

ASX: EQX | 2 July 2020 | ASX RELEASE

\$10 MILLION STRATEGIC INVESTMENT

Equatorial Resources Limited (**Equatorial**) is pleased to announce it has subscribed for A\$10 million of unsecured convertible notes (**Convertible Notes**) in Salt Lake Potash Limited (ASX:SO4) (**Salt Lake Potash**).

The investment decision follows detailed review by Equatorial focused on investigating opportunities related to Salt Lake Potash's current financing requirements and operational progress. Salt Lake Potash is in the final stages of completing a significant project financing that will support the development of the company's exciting Lake Way sulphate-of-potash (**SOP**) project in the Goldfields region of Western Australia. The Convertible Note funds will allow Salt Lake Potash to continue the rapid development of Lake Way as construction activities ramp-up through July 2020.

The Convertible Notes have been structured as deferred equity and convert into ordinary shares in the event of a future equity raising by Salt Lake Potash of at least A\$10 million at the lower of A\$0.45 per share or a 5% discount to the equity capital raising price. Additional details on the terms of the Convertible Notes are included below.

The timing of Equatorial's investment in Salt Lake Potash is opportunistic. Equatorial believes Salt Lake Potash is currently undervalued. The Convertible Notes provides Equatorial with a discounted investment entry price at a time when a number of near-term value catalysts have the potential to drive a significant re-rating of Salt Lake Potash's share price. These catalysts include completion of project funding, completion of process plant construction, and commencement of production in Q1 2021.

Equatorial has been actively pursuing new opportunities in the resources sector that have the potential to build shareholder value. New business opportunities are regularly assessed and potential transactions are rigorously evaluated against criteria designed to ensure any investment will build significant additional value for shareholders.

The investment decision recommendation in relation to Salt Lake Potash was progressed by a committee led by the independent directors of Equatorial (Mr John Welborn and Mr Robert Behets). The independent directors believe the investment in Salt Lake Potash is in the best interests of shareholders.

The conversion of the Convertible Notes will result in Equatorial being issued with ordinary shares in Salt Lake Potash. Subject to market conditions and strategic considerations, Equatorial may consider a future in-specie distribution of Salt Lake Potash shares to shareholders.

Following the investment, Equatorial remains in a strong financial position with significant cash reserves available to progress exploration and development activities at the company's existing iron ore project, capitalise on any further opportunities with Salt Lake Potash, as well as pursue additional business opportunities in the resources sector.

About Salt Lake Potash

Salt Lake Potash has plans to develop an integrated SOP operation, producing from a number of lakes within the Goldfields region of Western Australia. Salt Lake Potash plans to produce premium SOP from extracting hypersaline brine from salt lakes, transporting the brine in a series of solar evaporation ponds to produce potassium-rich harvest salts which can then be converted in SOP for the domestic and international markets. SOP is the premium source of potassium favoured by high value, chloride intolerant crops.

Salt Lake Potash's initial development efforts are focused on the Lake Way project, an operation that could produce 245kt of SOP for capital expenditure of A\$264 million and with operating costs of A\$302 per tonne, placing it in the first quartile of global SOP operations. Construction of the Lake Way evaporation pond network and brine abstraction trenches commenced in Q1 2019 and the project is now substantially progressed with plant practical completion and first revenues expected in Q1 2021.

About Equatorial

Equatorial is an ASX listed company focused on advancing its existing mineral resource assets in Africa as well as searching for new opportunities in the resources sector which have the potential to build shareholder wealth.

Equatorial is the owner of the potentially large scale Badondo Iron Ore Project (**Badondo**) and also holds a 2% royalty on all future production from the Mayoko-Moussondji Iron Project (**Mayoko-Moussondji**). Both Badondo and Mayoko-Moussondji are located in the Republic of Congo.

Equatorial is in a strong financial position with significant cash reserves and no debt. As at 31 March 2020 Equatorial had cash reserves of over A\$40 million.

Terms of Convertible Notes

- (a) Salt Lake Potash has received commitments to raise A\$15 million through the placement of unsecured and unlisted zero coupon Convertible Notes, including Equatorial's subscription for A\$10 million.
- (b) Conversion of the Convertible Notes to be issued to Equatorial is subject to Salt Lake Potash shareholder approval at a meeting expected to be held in August 2020.
- (c) The Convertible Notes are subject to mandatory conversion in the event of any future equity raising by Salt Lake Potash of at least A\$10 million with the conversion price set at the lower of A\$0.45 per share or a 5% discount to the actual equity capital raising price.
- (d) If no equity raising for greater than A\$10 million is completed prior to the Maturity Date of 30 June 2021, then the Convertible Notes will mandatorily convert at 90% of the average of the five lowest daily VWAPs during the 20 days prior to the Maturity Date.
- (e) Holders will also have the right to convert at any time after 30 September 2020, but prior to Mandatory Conversion at a 5% discount to 5-day VWAP by providing notice to Salt Lake Potash.
- (f) A floor price of A\$0.30 per share applies to all conversions.
- (g) The Convertible Notes are otherwise issued on terms considered customary.

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