



HALF YEAR REPORT

EQ RESOURCES LIMITED

ABN 77 115 009 106

DECEMBER 2021



CORPORATE DIRECTORY

Directors

Oliver Kleinhempel
Non-executive Director
Non-executive Chairman

Stephen Layton
Non-executive Director

Richard Morrow
Non-executive Director

Zhui Pei Yeo
Non-executive Director

Company Secretaries

Melanie Leydin & Patricia Vanni de Oliveira

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Auditors

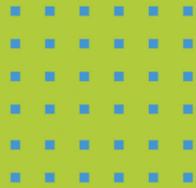
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Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX)
ASX Code: EQR
ACN: 115 009 106
ABN: 77 115 009 106

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OPERATING & FINANCIAL REVIEW



Operating and Financial Review

During the first half of the 2022 financial year, EQ Resources Limited (**EQ Resources**, the **Company** or **EQR**) achieved significant progress at its Mt Carbine Tungsten Project. The Company continued to scale up operations achieving record tonnage production in December 2021 in conjunction with the completion of its 16-hole drill program and publishing of the Mt Carbine Bankable Feasibility Study ("**BFS**"). The operations continued to process Low Grade Stockpile ("LGS") material over the period to refine design engineering and grade variability through the LGS supporting the data used to drive the BFS.

During this period, the Company also secured funding to complete an early works program to expand the processing capacities of material on the LGS while the BFS and design of the final crushing/screening and gravity processing plant were completed. This led to the procurement of a second XRT Sorter, Sandvik electric screen and upgrade of the power capacities at site to handle the upgraded equipment circuit. This also coincided with the arrival of an earth-moving fleet from EQR's Joint Venture partners, CRONIMET, for the increased mining and throughput capacities.

With the commissioning of the upgraded power line and arrival of the new equipment, the operation was able to start benefiting from the early works funding with record production achieved in December 2021. During the wet season, the Company is working to finalise the installation and commissioning of the equipment purchased under the early works program while continuing to process LGS material and produce concentrates.

The BFS published in December 2021 for the Mt Carbine Expansion Project ("Project"), focused on the open pit development with high-grade ore from the Company's 100%-owned Andy White Open Pit supplemented with the processing of the 12 million tonne Low-Grade Stockpile ("LGS") which is a 50:50 joint venture with global metals group CRONIMET.

The BFS contemplates a 12-year operation with the focus on production from its high-grade open pit ore being processed in years 3 and 4 where it is expected to produce operational pre-tax cash flow of \$38 million and \$95 million respectively. The Project delivers impressive economics including an NPV of \$131.5 million and an IRR of 154%. The Open Pit BFS only utilises approximately 15.5% of the Mt Carbine In-Situ Mineral Resource covered in the production forecast and provides significant underground potential.

The BFS had been prepared by independent Lead Study Manager, JukesTodd Pty Ltd. The full BFS is available on the Company's [website](#).

Mt Carbine Operations

XRT Sorter Pilot Plant

EQR continued to operate their XRT Sorting plant to effective and operationally beneficial result. Feed material for the XRT Sorter was trialled from all over the LGS with consistent grade and results on an ongoing basis. The Concentrate produced over the period was crushed through tertiary crushing and processed further through the gravity processing plant. The benefit of the XRT Sorter concentrate was one of the leading causes of the increased production outputs in December 2021.

The Company proceeded with the purchase of a second TOMRA XRT Sorter during the period under the Early Works Program which will allow the processing of additional feed tonnages set to be produced upon the commissioning of the early works plant and equipment. This will allow the Company to continue the further reduction of downstream processing costs by using the XRT Sorters to de-bulk the majority of the feed materials for further processing of XRT Sorter concentrates through the downstream processing plant.

The recently procured XRT Sorter will be used not only in the early works processing plant but also in the Phase 2 expansion plant as set out in the BFS that has two XRT Sorters processing material in parallel.

Gravity Plant Processing Operations

In December 2021, EQR completed commissioning of the upgraded power line at the Mt Carbine site. The upgrade allowed the XRT Sorter to operate on a 24-hour basis and was a leading contributor to the Company achieving a new monthly production record of tungsten concentrate from its rejuvenated Mt Carbine mine. A successful debottlenecking strategy and Early Works investment targeting the crushing, screening and XRT Sorting capacity contributed to the production of a record >40 tonnes of 50% WO₃ concentrate in December 2021, showing the positive impact of the continuous improvements at Mt Carbine.

The focus on the material processed continued to be on the LGS and XRT Sorter concentrate which is naturally higher grade than historic tailings material. The feed grades of these materials continue to be consistent throughout the LGS, this is beneficial for the ongoing operation as a feed source to supplement open pit ore in future.

The Company is pleased to have confirmed through the BFS work that the current gravity plant operations are operating with strong recoveries of +75% on an ongoing basis. This has been a strong focus of the operational team over the past 12-months with continuous improvement programs implemented over the period.

The Company, via its offtake partner CRONIMET Asia Pte Ltd, continued to make several shipments of concentrate over the period. Concentrate shipments have gone to leading tungsten manufacturers in the USA, and Vietnam over the period building a strong customer base moving forward.

Mt Carbine is ramping up production into a firm market for tungsten concentrates and a strong, stable price for the major end product APT, which at the end of December 2021 was US\$325/MTU, compared with US\$230/MTU a year ago.

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 2021 quarter is one of the busiest periods for the Quarry as developers and contractors aim to complete projects before the start of the annual wet season in Far North Queensland. In the first months of this financial year (until end of November 2021) the Quarry booked sales above \$1 million (including GST) and has approximately \$400,000 (including GST) of awarded contracts set for fulfillment in early 2022.

The period saw the quarry continue to work as a wholesaler of operational by-products to the local industry and the focus on specialised aggregate products produced from the barren XRT Sorter waste material. In addition to this, the Company has completed the majority of the Newell Beach Boat Ramp 7,500 tonne contract, consisting of repurposed materials from the ongoing operations.

Exploration

Mt Carbine, Qld - Mining Leases

On 5 August 2021, the Company reported bonanza grade tungsten ore intercepts in the final assays of the 16-hole resource drilling program (incl. 70m extension drilled at hole EQ012). The results are potentially game changers for the potential near-term re-opening of the old mine, as selected high-grade intercepts are in a zone less than 40 meters below the floor of the existing Andy White Open Pit.

The updated resource statement from EQR's 2nd quarter drilling campaign was released during the quarter. Remodelling of the resource at the historic Mt Carbine Tungsten Mine resulted in significantly higher-grade ore blocks, with recent drilling focusing on shallow areas immediately below the Andy White pit floor reducing the overall mining tonnage reporting into the ongoing BFS.

EQR in association with Brisbane-based consultants, Measured Group, completed the resource recalculation as the first stage of the BFS aimed at re-opening Mt Carbine's hard-rock operations, which has been largely dormant since the 1980s.

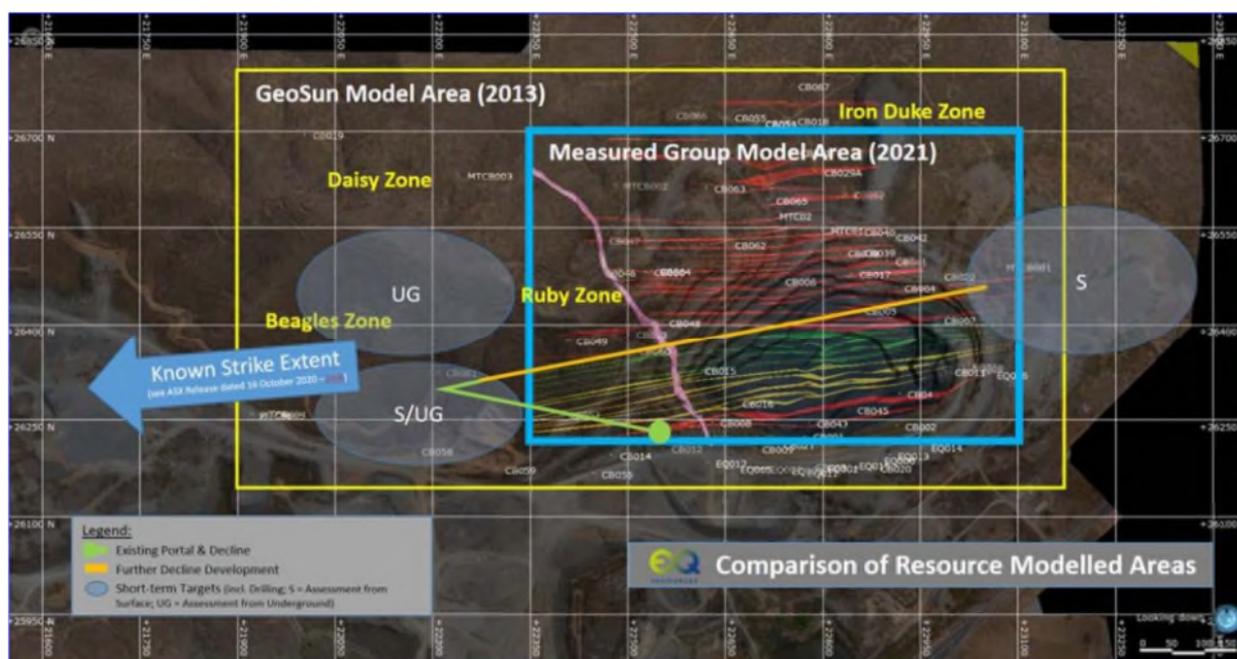
The work was supported by last quarter's 4,074m diamond drill program and the successful completion of the METS Ignited Program which co-funded the trial operation campaign for material from the LGS. The revised In-Situ Hard-Rock Resource of 9.21 million tonnes at 0.63% WO₃ replaces the previous resource estimate published by the Company (by GeoSun, dated 2013).

With the addition of the 12 million tonne LGS grading at 0.075% WO₃, the total metal contained (in the form of WO₃) is approximately 6.7 million mtu (metric ton unit, equal 10 kg).

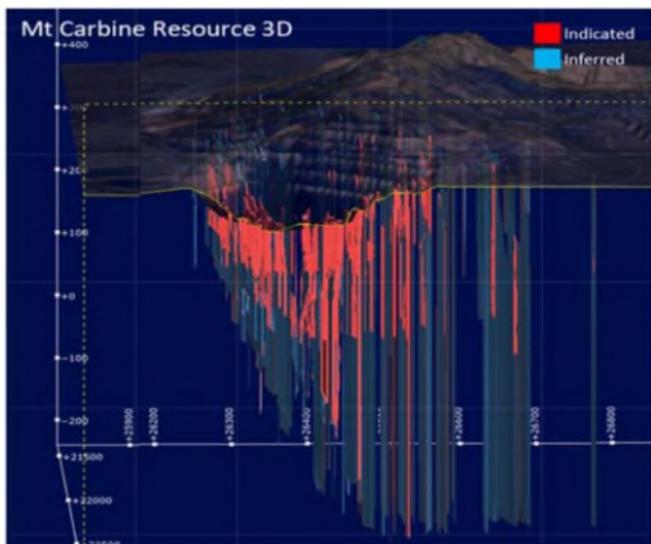
The Indicated Resource at 0.74% WO₃ has 5-times the historical bulk grade of 0.14% WO₃, meaning superior economics. Very few tungsten mines achieve such high mineable grades. With these high grades, the Company anticipates most of the Indicated Resources will make their way into reserves.

Mt Carbine Mineral Resources				
September 2021				
Resource	Classification	Tonnes (Mt)	Grade (% WO ₃)	WO ₃ (mtu)
Low Grade Stockpile Resources				
	Indicated	12.00	0.075	900.000
In-Situ Hard Rock Resources				
	Indicated	2.40	0.74	1,776,000
	Inferred	6.81	0.59	4,017,900
	Sub-total	9.21	0.63	5,793,900
	Total	21.21		6,693,900

1. Total estimates are rounded to reflect confidence and resource categorisation. 2. Classification of Mineral Resources incorporates the terms and definitions from the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012) published by the Joint Ore Reserve Committee (JORC). 3. No upper cut was applied to individual assays for this resource, a lower cut of 0.15% WO₃ was applied, which is the grade where the mineralization forms distinct veins. 4. Drilling used in this methodology was all diamond drilling with ½ core sent according to geological intervals to ALS for XRF15b analysis. 5. Resource estimated was completed using Kriging Methodology. 6. Indicated spacing is approximately 30 m x 30 m; Inferred is approximately 60 m x 60 m. 7. The deposit is a sheeted vein system with subparallel zones of quartz tungsten mineralization that extend for >1.2km in length and remain open. At depth, the South Wall Fault cuts the Iolanthe to Johnson veins but the Iron Duke zones remain open to depth.



Most of the previously Inferred Resources around the open pit have now been converted to Indicated Resources, with the Company being confident that further drilling will continue to also convert the Inferred Iron Duke Zone (see ASX announcement dated 13th July 2021, 'Drilling at Mt Carbine hits Iron Duke Extensions') into Indicated Resources.



3D Block Model with Indicated & Inferred Resources cut thru at 22,900E

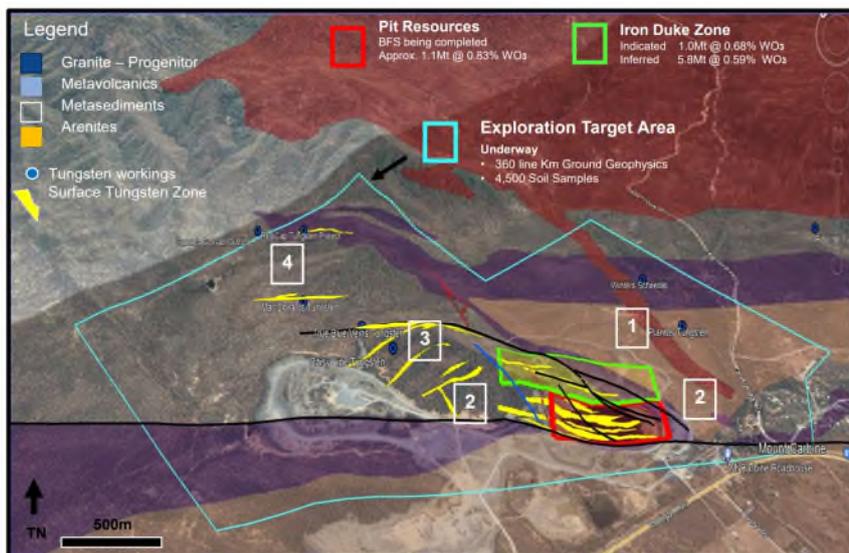
The bulk of the Indicated Resources are located immediately beneath the existing pit. These resources are well situated to be reached by a pit expansion that benefits from the fact that a lot of high-grade mineralisation lies along the lower easy strip side of the old pit. The current BFS reserve modelling due for completion in Quarter 4, 2021 will further determine the extent of the pit expansion.

Given the large inventory of Inferred Resources and the excellent conversion factors into Indicated Resources, this remains the focus of site activity with further drilling targeted for Quarter 1, 2022. The Company is committed to commencing mining in the short term to benefit from the high tungsten prices and high-grade mineralisation at Mt Carbine.

An intense program of ground geophysics was completed with a line spacing of 25m and readings at 2m intervals along the lines. This close spaced ground magnetics was designed to help understand the structures of the Mt Carbine geology and to define regional targets for exploration. In all, the program totalled 342-line kilometres that covered the blue boundary shown on the brownfields map below.

Brownfield Exploration

- 4 Key Areas to investigate within the Mining License
- Completing Detailed Geophysics (Blue Zone) & Soil Program



Development Targets

1. Iron Duke upgrade Inferred Resource of 5.81Mt@0.59%WO₃ to Indicated Resource.
2. Investigate Strike & Depth Extents: Veins extend for 1km westwards & depth remains open
3. Daisy & True Blue Zones – can trace back to Iron Duke
4. McDonalds & Red Cap – substantial workings with good tungsten

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The Company is reviewing the magnetics to identify targets for ongoing drill testing. This will be combined with detailed soil geochemistry that is currently underway and will cover the same area as the geophysics. To date more than 2,200 soil samples have been collected during this quarter from the 3,500 sample program.

Mt Carbine, Qld – Exploration Permit for Minerals (EPM)

MT HOLMES

A regional program of mapping and rock chip sampling located 14 quartz veins up to 8m in width and strikes from 200m - 1,200m in length. It is interesting that these veins are orientated in the same direction as the mineralisation at Mt Carbine albeit more than 20km away. Several of these veins showed visible tin and old workings with reconnaissance sampling commenced via the collection of 82 rock chip samples. The samples have been submitted for assay and will determine the next work program for this area.

New South Wales – Exploration Licences (EL)

BINDING FARM-IN AND JOINT VENTURE AGREEMENT WITH SOZO RESOURCES PTY LTD

In November 2021, EQR entered into a binding Farm-In and Joint Venture Agreement (the “Agreement”) with Sozo Resources Pty Ltd (“Sozo”) whereby Sozo can earn up to an 80% interest in EQR’s Panama Hat and Crow Mountain Projects (EL’s 6648 and 8024) by completing expenditure of A\$1.6M over 4 years.

Sozo is a privately owned mineral exploration company focused on the discovery of economic copper, gold, and nickel deposits within Eastern Australia.

Panama Hat is located approximately 25km southeast of Broken Hill in New South Wales and comprises the historical Huonville Gold Field which lies within the Proterozoic Broken Hill Block which is recognised as one of the richest metallogenic regions in the world.

Crow Mountain is located approximately 30km southeast of Barraba in northern New South Wales and covers a significant strike length of the crustal scale, gold endowed Peel Fault, a potential analogue of the Mother Lode system in California, USA.

Introducing a farm-in partner allows the Company to solely focus on our 100%-owned Mt Carbine Tungsten Mine.

Key Terms of the Farm-In and Joint Venture Agreement between EQ Resources Limited and Sozo Resources Pty Ltd can be found in the ASX release [here](#).

CROW MOUNTAIN – NEW ENGLAND, NSW

A further 6-year term to 19 October 2026 was granted for EQR’s Crow Mountain Exploration Licence (EL 6648) on 4 February 2022.

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	Area	Expiry Date
Queensland, Australia			
ML 4867	Mt Carbine Quarries Pty Ltd	358.5 ha	31/07/2022
ML 4919	Mt Carbine Quarries Pty Ltd	7.891 ha	31/08/2023
EPM 14871	Company	10 sub-blocks	12/12/2025
EPM 14872	Company	21 sub-blocks	11/12/2025
EPM 27394	Company	4 sub-blocks	01/06/2025
New South Wales, Australia			
EL 6648	Company	4 Units	19/10/2026
EL 8024	Company	19 Units	29/11/2024
ML = Mining Lease; EPM = Exploration Permit for Minerals (Qld); EL = Exploration Licence (NSW)			

As noted above, a binding Farm-in and Joint Venture Agreement was entered into with Sozo Resources Pty Ltd whereby Sozo can earn up to an 80% interest in EQR's Panama Hat and Crow Mountain Projects (EL's 6648 & 8024) by completing expenditure of A\$1.6 million over 4 years.

Corporate

Safety Performance

The Company continues to focus on enhancing the safety culture across its multi-site operations at Mt Carbine and engage with mining safety consultancy, Impress Solutions Pty Ltd, on an ad hoc basis to receive support where required in HSE training preparation. Lead and lag safety indicators continue to be tracked for its safety performance and to understand safety trends around the Mt Carbine site. The training and upskilling of employees on all aspects of the operations continue to be a key focus for the Company.

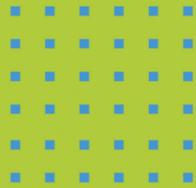
Environmental Activities

The Company continues to engage with the Department of Environment & Science regarding the approval process outlined in the Company's Bankable Feasibility Study released in December 2021.

Competent Person's Statements

EQ Resources' exploration and resource work is being managed by Mr Tony Bainbridge, AusIMM, AIG. Mr Bainbridge is engaged as a contractor by the Company and is not "independent" within the meaning of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Bainbridge has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC Code 2012.

The technical information contained in this announcement relating exploration results are based on, and fairly represents, information compiled by Mr Bainbridge. Mr Bainbridge has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The diamond core samples are assayed at the ALS Laboratory in Brisbane, Australia. Mr Bainbridge has consented to the inclusion in this release of the matters based on his compiled information in the form and context in which it appears in this announcement.



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 2021 (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 2021 was a loss of \$2,300,097 (2020 Half Year Loss \$1,632,725).

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 2021 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

A handwritten signature in black ink, appearing to read 'Oliver Kleinhempel'.

Oliver Kleinhempel
Non-executive Chairman

9 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Note	31/12/2021 \$	31/12/2020 \$
Revenue	2	2,233,646	3,221,279
Other income	2	150,619	131,248
Total revenue & other income		2,384,265	3,352,527
Administration expenses		(294,174)	(275,525)
Consultancy expenses		(34,145)	(52,735)
Depreciation		(164,769)	(115,491)
Amortisation (deferred exploration and evaluation assets)		(21,784)	(108,457)
Development and testwork costs		(150,438)	(231,340)
Exploration expenses written-off		(3,868)	-
Finance costs		(209,273)	(4,722)
Foreign exchange gains (losses)		(119,722)	366,713
Occupancy expenses		(62,132)	(61,962)
Other expenses		-	(12,381)
Production expenses		(1,418,890)	(2,720,008)
Salaries and employee benefits expense		(1,852,514)	(1,551,413)
Share based payments	9	(195,657)	(90,077)
Superannuation		(125,683)	(103,523)
Travel and accommodation		(32,860)	(25,362)
Total Expenses		(4,685,909)	(4,986,283)
Profit (Loss) Before Income Tax Expense		(2,301,644)	(1,633,756)
Income Tax Expense		-	-
Profit (Loss) After Income Tax Expense		(2,301,644)	(1,633,756)
Other comprehensive income/(loss)			
Gain/(loss) on revaluation of financial assets		1,547	1,031
Total Comprehensive Profit / (Loss)		(2,300,097)	(1,632,725)
Attributable to Owners of EQ Resources Limited			
		Cents	Cents
Basic profit (loss) per share		(0.17)	(0.15)
Diluted profit (loss) per share		(0.16)	(0.15)

Consolidated Statement of Financial Position

For the half year ended 31 December 2021

	Note	31/12/2021 \$	30/06/2021 \$
Current Assets			
Cash and cash equivalents		4,507,705	3,504,721
Trade and other receivables	5	1,884,857	1,927,630
Prepayments	5	270,197	324,619
Inventory	3	1,377,839	673,024
Total current assets		8,040,598	6,429,994
Non-Current Assets			
Tenement security deposits	6, 11	1,081,346	1,082,071
Plant and equipment		2,806,177	1,688,685
Right of use assets	13	2,277,398	1,118,930
Inventory	3	6,896,849	7,142,176
Deferred exploration and evaluation	8	9,614,137	8,280,353
Financial assets	4	5,156	3,610
Total Non-Current Assets		22,681,063	19,315,825
Total Assets		30,721,661	25,745,819
Current Liabilities			
Payables		3,382,479	3,647,525
Employee benefits	7	247,028	182,840
Lease liability	13	626,303	268,167
Contract liability – sublease		353,229	242,397
Contract liability – offtake		2,466,290	2,323,423
Convertible notes	10	2,654,612	-
Total Current Liabilities		9,729,941	6,664,352
Non-Current Liabilities			
Employee benefits	7	8,396	24,112
Lease liability	13	1,603,994	681,140
Contract liability – sublease		1,515,149	1,650,481
Total Non-Current Liabilities		3,127,539	2,355,733
Total Liabilities		12,857,480	9,020,085
Net Assets		17,864,181	16,725,734
Equity			
Issued capital	9	22,192,705	20,603,915
Reserves		2,632,585	782,831
Accumulated profit / (loss)		(6,961,109)	(4,661,012)
Total Equity		17,864,181	16,725,734

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

Note	31/12/2021 \$	31/12/2020 \$
Cash Flows from Operating Activities		
Proceeds from sales to customers	3,011,074	3,136,577
Proceeds from deferred revenue	-	312,973
Proceeds from diesel fuel rebate	115,445	41,494
Proceeds from Government COVID-19 relief packages	23,349	77,436
Payment to suppliers and employees	(5,222,938)	(4,275,311)
Interest paid	(2,122)	(4,553)
Interest paid for lease liabilities	(8,836)	(1,509)
Interest received	545	8,691
Net Cash Flows Used in Operating Activities	(2,083,483)	(704,202)
Cash Flows from Investing Activities		
Payments for the purchase of plant and equipment	(828,145)	(761,819)
Payments for capitalised exploration and evaluation expenditure	(1,801,097)	-
Payments of loans made to other parties	(117,500)	-
Payments for tenement security deposits	-	(4,682)
Proceeds from release of tenement security deposits	-	100
Net Cash Flows Used in Investing Activities	(2,746,742)	(766,401)
Cash Flows from Financing Activities		
Net proceeds from the issue of convertible notes	5,697,577	-
Payments for lease liabilities	(30,149)	(4,763)
Proceeds from offtake and working capital loan (unincorporated joint venture)	172,500	2,265
Net Cash Flows from Financing Activities	5,839,928	(2,498)
Net (decrease)/increase in cash held	1,009,703	(1,473,101)
Add opening cash brought forward	3,504,721	2,989,859
Effect of movement in exchange rates on cash held	(6,719)	(13,773)
Closing Cash Carried Forward	4,507,705	1,502,985

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

Consolidated	Attributable to the Shareholders of EQ Resources Limited				
	Issued Capital \$	Accumulated Losses \$	Convertible Note Reserve \$	Reserves \$	Total Equity \$
At 1 July 2020	15,023,117	(86,821)	-	-	14,936,296
Profit / (loss) for the period	-	(1,633,756)	-	-	(1,633,756)
Prior year adjustment	-	-	-	-	-
Other comprehensive income for the period	-	1,031	-	-	1,031
Total comprehensive loss for the period	-	(1,632,725)	-	-	(1,632,725)
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share based payments	-	-	-	90,077	90,077
Total transactions with owners in their capacity as owners	-	-	-	90,077	90,077
Balance at 31 December 2020	15,023,117	(1,719,546)	-	90,077	13,393,648
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)
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

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 2021, the consolidated entity incurred a total comprehensive loss of \$2,300,097 (2020: \$1,632,725), incurred cash outflows from operations of \$2,083,483 (2020: \$704,202) and had a net working capital deficit of \$1,689,343 (June 2021: \$234,358 deficit). Whilst current assets increased by \$1,610,604 over the prior period the classification of convertible notes as a current liability, as per Accounting Standard AASB101 along with an increase in lease liabilities were the main drivers for the increased deficit.

Throughout the reporting period, the Company continued development of its key assets at Mt Carbine. Main development cost driver was the preparation of the Bankable Feasibility Study (BFS) released in December 2021, in addition to Capex investment in quarry and joint venture property (as informed to the market under the 'Early Works Program'). The BFS confirmed positive economics for the Mt Carbine Tungsten Project, comprising of the low-grade stockpile retreatment and open mining.

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. The Project's Early Works program will be completed within April 2022, providing additional processing capacity and subsequently expecting additional tungsten concentrate volumes for sale starting in April.

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 2021.

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 2021 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 2021 annual financial report for the financial year ended 30 June 2021. 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

Revenue	31/12/2021 \$	31/12/2020 \$
Sales	2,208,261	3,208,479
Sub-lease rent (unincorporated joint venture)	24,500	7,340
Interest received – other persons/corporation	885	5,460
	2,233,646	3,221,279
Other income		
Employment incentives and COVID-19 relief (various)	36,336	54,663
Diesel fuel rebates	114,283	76,585
	150,619	131,248
Total revenue and other income	2,384,265	3,352,527

3. INVENTORY

	31/12/2021 \$	30/06/2021 \$
Current		
Finished goods	1,159,322	493,400
Work-in-progress	46,015	7,953
Raw materials	96,064	64,661
Workshop inventory	76,438	107,010
	1,377,839	673,024
Non-current		
Raw materials	6,896,849	7,142,176
	6,896,849	7,142,176
	8,274,688	7,815,200

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

	31/12/2021 \$	30/06/2021 \$
Shares in listed companies:		
Critical Resources Limited (ASX: CRR) (formerly Force Commodities Ltd ASX: 4CE)	5,156	3,610

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

	31/12/2021 \$	30/06/2021 \$
Trade Receivables	1,175,554	1,213,453
Less: Allowance	-	-
	1,175,554	1,213,453
Taxation receivables	422,164	384,889
Other Receivables	287,139	329,288
Total Trade & Other Receivables	1,884,857	1,927,630
Prepayments	270,197	324,619

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

	31/12/2021 \$	30/06/2021 \$
Tenement security deposits	1,075,385	1,075,385
Other security deposits	5,961	6,686
	1,081,346	1,082,071

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

	31/12/2021 \$	30/06/2021 \$
Current		
Annual leave provision	247,028	182,840
	247,028	182,840
Non-current		
Long service leave provision	8,396	24,112
	8,396	24,112

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31/12/2021 \$	30/06/2021 \$
Costs brought forward	8,280,353	6,896,994
Costs incurred during the period	1,355,568	1,572,597
Exploration and evaluation expenditure written down	-	-
Capitalised portion of R&D tax offset	-	(13,200)
Total deferred exploration and evaluation	9,635,921	8,456,391
Amortisation deferred exploration and evaluation	(21,784)	(176,038)
Costs carried forward	9,614,137	8,280,353
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	-
Expenditure on non-joint venture areas	9,614,137	8,280,353
Costs carried forward	9,614,137	8,280,353

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

	31/12/2021 \$	30/06/2021 \$
Shares		
Share Capital		
1,344,186,938 (30 June 2021: 1,313,354,631) ordinary shares fully paid	22,192,705	20,603,915
	22,192,705	20,603,915

Movements in Ordinary Share Capital

1 July 2021 to 31 December 2021	Date	Number of Shares	Issue Price	\$
Balance b/fwd		1,313,354,631		20,603,915
Issue of 11,560,592 shares @ \$0.065 per share on the conversion of 750,000 convertible notes plus accrued interest to conversion date (refer ASX announcement dated 28 September 2021)	28/08/2021	11,560,592	\$0.065	751,438
Issue of 9,646,535 shares @ \$0.065 per share on the conversion of 625,800 convertible notes plus accrued interest to conversion date (refer ASX announcement dated 29 September 2021)	29/09/2021	9,646,535	\$0.065	627,025
Issue of 9,625,180 shares @ \$0.065 per share on the conversion of 624,200 convertible notes plus accrued interest to conversion date (refer ASX announcement dated 30 September 2021)	30/09/2021	9,625,180	\$0.065	625,637
Issue costs - 6,000,000 convertible notes				(415,310)
Balance as at 31 December 2021		1,344,186,938		22,192,705

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 2021	84,000,000	0.055	782,831
Options recognised as share issue costs	7,250,000	0.065	145,357
Options recognised as capitalised borrowing costs	17,750,000	0.065	361,407
Amortisation share based payments	-	-	195,657
Forfeited / cancelled	-	-	-
Exercised	-	-	-
Expired	-	-	-
Balance at 31 December 2021	109,000,000	0.058	1,485,252

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)
Employee Options					
Issue EQRAB	2,000,000	2,000,000	0.0400	05/05/2023	1.85
Issue EQRAC	3,000,000	3,000,000	0.0600	05/05/2023	1.85
Issue EQRAD	2,000,000	2,000,000	0.0400	01/07/2023	2.00
Issue EQRAE	3,000,000	3,000,000	0.0600	01/07/2023	2.00
Issue EQRAF	2,000,000	2,000,000	0.0400	01/02/2024	2.59
Issue EQRAF	25,000,000	25,000,000	0.0650	17/09/2023	1.71
Issue EQRAG	30,000,000	30,000,000	0.0432	19/03/2024	2.72
Outstanding at 31 December 2021	67,000,000	67,000,000			

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 2021	-
Nominal value of convertible notes issued on 17 September 2021	6,000,000
Gross equity component of convertible note	(1,721,000)
Liability component at 17 September 2021	4,279,000
Gross equity component of notes converted	(1,426,333)
Amortisation of borrowings at effective interest rate	121,497
	2,974,164
Capitalised borrowing costs	(319,552)
Liability component at 31 December 2021	2,654,612

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 \$1,075,385 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 2021 that have not previously been reported other than:

- The Federal Government's Advanced Manufacturing Growth Centre (AMGC) co-investing \$600,000 to fully commercialise the XRT Ore-sorting flowsheet as incorporated into EQ Resources' Mt Carbine Expansion Project (refer ASX Announcement 'Federal Government Co-invests in High-Tech Ore-Sorting Process' dated 25 January 2022).
- Binding Terms agreed with leading mining technology company Sandvik on the delivery and financing of the crushing and screening mechanical and structural equipment for the Company's expansion program at Mt Carbine. Refer ASX Announcement 'Binding terms for crushing plant financing agreed' dated 8 March 2022 for details surrounding the financing terms.

13. EQUIPMENT LEASES

	31/12/2021 \$	30/06/2021 \$
Right-of-use assets		
Opening balance	1,118,930	1,225,390
Additions:		
- Plant & equipment	2,618	57,066
- Motor vehicle	125,533	-
- Heavy machinery	1,245,351	-
Depreciation charge for the year	(215,034)	(163,526)
Closing balance	2,277,398	1,118,930
Lease Liability - Maturity Analysis		
Less than 1 year	626,303	268,167
1 to 5 years	1,603,994	681,140
5+ years	-	-
	2,230,297	949,307
Amounts Recognised in profit or loss		
Interest on lease liabilities	35,156	29,425
Expenses relating to short-term leases	699	-
	35,855	29,425
Amounts recognised in statement of cash flows		
Total cash outflow for leases	38,985	10,523

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 2021, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2021. 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 2021, 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.

	31/12/2021			30/06/2021		
	Total \$	Queensland \$	NSW \$	Total \$	Queensland \$	NSW \$
REVENUE						
Revenue & Other Income	2,384,265	2,384,265	-	5,418,700	5,418,700	-
Total segment revenue	2,384,265	2,384,265	-	5,418,700	5,418,700	-
RESULTS						
Net profit / (loss) before income tax	(2,300,097)	(2,300,097)	-	(4,574,191)	(4,574,191)	-
Income tax	-	-	-	-	-	-
Net profit / (loss)	(2,300,097)	(2,300,097)	-	(4,574,191)	(4,574,191)	-
ASSETS AND LIABILITIES						
Assets	30,721,661	30,526,647	195,014	25,745,819	25,568,239	177,580
Liabilities	12,857,480	12,857,480	-	9,020,085	9,020,085	-

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 2021 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
9 March 2022

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 2021 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**



**Ben Bester
Director**

Dated this 9th day of March 2022.

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 2021, 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 2021 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.

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 2021 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 9th day of March 2022.

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.



RESOURCES

resourcing the new economy for a better tomorrow

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