

SEPTEMBER 2021 QUARTERLY REPORT

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

- *Equatorial continues to identify and evaluate new resource projects which have the potential to build shareholder value.*
- *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 Congo Government against the Company’s subsidiary EEPL Holding’s investments in two iron ore projects: the Badondo Iron Ore Project and the Mayoko-Moussondji Iron Ore Project.*
- *The Company’s investment in Salt Lake Potash Limited (ASX:SO4) has been impaired following the voluntary suspension of SO4 from trading on the ASX during the quarter and the subsequent appointment of Voluntary Administrators and Receivers and Managers.*
- *Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities as well as pursue additional business opportunities in the resources sector.*
- *The Company currently has approximately A\$20 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 with exposure to value creation through exploration, development, and operation.*

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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 D.C. 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.

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.

Salt Lake Potash Investment Impairment

Equatorial holds 44,222,223 shares in Salt Lake Potash Limited (ASX:SO4) ("SO4"). During the quarter, SO4 requested a suspension from trading on the ASX while discussions to resolve a funding shortfall were concluded.

Subsequent to the end of the quarter, on 20 October 2021, SO4 announced that Martin Jones, Thomas Birch, and Hayden White of KPMG Restructuring had been appointed as Voluntary Administrators. On the same day, Richard Tucker and Craig Shepard of KordaMentha were appointed as Receivers and Managers of various group companies of SO4 pursuant to registered security interests from lenders to SO4.

As a result of the above, the Company has determined that it is appropriate to impair the carrying value of Equatorial's investment in SO4 to nil. As at 30 June 2021, based on SO4's closing share price at the time of A\$0.345, Equatorial's investment in SO4 was valued at A\$15.3 million. SO4 have advised that a further update in respect of SO4's operations and the restructure / recapitalisation process will be released to the

market in due course. Equatorial will continue to monitor SO4's operations and the restructure / recapitalisation process.

Notwithstanding the above, the Company has determined that it is appropriate to impair the investment to zero value based on the current facts. The impairment is subject to audit and may vary accordingly. Further details on the impairment will be provided in the half year financial statements for the period ended 31 December 2021.

New Resource Sector 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\$19.6 million in cash as at 30 September 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	(12)
ROC field supplies, travel, and other holding costs	(3)
Total as reported in Appendix 5B	(15)

Related Party Payments

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

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(15)	(15)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(142)	(142)
	(e) administration and corporate costs	(113)	(113)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	30	30
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	(68)	(68)
1.9	Net cash from / (used in) operating activities	(308)	(308)
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 (3 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	19,951	19,951
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(308)	(308)
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)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19,643	19,643

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	19,643	19,951
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)	19,643	19,951

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

(156)

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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

and an explanation of, such payments			
7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Not applicable			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(308)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(308)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	19,643
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	19,643
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	64
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: 29 October 2021

Authorised by: Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: *Exploration for and Evaluation of Mineral Resources* and AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

[*name of board committee – eg Audit and Risk Committee*]. If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.