

## EQ Resources | EQR

Recapitalised to take advantage of rapidly rising tungsten price

Post May 2025 capital raise events, confirming Buy recommendation with higher Target

This report supersedes 27 May 2025 report. The former report should now not be used or relied upon.

6 June 2025

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EQR is the premier ASX listed tungsten stock. This report updates last month's report for significant appointment, SPP and business progress.

### KEY RECENT DRIVERS

**May 2025 EQR raised \$18.8m** at \$0.035/share in equity commitments.

EQR can now increase pace to reach its full production potential. This enables repayment \$9.5m in debt and remainder for capital works and creditor payments. It coincides with rising tungsten price and margins.

**A current SPP at \$0.035/share now aims to raise up to \$3m** providing excellent opportunity for shareholders acquire up to \$30k stock.

**Saloro operation is now consistently positive with a \$2.1m** cashflow, though MarQ output fell from previous record by 9.8% QoQ to 29,993 mtu. Activities now focussing upon raising recoveries from 62 to ~70%.

Mt Carbine posted a negative \$3.3m cashflow on 25.7% output fall QoQ to 6,717 mtu WO<sub>3</sub>. However, EQR overcame wet weather to see 22.5% increase in mined material but was unable to accessing high grade ore.

Production of tungsten trioxide was down 13.2% to 36,710 mtu (= 10 kg of WO<sub>3</sub>) in MarQ 2025 on DecQ 2024 for the group. DecH25 outlook is stronger in lead up to 2026 growth on initiatives in Spain and Australia.

### KEY OUTLOOK DRIVERS

We see Mt Carbine as an advanced development project at final pre-strip to access high-grade ore. Rapidly de-risking, **Mt Carbine has proven plant and increased mining rate, to access high-grade ore feed during SepQ.**

**EQR is poised to accelerate waste mining** with pit integrity benefits and stronger output finish to 2025, though it delays by ~3 months the big cashflow rise. *We see this as a key re-erating event ~Sep-Oct 2025.*

**Saloro boosted** crushing and concentrator capacity utilization with WO<sub>3</sub> recoveries over 60%. Further optimization could see recoveries nearing 70%. Addition of wet screen soon and 3<sup>rd</sup> XRT sorter by Sep 2025 adds a significant 90kt per quarter capacity to the 116kt sorted in MarQ 2025.

### INVESTMENT VIEW BUY 12-Month Price Target \$0.065/share

Rising tungsten prices has seen us upgrade \$0.003/share to \$0.065.

**Share price catalysts** include significantly rising EBITDA at both mines.

**Securing Debt** funding from Export Financing, private debt and/or equipment leasing for Mt Carbine's doubling plant capacity. Once concluded it opens up a next stage Mt Carbine underground expansion. A further upside would be securing a US\$17m US development grant.

Completing these projects provides EBITDA growth to 2028-plus.

A sustained 10% tungsten price rise boosts valuation by 42%. Tungsten market is currently tight with spot pricing rising both in EU and China.

EQR's share price has lagged peer North American listed Fireweed Metals & Almonty Industries, perhaps to catch up after SPP conclusion.

### INVESTMENT RISKS – see Page 10

### Recommendation – Buy

Status - Maintain Buy recommendation

Current Share Price \$0.038/share

Market Capitalisation \$m \$111m incl \$18.8m raised

**Price Target & Valuation \$0.065/share** up \$0.003

**Valuation – post issue \$189.7m**

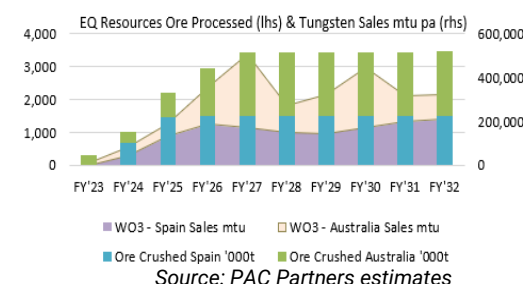
Liquidity \$/day 2.7m share/d; \$0.1m/day

Oaktree Pre-, Post FIRB 12.6%, potentially ~19% after FIRB review

### Spain + Mt Carbine open-pit and underground

Jun Yr A\$	FY'24a	FY'25e	FY'26e	FY'27e
Sales Revenue	26.8	80.5	169.5	216.6
EBITDA	(18.6)	(18.5)	64.7	108.0
NPAT	(28.3)	(37.9)	24.7	56.6
EPS	(1.6)	(1.6)	0.8	1.9
PE	(2.3)	(2.4)	4.5	2.0
Div. Yield	0%	0%	0%	0%
EV/EBITDA	(8.0)	(11.3)	2.6	0.9
Interest cover	(10.0)	(11.7)	39.5	>50

Current plans see growth to FY27; adding a Mt Carbine U/ground would see new production peaks from 2030



### EQR: 27-month Share Price and ASX Materials Index



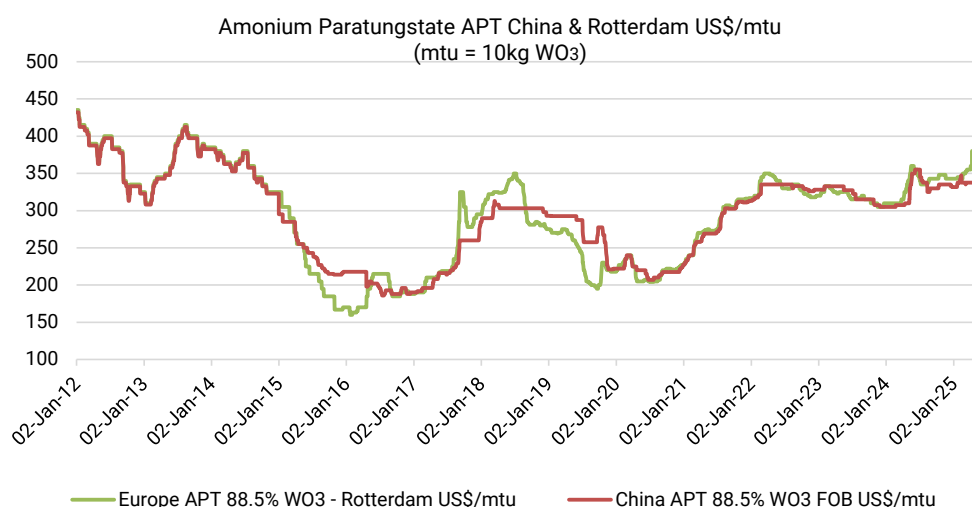
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## PAC Partners Research on EQ Resources and Tungsten Industry – library of previous notes

- EQR Signs 5 Long term Tungsten Concentrate Offtake Agreements: [EQR\\_PAC\\_19Mar2025](#) (3-pages);
- DecQ 2024 Report; and China’s Critical Mineral Restrictions [EQR\\_PAC\\_RR\\_11Feb2025](#) (13-pages);
- Global Tungsten Commodity and Peers report – [Tungsten\\_PAC\\_Report\\_6Feb2025](#) (27-pages)
- EQR re-initiation report – [EQR\\_RR\\_PAC\\_04Oct2024](#) : 4th Oct 2024

## Tungsten prices now moving up strongly – EU and US prices running ahead of China pricing



Bloomberg

Source: Fastmarkets, Argus,

## Section A – CORPORATE PROFILE and ENTERPRISE VALUATION

### CORPORATE OVERVIEW

#### Corporate Description and History

EQ Resources Limited (EQR) is an ASX listed and a leading Western World tungsten mining and processing group.

EQR has been expanding its 100%-owned world-class tungsten mine at Mt Carbine in Far North Queensland, where EQR re-started processing in 2019. EQR also operates Barruecopardo mine in Salamanca Province, Spain.

The latter is 100% owned asset of Saloro S.L.U., acquired by EQR in 2024. Since its modern restart in 2019 the Barruecopardo mina de wolframio open pit has ~190k mtu pa capacity in a hi-quality scheelite concentrate.

Process improvements are boosting recoveries and revenues at both mines. In the DecQ 2024 Spain attained its first cash operating profit, added to in MarQ 2025 – a big turnaround from losses. EQR acquired it MarQ 2024.

Mt Carbine in DecQ 2024 and MarQ 2025 moved more material but lower grade ore and had processing issues initially with lack of water and then after-effects of cyclonic wet weather. However, these negative burdens are reversing. EQR have more waste stripping in JunQ 2025 to access high grade ore that's increasingly visible in pit. Mt Carbine should then have a strongly positive EBITDA finish for the DecH 2025. This accelerates into FY 2026 on higher processing capacity and access to significant fresh high-grade ore in-pit.

EQR is currently finalising due diligence into Vietnam based Tungsten Metals Group for its ~20% share of global ferrotungsten capacity.

*This report supersedes the 27 May 2025. The former report should now not be used or relied upon.*

Capital Structure including full A\$20m placement/debt conversion committment

EQ Resources Ltd	EQR			
Capital Structure	Share Price	Raise price	Units	Capitalis-
EQ Resources Ltd	\$0.038	Strike price		ation
		A\$/unit	mil	A\$mil.
Ordinary shares	\$0.038	\$0.038	2,360.03	89.7
Placement issue May 2025		\$0.035	571.43	21.71
Total Shares			2,931.46	111.40
	Expiry			
EQRAO	3/07/2026	\$0.100	15.80	0.0
EQRAA	18/01/2026	\$0.100	78.00	0.0
EQRAR	22/11/2026	\$0.100	20.00	0.0
EQRAM	7/11/2025	\$0.065	19.45	0.0
EQRAS	29/11/2027	\$0.070	73.30	0.0
EQRAQ	29/05/2027	\$0.068	274.04	0.0
EQRAN	31/01/2026	\$0.065	1.25	0.0
Total in-money securities			2,931.46	111.4
Total Options			481.84	
Total Securities			3,413.30	
Cash @ 31 Mar25				1.9
Saloro SLU: Gross debt EUR m.	-25.000		0.62	-42.36
Saloro: Other Finan'l EURm.	0.000		0.62	0.00
Convertible Notes as Debt		\$1.000	3.75	-3.75
Other debt				0.00
Financial Liabilities approx.				-12.58
Net current liabilities				0.00
Mar Q expenditure est.				0.00
Net Capital Raised & In-money Options				19.40
Net Cash				-37.37
Enterprise Value - Current & est. \$m.				148.8
Financial Gearing: Net Debt/Capitalisation		33.6%	Pre-issue gearing was 57%.	

#### Stronger Financial Structure

*Capital raise in May 2025 of \$20m included the effective conversion of \$8m of Oaktree debt and \$1.5m of Convertible Note debt into equity.*

*This saw financial gearing improve from ~57% just prior to issue to ~35% post issue.*

*EV of ~\$149m is made up of \$111m in equity and \$37m in net financial liabilities.*

*The current SPP can add additional capital for EQR.*

*Source: EQR releases*

## Section B – EQR's MARCH QUARTER 2025 REPORT

### EQR GROUP Q3 FY2025 - PRODUCTION SUMMARY

Operations		Mt Carbine		Saloro		EQR Group	
	Unit	Q2FY2025	Q3FY2025	Q2FY2025	Q3FY2025	Q2FY2025	Q3FY2025
Waste	t	449,436	519,816	1,670,600	1,585,941	2,120,036	2,105,757
Ore	t	123,469	182,449	379,132	342,877	502,601	525,326
Total Tonnes Mined	t	572,905	702,265	2,049,732	1,928,818	2,622,637	2,631,083
Strip Ratio	W:O	3.6 : 1	2.8 : 1	4.4 : 1	4.6 : 1	4.2 : 1	4 : 1
Closing Ore Stock	t	10,658	17,520	304,076	316,533	314,734	334,053
Gravity Plant Feed	t	61,240	55,200	227,410	222,444	288,650	277,644
Gravity Plant Grade	%	0.238%	0.196%	0.263%	0.234%	-	-
WOs Produced*	mtu	9,043	6,717	33,249	29,993	42,292	36,710

\*Note: Metric Tonnes Unit, 1 mtu = 10kg 100% WO3

#### Saloro's Barruecopardo mine in Spain – ramping up

Saloro output in MarQ 2025 fell from the DecQ 2024 record but remained profitable and the second highest achieved production since acquisition early 2024.

A key driver has been improving metal recoveries, plant availability and throughput. An additional screen, and later an XRT sorter promise new production records.

#### Mt Carbine in Queensland – a tough quarter

QoQ an extra 22.5% mined material despite wet conditions in the MarQ 2025 was admirable. Ore mined rose impressive 48% however, was mainly low-grade ore that was processed leading to 26% fall in Tungsten produced in the MarQ 2025. High strip ratio in JunQ 2025 delays new production record until SepQ 2025.

#### Forecast for strong output growth

Our production estimates for JunQ and SepQ 2025 are for production growth as indicated in shaded and data point format. However, operating cashflow is expected to be negative in JunQ as Mt Carbine's waste stripping increases estimated to offset Spain's positive cashflow.

#### Operating cashflow negative – to go positive in DecH

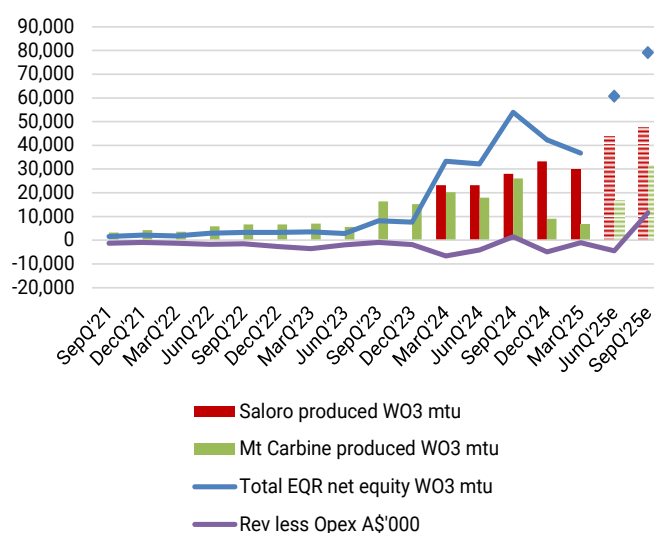
Operating Activities Cashflow were negative in MarQ 2025 but less so than in DecQ 2024. We estimate a bigger negative cashflow in JunQ 2025 as Spain is offset by Mt Carbine's added stripping cost.

**We forecast Operating Activities Cashflow to build strongly in SepQ 2025 and progressively higher over the DecQ 2025 and into the Jun Half of 2025.**

Investing Activities continue with plant modifications in Spain over the JunQ and SepQ of 2025.

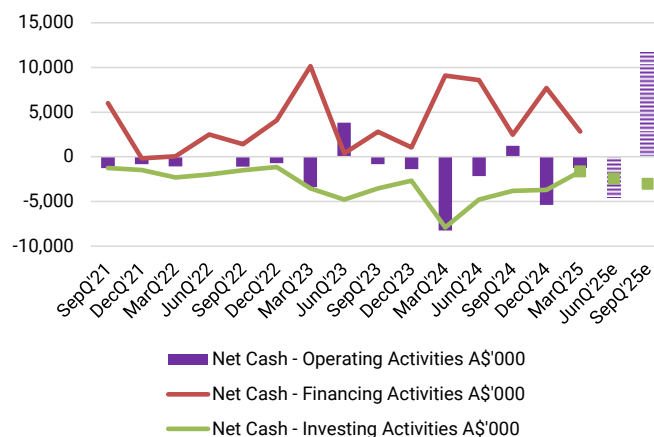
Capital spend is forecast to increase over the next few quarters at Mt Carbine as plant is installed to double processing throughput with completion in mid-2026.

EQ Resources Qtr Output & Cash Flow: A\$'000 with JunQ25 and SepQ25 estimates



Source: EQR and PAC Partners estimates

EQ Resources Qtr Cash Flow Items: A\$'000 with JunQ25 and SepQ25 estimates



Source: EQR and PAC Partners estimates

## Section C – VALUATION, EARNINGS and BUY RECOMMENDATION

Our valuation for EQR is \$276m or \$0.094/share up %0.03/share over our May review on imputing recent higher tungsten price. This value is NPV based and *is prior* to risk allocation. Current market capitalisation is ~\$106m.

However due to uncertainties we have risk weighted valuation of each component. This includes for the execution of expansion and processing recoveries, ore variability and whether Mt Carbine underground will proceed.

Our risked valuation is assessed at \$189.7m or \$0.065/share, up \$0.003/share. This forms our 12-month Price Target.

While there is extra delay in added stripping at Mt Carbine which negatively impacted valuation, our roll-forward of valuation compensated for this. We also incorporated a higher confidence level for the Saloro operations on proving its financial viability and underlying operational improvement. A slightly higher tungsten prices outlook was also applied to reflect recent market strength.

We had previously upgraded our recommendation to BUY from Speculative Buy consequent upon Saloro's consistent profitability, Mt Carbine's near completion of open-pit to full activation and the recent \$18.8m recapitalisation event.

**We reconfirm our Buy Recommendation with a \$0.065/share Target Price – up \$0.03/share from last month.**

### De-risking milestones can include:

- First, as EBITDA reach levels to exceed financing obligations and generate free cash flow.
- Second, upon an EQR refinance of Oaktree facility and funding for Mt Carbine expansion and to initiate underground mine development.

De-risking project and funding components will tend to upwardly close the gap between risked and unrisked values.

EQ Resources Ltd	\$0.038	Project	Project	Confidence	Risk	Risk	Product	Unrisk	Unrisk
Diluted No. sh.	Ownership	Mined LOM	Sold LOM	Factor	Valuation	Valuation	Valuation	Valuation	Valuation
2,931.6	%	t. WO3	t. WO3	%	A\$m.	A\$/sh	A\$/mtu	Valn A\$m.	A\$/sh
Mt. Carbine Open Pit	100%	18,566	14,928	80%	107.4	0.04	53.66	134.3	0.05
Mt. Carbine Underground	100%	10,029	8,061	50%	25.6	0.01	24.76	51.1	0.02
Saloro Open Pit	100%	34,871	24,283	90%	139.3	0.05	40.90	154.8	0.05
Saloro Underground	100%	9,745	7,018	13%	0.4	0.00	0.39	3.1	0.00
Projects Valuation	74.2%	73,210	54,291	80%	272.7	0.09	49.26	343.3	0.12
Mt. Carbine Resource	100.0%	76,092	Prospective	20%	1.5	0.00	0.19	7.3	0.00
Saloro Resource	100.0%	10,378	Prospective	25%	1.1	0.00	1.03	4.3	0.00
Wolfram Camp - Qld	100.0%			20%	1.5	0.00		7.5	0.00
Gold exploration - NSW	50.0%			1%	0.0	0.00		0.4	0.00
Net Cash				100%	-36.7	-0.01		-36.7	-0.01
Other Net Liabilities				100%	-47.6	-0.02		-47.6	-0.02
Options Exercise				100%	0.0	0.00		0.0	0.00
Other incl. Corporate Cost				100%	-2.7	0.00		-2.7	0.00
Financials & Corporate					-87.1	-0.03		-87.1	-0.03
Total Valuation				70%	189.7	0.065		275.7	0.094

Source: PAC Partners estimates for both tables

### SENSITIVITY TO SUSTAINED 10% TUNGSTEN PRICE ABOVE OUR BASE CASE.

**A 10% higher tungsten price** profile above our Base Case results in a risked valuation of \$269.4m.

**This results in a valuation 42% above our Base Case.**

DCF post-risking	Owned %	A\$m	\$/share	Risk % of NPV
Mt. Carbine	100%	162.7	\$0.056	71%
Saloro	100%	186.0	\$0.063	89%
Qld Upside	100%	3.4	\$0.001	20%
Spain Upside	100%	1.4	\$0.000	25%
Net Cash & options		-32.9	-\$0.011	100%
Other & Corporate		-51.2	-\$0.017	100%
<b>Total Valuation</b>		<b>269.4</b>	<b>\$0.092</b>	<b>72%</b>
Target Price	<i>is set as Risk</i>	269.4	\$0.092	155%
Total Valuation excluding risk factor		351.0	\$0.128	

Source: PAC Partners estimates

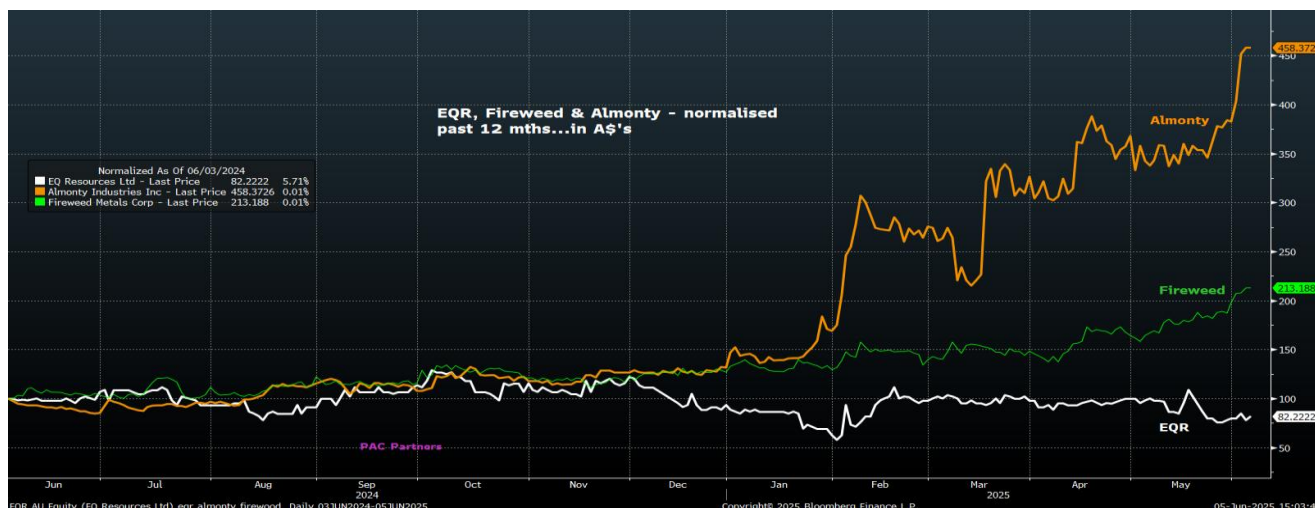


## EQR'S PEERS HAVE PERFORMED STRONGLY AS THE TUNGSTEN PRICE SOARS

North American listed equity markets have been attuned to the rising spot price of tungsten as well as the strategic implication of need for new supply outside of dominant global producer – China.

Two peer companies, both with important additional tungsten mine supply projects are:

- Almonty Industries Inc. (AII.TSX) ~CAD\$894m capitalisation on that exchange; also AII.ASX A\$95.9m sourced from Iress data on 5 June 2025.
- Fireweed Metals Corp (FWZ.TSXV) ~CAD\$483m capitalisation on Iress data 5 June 2025.



Source Bloomberg

Both Almonty Industries Inc. and Fireweed Metals have significantly outperformed EQR on the Bloomberg sourced common base chart.

**EQR share price has ample room to move up strongly soon, as its peer companies have led the way.**

This is perhaps as EQR drives through its transition phase towards profitability.

## Tungsten price strength yet to be fully appreciated in EQR share price

Below is the EQR share price set against spot pricing of tungsten – APT in Rotterdam and China Tungsten since mid-2022. Tungsten commodity prices have risen to more than decade long highs.



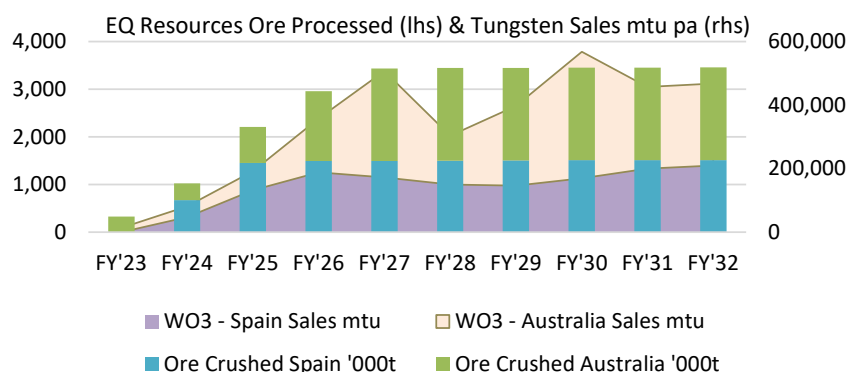
Source Bloomberg

## Two mines – profile with possible underground ore growth from Mt Carbine

EQR's plans for mining open pits sees output growth out to FY 2027.

Two mines help smooth output on stripping campaigns.

The scenario depicted includes a late-2027 underground at Mt Carbine to reach new peak in FY' 2030.



## Earnings and Ratios – big share price upside possible as operating milestones achieved

Doubling of revenue on relatively fixed cost base leads to big earnings leverage.

Keys to EQR achieving growth are:

Uncovering high grade ore and doubling of processing facilities at Mt. Carbine.

In addition we see a creeping improvement in Spain's tungsten recoveries and efficiencies.

Positive EBITDA in DecH 2025 grows strongly out to FY 2027

Free cashflow breakeven occurs during FY 2026; in addition to and sees strong coverage of interest costs.

Shrinking PE and low EV/EBITDA can justify higher share price as earnings milestones accrue

Source for all items depicted: PAC Partners estimates

**See APPENDIX 1 for DETAILED FORECASTS**

Jun Yr	FY'23 A	FY'24 A	FY'25 E	FY'26 E	FY'27 E
Sales Revenue	5.1	26.8	80.5	169.5	216.6
EBITDA	(0.5)	(18.6)	(18.5)	64.7	108.0
NPAT contining op.	(3.7)	(28.3)	(37.9)	24.7	56.6
EPS	(0.3)	(1.6)	(1.6)	0.8	1.9
PE	(14.4)	(2.3)	(2.4)	4.5	2.0
Div. Yield	0%	0%	0%	0%	2%
EV/EBITDA	->100.0	(8.0)	(11.3)	2.6	0.9
Interest cover	(1.3)	(10.0)	(11.7)	39.5	>50
Share price			\$0.038		
Price Target			\$0.065	70% Upside to	

Jun Yr	FY'23	FY'24	FY'25	FY'26	FY'27
Mt Carbine sales mt	13,063	34,620	59,810	169,369	335,774
Saloro sales mtu	0	46,559	131,953	188,154	171,634
Total sales mtu	13,063	81,179	191,762	357,523	507,408

## Ratio Analysis

### KEY RATIOS

Y/E 30 June		FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
EBITDA	\$m	-18.6	-13.0	-5.5	-18.5	30.5	34.2	64.7	108.0
EBITDA Margin	%	-69%	-37%	-12%	-23%	37%	39%	38%	50%
EBIT Margin	%	-96%	-56%	-43%	-49%	18%	22%	20%	37%
Group NPAT Margin	%	-106%	-68%	-31%	-47%	13%	16%	15%	26%
ROA	%	-17%	-13%	-8%	-22%	7%	8%	15%	26%
NTA per share	\$	0.03	0.02	0.02	0.02	0.02	0.03	0.03	0.05
Eff Tax Rate	%	0%	0%	25%	11%	25%	27%	26%	29%
Interest Cover	x	(10.0)	(8.0)	(21.6)	(11.7)	24.9	73.4	39.5	>50
Net Gearing	%	69%	87%	58%	58%	23%	4%	4%	-51%
NetDebt/NetDebt+Equity %		41%	47%	37%	37%	18%	4%	4%	-105%

### VALUATION PARAMETERS

Y/E 30 June		FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
EPS	c/ps	(1.6)	(1.1)	(0.5)	(1.6)	0.4	0.5	0.8	1.9
P/E	x	(2.3)	(3.5)	(7.0)	(2.4)	10.3	8.0	4.5	2.0
Enterprise Value	\$m	140	185	190	190	162	140	140	57
EV / Sales	x	5.2	5.3	4.2	2.4	2.0	1.6	0.8	0.3
EV / EBITDA	x	(8.0)	(15.6)	(38.0)	(11.3)	6.0	4.9	2.6	0.9
EV / EBIT	x	(5.4)	(9.4)	(9.7)	(4.8)	10.7	7.3	4.1	0.7
Price / NTA	x	1.4	1.8	2.1	2.1	1.7	1.4	1.4	0.8

## Section D – OPERATIONS & MARKETING – LEAD UP TO SHARE RE-RATING

### Key share price catalysts for EQR are accessing more hi-grade ore and metallurgical performance

In preparation for this EQR is adding to its management team & offtake arrangements into a stronger tungsten market. This process continues with announcement 5<sup>th</sup> June to adding to the team.

**Andrew Goledzinowski** as Senior Advisor Government Relations, effective from 1 July 2025

*Mr Goledzinowski's 40-year career as an Australian senior diplomat was across various positions and jurisdictions. He will be advising the Company's leadership team in its ongoing strategic discussions with Government agencies within Australia, across Europe, in Vietnam and the US.*

*Most recently he was Senior Fellow, Australia Vietnam Policy Institute, Senior Partner, CMC Global Company Ltd and Ambassador to Vietnam (September 2022 – March 2025) and High Commissioner to Malaysia (January 2018 – July 2021) as well as notable postings in the United Nations as Ambassador and Deputy Permanent Representative to the UN (July 2008 – August 2011) and as a Senior World Bank Representative.*

### EQR MANAGEMENT TEAM STRENGTHENED FOR GROWTH PHASE

- **Craig Bradshaw** was appointed as Non-Executive Director on to the EQR Board during April.

*Mr Bradshaw brings is former CEO of Masan High-Tech Materials, the operator of the Nui Phao Tungsten Mine and Processing Complex in Vietnam and Managing Director of H.C. Starck Tungsten Powders GmbH, a global producer of Tungsten chemicals, powders, carbides.*

- **Oliver Kleinhempel**, EQR's chairman has moved into a full-time executive role.

*Mr Kleinhempel has deep experience in tungsten trading globally and will oversee additional executive appointments to EQR. Additionally, he is completing due diligence to acquire the World's largest non-Chinese Ferro-tungsten producer The Tungsten Group, based in Vietnam whilst securing more offtakes.*

- **Kevin MacNeill**, EQR's Chief Executive Officer, is transitioning to a Chief Technical Officer role.

*This allows Mr MacNeill to focus on ramp up of Mt Carbine mine and optimize Saloro operation in Spain.*

- **David Laulau** has been appointed General Manager of Mt Carbine mining operations.

*Mr Laulau brings a wealth of experience in engineering, operations and field leadership.*

- **Jonathan Kort** has been appointed Chief Financial Officer, starting 1<sup>st</sup> June 2025.

*Mr Kort is a Chartered Accountant and experienced executive spanning resources and infrastructure. Most recently was Chief Development Officer and CFO at PanAust Limited. He previously held leadership roles at BHP, Coronado Global Resources and Wiggins Island Coal Export Terminal.*

### EQR SIGNS 5 LONG-TERM TUNGSTEN CONCENTRATE OFFTAKE AGREEMENTS FOR 24 MONTHS

- Agreements cover production from both its tungsten operations in Australia & Spain over 24-months.
- The agreements' total value is ~US\$124m at prices from earlier this year (since risen), representing volumes of 470 containers, each container holding 20 metric tonnes of 50% WO<sub>3</sub> concentrate.

This is a total of 4,700 t of contained WO<sub>3</sub>.

- Individual contracts are commercial-in-confidence with well-known counterparties that are the top 3 producers of tungsten related products in their home markets. These buyers' products include APT (Ammonium Paratungstate), tungsten oxide and tungsten carbide materials for industrial products.

Some of these products are subject to the recent export restrictions from China, making EQR globally significant supplier of concentrate to enable continuity of Western supplies.

EQR's product allocations will supply ~25% into Europe, 25% into North America, with the balance supplied to Asia. EQR's proposed acquisition of the ferrotungsten smelter in Vietnam – the Tungsten Group would be an additional customer to the five offtakes above mentioned.



## TUNGSTEN MARKET – FIRING UP AND CHANGING

China's new export-license regime introduces uncertainty for Western buyers securing semi-processed or processed tungsten. The response is that Western buyers are seeking multi-year offtake deals. These may include advance payment clauses. EQR's ~US\$124m of announced offtake agreements fits this pattern.

The US-China trade imbroglio has seen the tungsten market move away from spot trading and toward relationship-based contracts that can tend to stabilize revenue for mining companies and costs for downstream producers.

New projects in Australia, Canada, South Korea and Vietnam have drawn fresh capital, from U.S. Defense Production Act funds to private equity, aimed at building a fully Western tungsten chain.

However, long lead times mean that existing suppliers like EQR are required to fill the supply gap created by Chinese export controls.

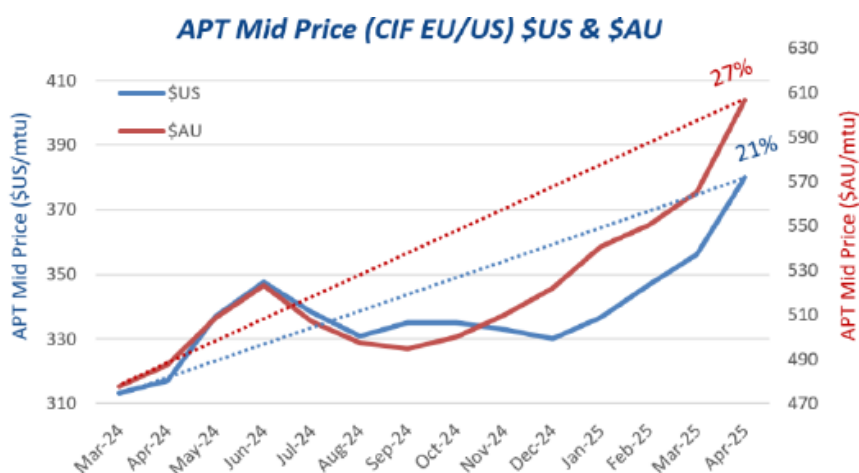
European APT prices (Ammonia Para Tungstate) have firmed considerably since last year's lows. The weaker market was impacted by China's slowing property sector/economic growth sentiment, but not a usage decline.

Trade frictions since inauguration of the US President have accelerated what was a tightening market in available WO<sub>3</sub> concentrate and APT.

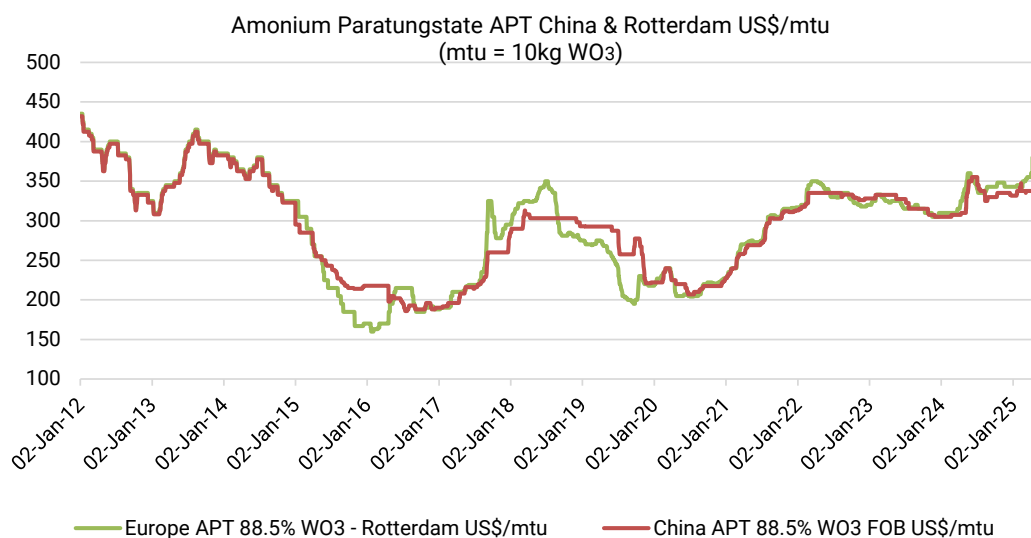
China's move to reduce its quota of Domestic mined sourced tungsten by ~6% means that proposed Western World expansions are likely to be snapped up and not weigh heavily on tungsten pricing.

In Australia, the strong electoral mandate won by the Labor Party sees them well placed to promote its Critical Minerals development strategy. This includes a Critical Minerals Stockpile reduces the downside risk of investing in these new businesses.

The importance of government sector support is high, as China's industry polices in critical elements prices have bankrupted competitors right across the globe in the past.



## Tungsten prices now moving up strongly – EU and US prices running ahead of China pricing



Source: Fastmarkets and Bloomberg

## Section E – INVESTMENT RISKS and MITIGATION OPPORTUNITIES

EQR is a minerals exploration development and production company.

At this stage it has yet to establish enough cash generating capacity to sustain all its efficiency and expansion capital programs.

Commodity project development groups have key risks which include, but are not limited to:

*Exploration and Resource upgrade drilling is risky, and programs may be costly and fail.*

- There is no guarantee that additional exploration will cost effectively find significant new tungsten mineralisation at sufficient grade to add to Resource endowment at Mt Carbine, Wolfram Camp and Bamford Hill. This may limit mine life investments that would otherwise lift present value of current Resources.

*EQR is having significant success drilling in-pit, below pit and on strike at Mt Carbine. Tungsten intersections in some cases increase in width with depth along with grade enhancement. Access to underground drive may enables more cost-effective drilling for depth extensions and underground scoping studies.*

*Saloro has positive indications along strike/at depth for added resource. It's early to judge whether this will be of sufficient volume/grade.*

- Saloro strip ratios will tend to rise in the absence of exploration finds or in-fill/extensions of resource.

*Saloro has numerous drill intersections that penetrated beyond blocked-out Resource. These indicate potential Resource extension along strike and at depth. It is uncertain whether it will be enough for an underground operation.*

*Tungsten prices can be volatile and market forces can be influenced by industry and export policies of China.*

- Tungsten is a critical material though is still a volatile priced commodity. China controls the majority of Tungsten output globally and its industry policies can cause price volatility, both up and down.

*Key customer relationships can assist with selling volumes of concentrate in strong and weak tungsten markets. These include key downstream producers in Vietnam, in Germany and an emerging relationship with leading US-owned and fully integrated tungsten manufacturer Elmet Technologies LLC. Listing on Australia's and other Nations Critical Minerals list may assist marketing efforts.*

*Tungsten mines are modest grade.*

*Care is needed in mine planning and execution to supply sufficient ore grade for processing to generate positive earnings margins.*

- Reconciliation of mine plans with mined ore tonnes/grade achieved has provided some unexpected outcomes in past quarters. Pit production and plant expansion may be delayed or underperform management expectations.

*EQR has experienced a cyclone and pit flooding impeded access for mine-block confirmatory drilling and abnormally low rainfall period. EQR has altered drainage over most of its licence area to control and collect additional water and mitigate overflows. Longer term access to bore field may be required.*

*Switch to owner operations for mining activities provides more site control for movements of waste, ore and other operations to achieve targets.*

*Plant performance has largely met expectations and where it has fallen short procedures and/or amendments to process plan have remediated performance.*

*Access to capital is not assured but as cash generation increases this risk should lessen*

- Capital – equity and/or debt may be unavailable particularly due to commodity price weakness, project-specific or general market conditions.

*EQR has succeeded in obtaining grants, strategic investor support, equipment and supplier forward sales plus debt funding in addition to equity raisings.*

*As operations in Spain and then Australia ramp-up, then cash generation should accelerate. This enables debt servicing and an organic source of funding.*

*Environmental and safety performance is vital.*

- Safety and environmental performance are key for ongoing licence to operate.

*Vigilant environmental and safety performance, water recycling and tails for quarry materials provide good basis for sustainability credentials.*

## APPENDIX 1 – DETAILED P & L, CASHFLOW and PRICING FORECASTS

### PROFIT & LOSS (A\$m)

Y/E 30 June	FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
<b>Sales Revenue</b>	<b>26.8</b>	<b>34.8</b>	<b>45.6</b>	<b>80.5</b>	<b>81.7</b>	<b>87.8</b>	<b>169.5</b>	<b>216.6</b>
Cost of Goods Sold	-42.3	-47.2	-52.0	-99.2	-52.2	-55.1	-107.3	-110.3
<b>Gross Operating Profit</b>	<b>-15.6</b>	<b>-12.4</b>	<b>-6.4</b>	<b>-18.8</b>	<b>29.4</b>	<b>32.7</b>	<b>62.2</b>	<b>106.3</b>
Operating, Admin & other	-6.6	-1.4	-0.2	-1.6	-0.2	-0.2	-0.4	-0.4
Other Income & associates	3.5	0.9	1.0	1.9	1.2	1.7	2.9	2.1
<b>EBITDA</b>	<b>-18.6</b>	<b>-13.0</b>	<b>-5.5</b>	<b>-18.5</b>	<b>30.5</b>	<b>34.2</b>	<b>64.7</b>	<b>108.0</b>
Deprecn & Amortn	-7.2	-6.6	-14.1	-20.7	-15.4	-14.9	-30.3	-28.5
<b>EBIT - operations</b>	<b>-25.8</b>	<b>-19.6</b>	<b>-19.6</b>	<b>-39.3</b>	<b>15.1</b>	<b>19.3</b>	<b>34.4</b>	<b>79.5</b>
Net Interest Expense	-2.6	-2.4	-0.9	-3.4	-0.6	-0.3	-0.9	0.3
FX & Other W/off	0.1	-1.6	1.6	0.0	0.0	0.0	0.0	0.0
<b>Pre-Tax Profits</b>	<b>-28.3</b>	<b>-23.7</b>	<b>-18.9</b>	<b>-42.6</b>	<b>14.5</b>	<b>19.0</b>	<b>33.5</b>	<b>79.8</b>
Tax	0.0	0.0	4.7	4.7	-3.6	-5.2	-8.8	-23.2
<b>NPAT EQR s/holders pre-Compreh</b>	<b>-28.3</b>	<b>-23.7</b>	<b>-14.2</b>	<b>-37.9</b>	<b>10.9</b>	<b>13.8</b>	<b>24.7</b>	<b>56.6</b>
Net Comprehensives	26.1	-0.7	-0.8	-1.5	0.1	0.1	0.3	0.0
Reported Profit sh/holders	-2.2	-24.4	-15.0	-39.4	11.0	14.0	25.0	56.5
<b>Group Profit</b>	<b>-2.2</b>	<b>-24.4</b>	<b>-15.0</b>	<b>-39.4</b>	<b>11.0</b>	<b>14.0</b>	<b>25.0</b>	<b>56.5</b>
Tax Rate (%)	0.0%	0.0%	25.0%	11.1%	25.0%	27.2%	26.2%	29.1%

### BALANCE SHEET (A\$m)

Y/E 30 June	a.	a.	e.	e.	e.	e.	e.	e.
Y/E 30 June	FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
<b>Current Assets</b>	<b>38.6</b>	<b>25.29</b>	<b>22.8</b>	<b>22.8</b>	<b>24.47</b>	<b>30.0</b>	<b>30.0</b>	<b>97.0</b>
Cash and Liquids	3.5	2.0	6.6	6.6	8.1	12.0	12.0	74.9
<b>Non-Current Assets</b>	<b>127.7</b>	<b>162.7</b>	<b>152.3</b>	<b>152.3</b>	<b>137.1</b>	<b>133.0</b>	<b>133.0</b>	<b>116.9</b>
Receivables & Restricted Cash	9.4	28.2	25.7	25.7	18.2	18.2	18.2	18.2
Property, Plant & Exploration	114.4	131.8	123.9	123.9	116.2	112.1	112.1	96.0
Financial & Intangibles	3.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7
<b>Current Liabilities</b>	<b>94.2</b>	<b>112.4</b>	<b>79.3</b>	<b>79.3</b>	<b>59.9</b>	<b>55.0</b>	<b>55.0</b>	<b>59.6</b>
Borrowings	42.0	41.8	20.9	20.9	10.5	5.2	5.2	1.3
Creditors, Leases & Finan Liab.	45.3	59.1	45.1	45.1	34.3	26.6	26.6	22.7
Provisions & Other	6.9	11.5	13.3	13.3	15.2	23.2	23.2	35.6
<b>Non-Current Liabilities</b>	<b>15.5</b>	<b>27.5</b>	<b>42.4</b>	<b>42.4</b>	<b>37.2</b>	<b>29.6</b>	<b>29.6</b>	<b>21.5</b>
Borrowings	0.5	2.0	16.9	16.9	12.3	10.2	10.2	5.6
Creditors, Leases & Finan Liab.	12.6	18.3	18.4	18.4	17.8	16.9	16.9	13.4
Provisions & Other	2.3	7.1	7.1	7.1	7.1	2.5	2.5	2.5
<b>GROUP EQUITY</b>	<b>56.6</b>	<b>48.1</b>	<b>53.5</b>	<b>53.5</b>	<b>64.4</b>	<b>78.4</b>	<b>78.4</b>	<b>132.8</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>SHAREHOLDERS EQUITY</b>	<b>56.6</b>	<b>48.1</b>	<b>53.5</b>	<b>53.5</b>	<b>64.4</b>	<b>78.4</b>	<b>78.4</b>	<b>132.8</b>

### CASHFLOW STATEMENT (A\$m)

Y/E 30 June	FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
<b>Cash Flows From Operating Activities</b>	<b>-12.7</b>	<b>-4.2</b>	<b>-8.9</b>	<b>-13.0</b>	<b>27.0</b>	<b>25.1</b>	<b>52.0</b>	<b>91.4</b>
Receipts from Customers	28.4	40.2	45.6	85.8	81.7	87.8	169.5	216.6
Payments to Suppliers	-43.7	-43.7	-52.2	-95.9	-52.4	-55.3	-107.7	-110.7
Net Interest	-1.0	-1.5	0.7	-0.9	-0.6	-0.3	-0.9	0.3
Tax payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-9.6
Working Cap Δ & other chge	3.6	0.8	-3.0	-2.1	-1.7	-7.2	-8.8	-5.3
<b>Cash Flows From Investing Activities</b>	<b>-18.9</b>	<b>-7.5</b>	<b>-6.2</b>	<b>-13.8</b>	<b>-7.7</b>	<b>-10.8</b>	<b>-18.5</b>	<b>-12.4</b>
Acq. of Property & Equip.	-12.6	-1.6	-5.6	-7.2	-7.1	-10.4	-17.4	-11.5
Exploration Expenditure	-1.9	-0.2	-0.3	-0.5	-0.2	-0.1	-0.3	-0.1
Acquisitions & Capitalised Interest	-4.4	-5.8	-0.4	-6.1	-0.4	-0.3	-0.7	-0.7
<b>Cash Flows From Financing Activities</b>	<b>29.8</b>	<b>10.2</b>	<b>19.7</b>	<b>29.9</b>	<b>-17.8</b>	<b>-10.4</b>	<b>-28.1</b>	<b>-16.2</b>
Net Change in Borrowings	-14.4	2.7	-7.2	-4.5	-15.4	-7.5	-22.9	-9.3
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity Issues less Buy backs	37.5	5.1	20.4	25.5	0.0	0.0	0.0	0.0
Other Financing & FX Adjust.	6.6	2.4	6.5	8.9	-2.4	-2.8	-5.2	-6.9
<b>Net Increase In Cash</b>	<b>-1.8</b>	<b>-1.5</b>	<b>4.6</b>	<b>3.1</b>	<b>1.6</b>	<b>3.9</b>	<b>5.4</b>	<b>62.8</b>
Cash At End of Period	3.5	2.0	6.6	6.6	8.1	12.0	12.0	74.9
Free Cash flow	-31.6	-11.7	-15.1	-26.8	19.3	14.2	33.6	79.0

Sources: EQR actuals. PAC Partners estimates

**Price forecasts – Note EU APT spot price is now US\$390-395/mtu**

**PRICE ASSUMPTIONS**

Y/E 30 June		FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
Aust\$/USD \$	US\$	0.656	0.661	0.632	0.647	0.648	0.673	0.660	0.700
Aust\$/EUR €	EUR €	0.606	0.611	0.581	0.596	0.571	0.592	0.581	0.616
<b>APT Price - Asia</b>	APT US\$/mtu	<b>315</b>	<b>334</b>	<b>351</b>	<b>343</b>	<b>403</b>	<b>397</b>	<b>400</b>	<b>389</b>
APT Price - EU	APT US\$/mtu	319	342	368	355	419	409	414	401
APT Price - Mt. Carbine	APT US\$/mtu	221	234	248	241	288	286	287	284
Mt. Carbine Discount to Asian APT %		-30%	-30%	-29%	-30%	-29%	-28%	-28%	-27%
<b>Mt. Carbine EBITDA</b>	<b>Margin %</b>	<b>-59%</b>	<b>-28%</b>	<b>-109%</b>	<b>-62%</b>	<b>20%</b>	<b>38%</b>	<b>31%</b>	<b>60%</b>
Mt. Carbine operating costs	US\$/mtu sold	-425	-380	-666	-494	-246	-189	-212	-120
APT Price - Saloro	APT US\$/mtu		274	296	285	337	330	334	325
Saloro Discount to EU APT %			-20%	-20%	-20%	-20%	-19%	-20%	-19%
<b>Saloro EBITDA</b>	<b>Margin %</b>		<b>3%</b>	<b>23%</b>	<b>14%</b>	<b>50%</b>	<b>42%</b>	<b>46%</b>	<b>36%</b>
Saloro Operating costs	US\$/mtu sold		-265	-230	-246	-170	-193	-181	-209
<b>EBITDA Margin overall</b>	APT US\$/mtu	<b>-229</b>	<b>-136</b>	<b>-57</b>	<b>-97</b>	<b>184</b>	<b>178</b>	<b>181</b>	<b>213</b>

**Production Detail forecasts and Divisional Earnings**

**PRODUCTION & SALES**

Y/E 30 June	100% operati	FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
<b>Mt Carbine, Qld</b>	<b>Equity Share</b>	50%	100%	100%	100%	100%	100%	100%	100%
Strip Ratio - Open Pit	x	1.8	2.5	4.4	3.4	4.8	4.4	4.6	2.2
Ore extracted Open Pit	'000t.	381	318	312	630	338	488	826	1,049
Ore extracted U/g	'000t.	0	0	0	0	0	0	0	10
Ore Crushed Australia	'000t	354	374	381	754	562	900	1,462	1,942
Crushed ore grade - Austr.	%	0.14%	0.13%	0.09%	0.11%	0.15%	0.15%	0.15%	0.22%
Tungsten Recovery - Austr.	%	79.5%	70.4%	69.1%	69.8%	81.5%	77.0%	78.8%	77.1%
Concentrate Production	tonnes	698	701	473	1,174	1,395	2,034	3,430	6,673
WO3 - Australia Sales	mtu	34,620	36,177	23,633	59,810	68,326	101,043	169,369	335,774
<b>Saloro, Spain</b>	<b>Equity Share</b>	50%	100%	100%	100%	100%	100%	100%	100%
Strip Ratio	x	5.5	4.3	4.6	4.4	4.0	3.2	3.5	3.5
Ore Extracted total	'000t.	596	760	732	1,492	607	805	1,412	1,532
Ore Crushed Spain	'000t	669	699	753	1,452	753	741	1,494	1,494
Crushed ore grade - Spain	% WO3	0.27%	0.20%	0.20%	0.20%	0.20%	0.18%	0.19%	0.17%
Tungsten Recovery - Spain	%	25.2%	43.6%	48.2%	46.0%	63.6%	68.1%	65.7%	67.3%
Concentrate Production	tonnes	714	1,020	1,229	2,250	1,628	1,499	3,127	2,852
WO3 - Spain Sales	mtu	46,559	59,227	72,725	131,953	97,553	90,600	188,154	171,634
WO3 - Total Sales	mtu	81,179	95,404	96,358	191,762	165,879	191,643	357,523	507,408
Y/E 30 June	P&L/sales ton	FY'24	DecH'24	JunH'25	FY'25	DecH'25	JunH'26	FY'26	FY'27
Revenue - Australia	A\$m.	11.4	10.3	11.4	21.7	30.8	43.3	74.1	137.0
COGS - Australia	A\$m.	-22.4	-20.8	-24.9	-45.7	-25.9	-28.5	-54.4	-57.5
<b>Cash Margin - Australia</b>	<b>A\$m.</b>	<b>-11.0</b>	<b>-10.5</b>	<b>-13.5</b>	<b>-24.0</b>	<b>4.9</b>	<b>14.9</b>	<b>19.7</b>	<b>79.5</b>
Other costs - Australia	A\$m	-3.0	-0.6	0.8	0.2	1.0	1.5	2.5	1.7
Deprecn & R&D w/off	A\$m	0.2	0.5	-6.8	-6.2	-8.2	-8.1	-16.3	-16.2
<b>EBIT - Australia</b>	<b>A\$m</b>	<b>-13.9</b>	<b>-10.5</b>	<b>-19.4</b>	<b>-30.0</b>	<b>-2.2</b>	<b>8.2</b>	<b>5.9</b>	<b>65.0</b>
Revenue - Spain	A\$m	15.4	24.5	34.2	58.7	50.8	44.5	95.3	79.6
COGS - Spain	A\$m	-19.9	-26.4	-27.1	-53.5	-26.3	-26.7	-52.9	-52.8
<b>Cash Margin - Spain</b>	<b>A\$m.</b>	<b>-4.5</b>	<b>-1.9</b>	<b>7.1</b>	<b>5.2</b>	<b>24.6</b>	<b>17.9</b>	<b>42.4</b>	<b>26.8</b>
Deprecn & R&D w/off	A\$m	-7.3	-7.2	-7.3	-14.5	-7.2	-6.8	-14.0	-12.3
<b>EBIT - Spain</b>	<b>A\$m</b>	<b>-11.9</b>	<b>-9.1</b>	<b>-0.2</b>	<b>-9.3</b>	<b>17.3</b>	<b>11.1</b>	<b>28.4</b>	<b>14.5</b>
<b>EBIT - Total EQR</b>	<i>check</i>	<b>-25.8</b>	<b>-19.6</b>	<b>-19.6</b>	<b>-39.3</b>	<b>15.1</b>	<b>19.3</b>	<b>34.4</b>	<b>79.5</b>

Source: EQR and PAC Partners estimates

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## RECOMMENDATION CRITERIA

### Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield. A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view. **Speculative buy** = We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have strong capital appreciation but also has a high degree of risk and there is a significant risk of capital loss.

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Speculative buy = We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have strong capital appreciation but also has a high degree of risk and there is a significant risk of capital loss.

Speculative Buy	Buy	Hold	Sell
>20%	>20%	20% – 5%	<5%

### Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium, and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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- The author of this report – Lawrence Grech.
- A member of the immediate family of the author of this report



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