activities		(2,640,717)	(2,746,742)
Cash Flows from Financing Activities			
Net proceeds from the issue of shares		4,316,307	5,697,577
Payments for lease liabilities		(104,160)	(30,149)
Payments of short-term loan		(200,000)	-
Proceeds from offtake and working capital loan (unincorporated joint venture)		1,483,000	172,500
Net Cash Flows from Financing Activities		5,495,147	5,839,928
Net (decrease)/increase in cash held		1,035,012	1,009,703
Add opening cash brought forward		1,723,473	3,504,721
Effect of movement in exchange rates on cash held		(50,994)	(6,719)
Closing Cash Carried Forward		2,707,491	4,507,705

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

Consolidated	Attributable to the Shareholders of EQ Resources Limited				
	Issued Capital \$	Accumulated Losses \$	Convertible Note Reserve \$	Reserves \$	Total Equity \$
At 1 July 2021	20,603,915	(4,661,012)	-	782,831	16,725,734
Profit / (loss) for the period	-	(2,301,644)	-	-	(2,301,644)
Prior year adjustment	-	-	-	-	-
Other comprehensive income for the period	-	1,547	-	-	1,547
Total comprehensive loss for the period	-	(2,300,097)	-	-	(2,300,097)
Issue of share capital	2,004,100	-	-	-	2,004,100
Share issue costs	(415,310)	-	-	-	(415,310)
Equity component of convertible note	-	-	1,147,333	-	1,147,333
Share based payments	-	-	-	702,421	702,421
Total transactions with owners in their capacity as owners	1,588,790	-	-	702,421	3,438,544
Balance at 31 December 2021	22,192,705	(6,961,109)	1,147,333	1,485,252	17,864,181
At 1 July 2022	22,192,705	(10,724,063)	1,147,333	1,701,243	14,317,218
Profit / (loss) for the period	-	(3,616,030)	-	-	(3,616,030)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(3,616,030)	-	-	(3,616,030)
Issue of share capital	4,612,000	-	-	-	4,612,000
Share issue costs	(295,693)	-	-	-	(295,693)
Equity component of convertible note	-	-	-	-	-
Share based payments	-	-	-	137,110	137,110
Total transactions with owners in their capacity as owners	4,316,307	-	-	137,110	4,453,417
Balance at 31 December 2022	26,509,012	(14,340,093)	1,147,333	1,838,353	15,154,605

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Going Concern Basis for Preparation of Financial Statements

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the half year ended 31 December 2022, the consolidated entity incurred a total comprehensive loss of \$3,616,030 (Dec 2021: \$2,300,097), incurred cash outflows from operations of \$1,819,417 (Dec 2021: \$2,083,483) and had a net working capital deficit of \$11,877,946 (June 2022: \$4,090,968 deficit). The main drivers for the increased deficit were due to recognition of a contract payment for screening plants as current liability, along with increased offtake advance payment received and classification of convertible notes as current liability.

Throughout the reporting period, the Company continued development of its key assets at Mt Carbine. Main development cost driver were the costs associated with the Mt Carbine Open Cut Project and Environmental Authority amendments.

The ability of the Company to continue to adopt the going concern assumption is based upon it entering into arrangements to fund the expansion of the Mt Carbine Tungsten Project as detailed in the BFS. The Company, together with its joint venture partner Cronimet, started engaging with selected equipment OEMs offering equipment finance facilities, as well as Offtake partners of Cronimet to provide funding support through advance payments, and institutional fund houses providing project debt. As of the date of this report, binding term sheets have been received for sizeable facilities.

The Company also has a source income from the Mt Carbine Quarry and from the Company's unincorporated joint venture with CRONIMET Australia Pty Ltd for the mineral processing activities associated with the Mt Carbine Retreatment Project.

Should additional funds be necessary the Directors are confident of securing these funds if and when necessary to meet the Company's obligations as and when they fall due and consider the adoption of the going concern basis to be appropriate in the preparation of these financial statements.

(b) Basis of Preparation

The half year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of EQ Resources Limited as at 30 June 2022.

It is also recommended that the half-year financial report be considered together with any public announcements made by EQ Resources Limited during the half-year ended 31 December 2022 in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

(c) Statement of Compliance

The half year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half year financial report has been prepared on a historical cost basis and financial assets have been measured at fair value through profit or loss.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(d) Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2022 annual financial report for the financial year ended 30 December 2022. The accounting policies are consistent with the Australian Accounting Standards and the International Financial Reporting Standards.

(e) Inventory

Inventories are valued at the lower of cost and net realisable value as per AASB 102, except for the 7 million tonnes of stockpiled inventory which was recognised at fair value as part of the business combination upon the acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019. This inventory will be consumed on a units of operation basis.

Work in progress and finished goods are stated at the lower of average cost of production and net realisable value.

Cost of production comprises direct materials and delivery costs, direct labour, taxes, and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. REVENUE AND OTHER INCOME

	31/12/2022 \$	31/12/2021 \$
Revenue		
Sales	2,558,868	2,208,261
Sub-lease rent (unincorporated joint venture)	46,623	24,500
Interest received – other persons/corporation	7,618	885
	2,613,109	2,233,646
Other income		
Employment incentives and COVID-19 relief (various)	215,800	36,336
Grants	1,990,000	
Diesel fuel rebates	101,511	114,283
	2,307,311	150,619
Total revenue and other income	4,920,420	2,384,265

3. INVENTORY

	31/12/2022 \$	30/06/2022 \$
Current		
Finished goods	510,047	353,889
Work-in-progress	364,552	364,552
Raw materials	690,831	72,547
Workshop inventory	279,048	85,450
	1,844,478	876,438
Non-current		
Raw materials	6,086,592	6,812,875
	6,086,592	6,812,875

	31/12/2022 \$	30/06/2022 \$
	7,931,070	7,689,313

The above amount for raw materials incorporates the fair value of the estimated 7 million tonnes of stockpiled inventory acquired as part of the acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019 along with work-in-progress and finished goods inventory which have been created from this stockpiled material. This inventory will be consumed on a units of operation basis and in accordance with AASB102. All inventory, regardless of type and stage in the production process has been valued at the lower of cost and net realisable value. Inventories expected to be processed or sold within twelve months after the balance sheet date are classified as current assets. All other inventories are classified as non-current assets.

4. FINANCIAL ASSETS

	31/12/2022 \$	30/06/2022 \$
Shares in listed companies:		
Critical Resources Limited (ASX: CRR) (formerly Force Commodities Ltd ASX: 4CE)	5,543	5,543

Equity instruments are measured at fair value as at reporting date with all changes recognised as other comprehensive income / (loss) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

5. TRADE & OTHER RECEIVABLES

	31/12/2022 \$	30/06/2022 \$
Trade Receivables	1,934,499	1,645,546
Less: Allowance	(549)	-
	1,933,950	1,645,546
Taxation receivables	591,800	484,950
Other Receivables	85,896	193,103
Total Trade & Other Receivables	2,611,646	2,323,599
Prepayments	352,131	632,292

Trade Receivables

The average credit period on sales of product is 30 days. No interest is charged on outstanding trade receivables.

The collectability of trade receivables is assessed continuously, and individual receivables are written off when management deems them unrecoverable. No provision has been made for doubtful debts as all trade receivables were deemed to be collectable at reporting date.

6. RECEIVABLES – NON-CURRENT

	31/12/2022 \$	30/06/2022 \$
Tenement security deposits	1,080,130	1,075,130
Other security deposits	7,266	6,162
	1,087,396	1,081,292

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The tenement deposits are restricted so that they are available for any rehabilitation that may be required on the mining leases and/or exploration tenements (refer to Note 11).

7. EMPLOYEE BENEFITS

	31/12/2022 \$	30/06/2022 \$
Current		
Annual leave provision	316,476	263,737
Long service leave provision	24,551	18,660
	341,027	282,397
Non-current		
Long service leave provision	13,893	15,418
	354,920	297,815

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31/12/2022 \$	30/06/2022 \$
Costs brought forward	10,803,974	8,280,353
Costs incurred during the period	1,543,174	2,616,884
Exploration and evaluation expenditure written down	-	-
Capitalised portion of R&D tax offset	-	(20,518)
Total deferred exploration and evaluation	1,2347,148	10,876,719
Amortisation deferred exploration and evaluation	(76,812)	(72,745)
Costs carried forward	12,270,336	10,803,974
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	-
Expenditure on non-joint venture areas	12,270,336	10,803,974
Costs carried forward	12,270,336	10,803,974

The above amounts represent costs of areas of interest carried forward as an asset. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged in the development phase until production commences.

The Directors reassess the carrying value of the Group's tenements at each half year, or at a period other than that, should there be any indication of impairment.

Farm-In and Joint Venture Agreement – NSW Projects

EQ Resources Limited entered into a binding Farm-In and Joint Venture Agreement with Sozo Resources Pty Ltd ("Sozo") in November 2021 whereby Sozo can earn up to an 80% interest in EQR's 100% owned NSW projects, Crow Mountain (EL6648) and Panama Hat (EL8024), by completing expenditure of \$1.6 million over 4 years. For further details refer to ASX announcement "EQR Farms-Out NSW Projects to Focus on Mt Carbine Tungsten Mine" dated 26 November 2021.

9. CONTRIBUTED EQUITY

Shares	31/12/2022	30/06/2022
	\$	\$
Share Capital		
1,459,486,938 (30 June 2022: 1,344,186,938) ordinary shares fully paid	26,509,012	22,192,705
	26,509,012	22,192,705

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Movements in Ordinary Share Capital

1 July 2022 to 31 December 2022	Date	Number of Shares	Issue Price	\$
Balance b/fwd		1,344,186,938		22,192,705
Issue of 109,000,000 shares @ \$0.04 per share (refer ASX announcement dated 31 October 2022)	31/10/2022	109,000,000	\$0.04	4,360,000
Issue of 6,300,000 shares @ \$0.04 per share (refer ASX announcement dated 21 November 2022)	21/11/2022	6,300,000	\$0.04	252,000
Shares issue costs				(295,693)
Balance as at 31 December 2022		1,459,486,938		26,509,012

Options

The following table illustrates the share-based payments expense, number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP	\$
Balance at 1 July 2022	111,000,000	0.056	1,701,243
Options recognised as share issue costs	27,250,000	0.065	-
Options recognised as capitalised borrowing costs	1,575,000	0.065	-
Amortisation share based payments	-	-	137,110
Forfeited / cancelled	-	-	-
Exercised	-	-	-
Expired	-	-	-
Balance at 31 December 2022	139,825,000	0.059	1,838,353

The following table illustrates outstanding options that have vested and are exercisable at year end:

	Number outstanding	Number vested and exercisable	Exercise price	Expiry Date	Remaining Contractual Life (Years)
Options					
Issue EQRAB	2,000,000	2,000,000	0.0400	05/05/2023	0.35
Issue EQRAC	3,000,000	3,000,000	0.0600	05/05/2023	0.35
Issue EQRAD	2,000,000	2,000,000	0.0400	01/07/2023	0.50
Issue EQRAE	3,000,000	3,000,000	0.0600	01/07/2023	0.50
Issue EQRAF	2,000,000	2,000,000	0.0400	01/02/2024	1.08
Issue EQRAK	25,000,000	25,000,000	0.0650	17/09/2023	0.75
Issue EQRAG	30,000,000	30,000,000	0.0432	19/03/2024	1.25
Issue EQRAH	22,000,000	22,000,000	0.0600	25/05/2024	1.42
Issue EQRAI	12,000,000	12,000,000	0.0600	23/06/2024	1.50
Issue EARAJ	10,000,000	10,000,000	0.0600	23/06/2024	1.50
Issue EQRAL	28,825,000	28,825,000	0.0650	07/11/2025	2.83
Outstanding at 31 December 2022	139,825,000	139,825,000			

Performance Rights

No performance rights were outstanding at the end of the reporting period.

10. CONVERTIBLE NOTES

On 17 September 2021 the Company issued 6,000,000 convertible notes with an aggregate principal value of \$6,000,000.

The notes are convertible at the option of the noteholders into ordinary shares at a conversion price of \$0.065 per share at any time after issuance and up to the close of business on the maturity date.

Noteholders have an option to redeem the notes at the end of 2 years at face value plus any accrued interest. Any convertible notes not converted will be redeemed on 17 September 2023 at the principal amount together with accrued but unpaid interest thereon. The notes carry interest at a coupon rate of 7.00% per annum (effective interest rate of 1.4% per month based on a 2-year amortisation period on estimated cashflow timing in line with the 2-year redemption option) which is payable annually in arrears in September.

The fair value of the liability component was estimated at issuance date using an "Interest Rate Differential" methodology which discounts the convertible notes' cash flows at a commercial discount (interest) rate to a present value. The residual amount is assigned as the equity component and is included in reserves.

Subsequent to issue, 2,000,000 notes plus accrued interest were converted into 30,832,307 ordinary shares on 29 and 30 September 2021.

The convertible notes issued and redeemed during the period have been split into liability and equity components as follows:

	\$
Opening balance at 1 July 2022	3,004,651
Accrued Interest at effective interest rate	281,248
Accrued Interest settled with share and options issue 7 November 2022	(280,000)
	1,248
Capitalised borrowing costs	91,301
Liability component at 31 December 2022	3,097,200

Accounting Policy

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. The increase in liability due to passage of time is recognised as a finance cost. The remainder of the proceeds are included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. The liability component of the convertible notes has been classified as a current liability in accordance with *AASB 101 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* due to the Company not having a right to defer settlement for at least twelve months after the reporting period.

11. CONTINGENT LIABILITIES

The Group has provided guarantees totalling \$1,080,130 in respect of mining exploration tenements and environmental bonds. These guarantees, in respect of mining and exploration tenements, are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

12. SUBSEQUENT EVENTS

There have been no material events subsequent to 31 December 2022 that have not previously been reported other than:

- The company announced that it has completed the first \$5 million drawdown from Regal Resources Royalties Fund under the terms of a \$10 million royalty-based funding package for the redevelopment of the historic Mt Carbine tungsten mine ("the Project"). (Refer ASX Announcement "EQR Completes First Drawdown Of \$5M Royalty Funding For Mt Carbine Tungsten' dated 06 January 2023).

13. EQUIPMENT LEASES

	31/12/2022 \$	30/06/2022 \$
Right-of-use assets		
Opening balance	2,019,963	1,118,930
Additions:		
- Plant & equipment	157,337	1,269,864
- Motor vehicle	-	129,047
- Heavy machinery	-	-
Disposals	-	(11,749)
Depreciation charge for the year	(371,409)	(486,129)
Closing balance	1,805,891	2,019,963
Lease Liability - Maturity Analysis		
Less than 1 year	750,370	665,754
1 to 5 years	1,191,227	1,335,829
5+ years	-	-
	1,941,597	2,001,583
Amounts Recognised in profit or loss		
Interest on lease liabilities	-	93,238
Expenses relating to short-term leases	-	-
	-	93,238
Amounts recognised in statement of cash flows		
Total cash outflow for leases	-	119,007

14. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Adoption of New Standards and Interpretations

Changes in accounting policies on initial application of Accounting Standards

From 1 July 2022, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2022. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

15. OPERATING SEGMENTS

Segment Information

Identification of Reportable Segments

During the half year to 31 December 2022, the Company operated principally in two business segments being mineral exploration in Queensland and New South Wales, Australia and production from its Mt Carbine assets in Queensland, Australia.

The Company's revenues and assets and liabilities according to its business segments are shown below.

	31/12/2022			30/06/2022		
	Total \$	Queensland \$	NSW \$	Total \$	Queensland \$	NSW \$
REVENUE						
Revenue & Other Income	4,920,420	4,920,420	-	6,231,263	6,231,263	-
Total segment revenue	4,920,420	4,920,420	-	6,231,263	6,231,263	-
RESULTS						
Net profit / (loss) before income tax	(3,616,030)	(3,616,030)	-	(6,063,051)	(6,063,051)	-
Income tax	-	-	-	-	-	-
Net profit / (loss)	(3,616,030)	(3,616,030)	-	(6,063,051)	(6,063,051)	-
ASSETS AND LIABILITIES						
Assets	38,759,579	38,392,254	367,325	31,275,434	30,914,939	360,495
Liabilities	23,604,972	23,604,972	-	(16,958,216)	(16,958,216)	-

Directors' Declaration

In the opinion of the Directors:

1. The financial statements and notes of the Company:
 - (a) give a true and fair view of the Company's financial position as at 31 December 2022 and the performance for the half-year ended on that date; and
 - (b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

On behalf of the Board



Oliver Kleinhempel
Non-executive Chairman
14 March 2023

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF EQ RESOURCES
LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



**Nexia Melbourne Audit Pty Ltd
Melbourne**

Dated this 15th day of March 2023



**Ben Bester
Director**

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EQ RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of EQ Resources Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2022, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of EQ Resources Limited does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of EQ Resources Limited's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- iii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Ben Bester
Director**

Dated this 15th day of March 2023

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Forward Looking Statements

Some statements contained within this report relate to the future and are forward looking statements. Such statements may include, but are not limited to, statements with regard to intention, capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside EQ Resources Limited’s control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation.

Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements and intentions which speak only as at the date of the report. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, EQ Resources does not undertake any obligation to publicly release any updates or revisions to any forward looking statements contained in this report, whether as a result of any change in EQ Resources’ expectations in relation to them, or any change in events, conditions or circumstances on which any such statement is based.

Certain statistical and other information included in this report is sourced from publicly available third-party sources and has not been independently verified.

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