

## EQ Resources Limited

### Building a tungsten business for the new global economy

EQ Resources Limited (ASX:EQR) is an ASX-listed company, focussing on new economy minerals which are increasingly in demand to support the transition in energy, industry and sustainability. The company is the 100% owner of the Mt Carbine Tungsten Mine located in northern Queensland, which is currently Australia's only primary producer of tungsten. Mt Carbine was previously a major tungsten producer in the 1970s and 1980s with operations recommencing in 2020 to provide dual-product streams of tungsten concentrate and high-quality specialised aggregate and road-making materials as a by-product through Mt Carbine Quarries. The company has recently released the results from its Bankable Feasibility Study for the Mt Carbine Expansion Project and is looking to deliver a 10-fold increase in production from end-2023.

### Feasibility completed for Mt Carbine expansion

With the Bankable Feasibility Study (BFS) completed, the company is in a position to progress its planned expansion of the mining and processing operations at Mt Carbine across three phases, with the company aiming to restart the open-pit operations, generating early net cash flow to support a later underground-mining operation. We note that the underground-mining option has progressed into a pre-feasibility phase but is subject to completing an additional BFS. The expansion project is relatively simple, based on upgrading existing facilities throughout the processing stream. The economics of the expanded operation are based on ore feed from a 12Mt stockpile and ore from the reactivated Andy White Open Pit. The BFS economics look highly attractive at a low capital cost of \$21mn projected to generate life-of-mine EBIDA margins of 49% on a 2.25yr payback.

### There is resource upside

The company currently has an ascribed JORC resource of 9.21Mt (0.63% WO<sub>3</sub>) of in-situ hard rock ore, representing 5.80MMTU. In addition, management has identified a large early-stage resource of 46Mt @ 0.14% WO<sub>3</sub> which is the subject of commercialisation studies focussing on zones of high-grade mineralisation within the larger resource. The recently completed scoping study confirms the underground resource potential could support a 'long-life, technically and economically viable project', but noted that the economics are sensitive to ore grade and tungsten price and this stage are based on inferred tonnages only. Management has noted its tenements can be considered as relatively unexplored and with considerable exploration potential for new tungsten mineralisation in the Mining Leases and surrounding exploration tenements. Geophysical data acquired through the March quarter have identified eight major targets for further evaluation.

### New world metals in a mining super-cycle

Tungsten is now designated as a 'critical mineral' in the US, Canada and through Europe with diversification of supply being actively encouraged. Australia accounts for 12% of global economic demonstrated resources, but with negligible production. Global tungsten demand is expected to expand supported strong economic fundamentals and likely high (rising?) prices through the medium-long term. We may be on the cusp of another commodity super-cycle with a structural shift in mineral supply and demand dynamics, which could play out across a number of years. The transition to renewable energy is here, driving higher metals demand whilst politically, resource security and diversity in supply is more apparent. There is a significant value opportunity for the next suite of discoveries and developments.

#### Share Details

ASX code	EQR
Share price	\$0.05
Market capitalisation	\$67.2M
Number of shares	1,344.2M
Options on issue (unlisted)	41.25M
Net cash at 31 Mar	\$1.2M

#### Share Price Performance (12 months)



#### Upside Case

- Global demand remains favourable for industrial metals...we expect metals prices to remain strong across the cycle.
- Additional project value can be unlocked by better defining the high grade potential of underground mining options.
- Early cashflow from open-cut operations reduces the potential dilutive equity/debt capital financing.

#### Downside Case

- Significant delays in delivery of the growth profile from construction or commissioning issues.
- A collapse in global growth drives commodity prices down, lowering cash flow projections.
- Disappointing results from the underground PFS

#### Catalysts

- Delivery of expansion operations on time and budget with ramp-up evident through 2022 and 2023.
- Resource estimate expansion

#### Comparative Companies (Australia & NZ)

All, G6M, RMI, MYE

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# FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6<sup>th</sup> May 2021

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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