

EQUATOR

RESOURCES LIMITED

ACN: 127 411 796

28 November 2016

High Grade Cobalt Project Acquisition, Canada

Highlights:

- **STRATEGIC COBALT ASSETS ACQUISITION:** Binding Term Sheet executed to purchase up to 100% interest in high grade, strategic Cobalt properties (Assets), located in the Cobalt Town region of Ontario, Canada. Ontario is a leading mining jurisdiction and the Cobalt camp is close to infrastructure, power, sealed roads, water, milling and a refinery.
- **HIGH GRADE COBALT POTENTIAL:** including grades as high as 12.3% (average 5.84%, range 0.42-12.3%)ⁱ from sampling works undertaken on the Lang-Caswell property, which form part of the Assets. Records from historical mines (Lang-Caswell mine) on the claims also confirms the occurrence of high grade cobalt mineralisation.
- **HISTORICAL SILVER/COBALT PRODUCTION:** Mineralisation in the area occurs as silver-cobalt arsenides. The Keeley Frontier mine is located directly adjacent to some of the Assets and historically produced 19Moz of Ag and 3.3Mpds of Coⁱⁱ. Historical production records indicate mined grades of 620-780 g/t Ag and 0.5% Co. The Cobalt Lode Mine is also located near part of the Assets, where production records indicate historical mined grades of 520g/t Ag and 0.5% Coⁱⁱⁱ. This style of mineralisation is associated with exceptionally high grades of cobalt and has led to significant high grade production in the past.
- **LARGE ACREAGE POSITION SECURED:** The property spans over 13,000 acres (53km²) of mining claims covering both exploration and historical mining areas, and is the largest land package in the region targeting cobalt-silver mineralization potential.
- **ESTABLISHED MINING REGION:** Located in Ontario, the Cobalt camp is a proven silver/cobalt mining jurisdiction with over 600Moz silver (Ag) and 45Mlbs of cobalt (Co) from historic production.
- **SIGNIFICANT EXPLORATION POTENTIAL:** Minimal modern exploration in the Cobalt camp with most historical mining focused on easy to access outcrops and targeted towards silver rather than cobalt which was not in demand at the time.
- **PROVEN MANAGEMENT ABILITY:** Experienced operational and corporate executive team in place, with Canadian geological and mining team to develop the Assets and future cobalt projects.
- **IMMEDIATE FUNDING SECURED:** Equator to raise \$1.25m in new capital at issue price of \$0.02 to fund immediate work programs on the Assets as part of the Acquisition.

Equator Resources Limited (ASX: EQU) (the "Company" or "Equator") is pleased to announce it has signed a Binding Term Sheet to acquire up to 100% of Ophiolite Consultants Pty Ltd (Ophiolite). Under the terms of the agreement, the Company will also raise \$1.25m in new capital at issue price of \$0.02 to fund immediate work programs on the Assets, as part of the Acquisition.

Ophiolite holds the Cobalt Camp Project (the "Assets") a total claim area of 13,470 acres (~53km²) located near the town of Cobalt, Ontario Canada. The acquisition of Ophiolite will position Equator as the largest unpatented claim holder in the Cobalt region of Ontario targeting Co-Ag.

Equator has agreed to purchase an initial 80% interest (the "Acquisition") in Ophiolite with an option to acquire the remaining 20% interest. Completion of the Acquisition is subject to Equator shareholder approval and Equator undertaking a due diligence review of the Cobalt Camp Project and Ophiolite for a period of 60 days from signing of the Binding Term Sheet (dated 25 November 2016).



Figure 1: Project Location Map

Cobalt Camp Project Summary:

The Assets comprise both patented and unpatented claims which are 100% owned by Ophiolite. These cobalt projects are in 3 main areas located in the Cobalt town region of Ontario, Canada. The 3 existing project areas are as follows:

- **Cobalt Town Claims** - 5,437 acres
- **Lorrain Valley Cobalt Claims** – 4,257 acres
- **Silver Centre Cobalt Claims (South Lorrain)** – 3,776 acres

Historical sampling from the Cobalt Camp Project areas has reported Co grades of up to 12.3%, with high grade cobalt present in cobaltite, erythrite ("Cobalt Bloom"), nickel-cobalt arsenides (assays indicate Ni grades of up to 3.74%) as well as the more common silver-cobalt arsenides. (source: *Prospecting Report 1998 2.19051 "MNDM"*)

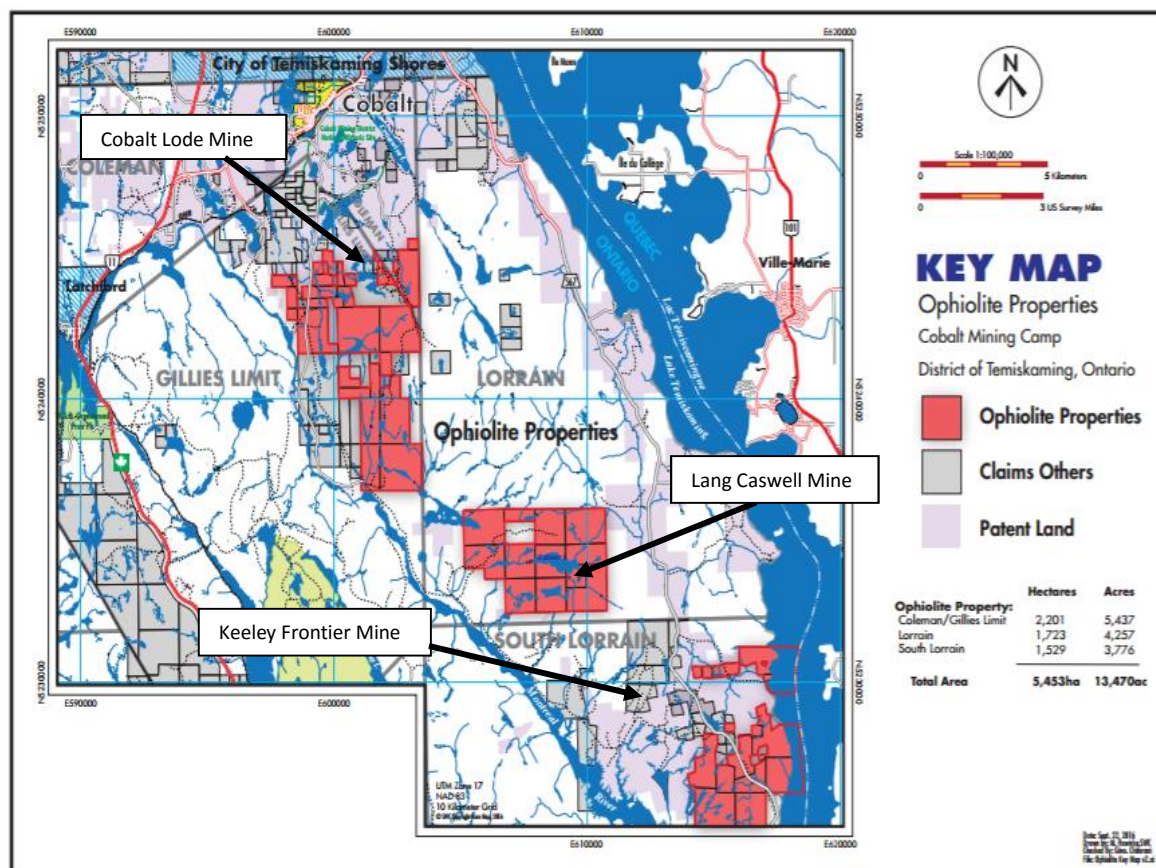


Figure 2: Location of Claims within the Cobalt Camp

The Cobalt area is an established Tier-1 mining district, with extensive road, rail and port infrastructure, able to target future production to key North American, and export markets. The district is a proven mining region with over 600Moz Ag and 45Mlbs of Co production from previous operating mines. Much of this silver was extracted in early 1900's, with minimal focus on Co or on high grade Co regions which were typically left behind or used as a tracer to track silver.

Mineralisation in the area occurs as silver-cobalt arsenides plus other cobalt arsenides such as skutterudite, cobaltite, smaltite hosted within quartz and calcite veins. Historical sampling from some of these veins shows exceptionally high grades of cobalt (4-12%). (source: Ontario Ministry of Northern Development and Mines "MNDM")

Within the Assets, the vast majority of cobalt mineralised zones is related to the Nipissing diabase, Huronian sediments and Keewatin volcanics - particularly near contact points between the diabase and the latter two rock types, which is typical regionally. The Assets cover over 20kms of highly prospective ground along these contact points.

The Project claims include and are adjacent to former operating mines with historic silver and cobalt production. Miners in early 1900s targeted easy to access outcrop due to the lack of geophysical technology that exists today. There has been minimal modern day exploration carried out to date.

The Cobalt Camp Projects include significant exploration upside and further growth opportunities due to minimal modern exploration techniques applied, structures are relatively shallow and amenable to IP analysis and low cost shallow drilling. Former mines provide a significant database for the Company on production assets and for exploration programs to target along strike.

Increasing Demand for Cobalt – Global Thematic and Security of Supply from First World:

Cobalt is a key component of the battery chemistry for lithium ion batteries. There is more cobalt by dollar value and weight being used in the main lithium-ion battery types than lithium. Over 40% of Cobalt production is currently used in batteries with demand expected to grow over 68% over the next decade (reference CRU report) with 49% of demand growth being from batteries. Cobalt is in the early stages of a transformational demand shift due to its being a critical component of lithium ion batteries which are predominantly used in electric vehicles and storage.

Cobalt is a LME traded commodity and the price of Cobalt has increased over 20% during 2016 (currently US\$29,000/ tonne). As demand increases, investors and traders continue to position themselves to source cobalt for the numerous large scale lithium-ion battery factories that are under construction and expected to be completed from 2016 to 2020 such as the Tesla Gigafactory in the US.

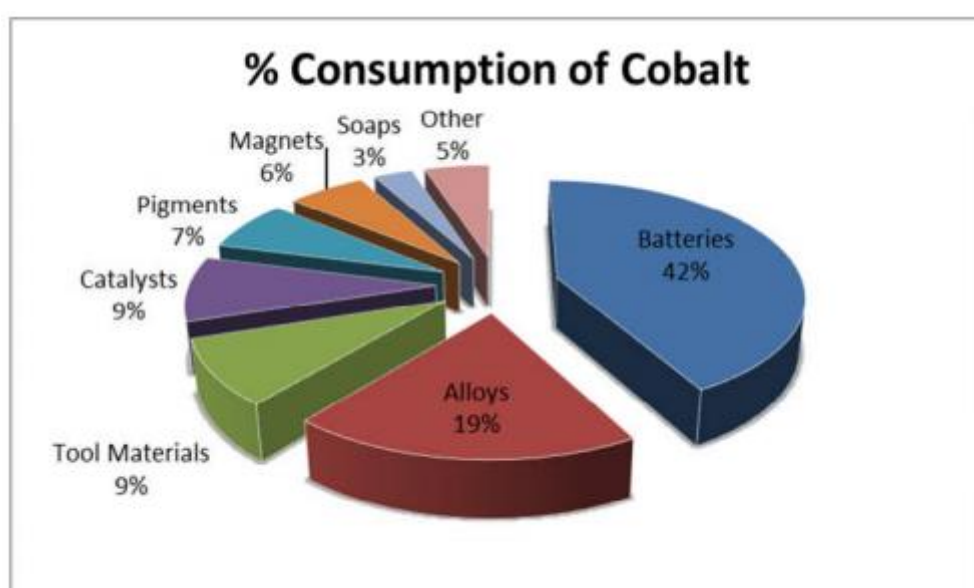


Figure 3: Uses of Cobalt

Cobalt Supply Chain Issues:

Cobalt is typically mined as a low grade by-product of copper or nickel. With nickel and copper prices under pressure and forecast to remain weak this by product is an uncertain and reduced source of supply. In addition, over 55% of the cobalt produced comes from the Democratic Republic of Congo (of which 94% makes its way to China) which has a history of supply side disruptions and significant sovereign risk. In 2016, Amnesty International released a report highlighting human rights and child labour abuses at its cobalt mines. Clean supply chain sourcing for battery materials and associated branding issues/ customer expectations are expected to become an increasingly important issue for multinationals that source cobalt for their lithium-ion batteries. Clean jurisdictions such as Canada are expected to benefit from this supply-chain shift.

Initial Exploration Strategy:

Subject to the completion of the Acquisition, the Company immediately plans to commence an initial exploration program that will include:

- Conducting an Airborne EM survey over the 3 key project areas,
- Conduct an IP survey, and
- Drilling program targeted for mid-2017 following detailed first phase data analysis.

Terms of the Acquisition:

Subject to Shareholder approval, the terms of the acquisition to acquire 80% immediately, and up to 100% of Ophiolite is set out below:

- Provide up to \$500,000 as a loan facility to Ophiolite for the funding of agreed exploration activities on the Assets until settlement, on standard commercial terms for a term of up to 6 months;
- Issue 75,000,000 ordinary shares in Equator to the owner (or their nominee) of Ophiolite.

The Company will also:

- Issue 25,000,000 Performance Shares to Ophiolite, or its nominees (Vendor Performance Shares). The Performance Shares will vest on satisfaction of a milestone, being a new cobalt transaction being completed by Equator as introduced by the vendor, in respect of a new cobalt project asset or investment. The board of Equator will have full discretion if the new project is suitable.
- Issue 25,000,000 Performance Shares as a facilitation fee (Facilitation Performance Shares) to parties that assisted in the project acquisition. The Performance Shares will vest on satisfaction of a performance milestone for the provision of ongoing services to the Company up to 31 December 2017.

The vendor has also granted Equator a call option to acquire the remaining 20% of Ophiolite as follows:

- 25,000,000 options exercisable at \$0.03 exercisable within 3 years after grant. It is a condition of exercise that Equator has been provided by the vendor with a report on the Assets that is equivalent to and compliant as a NI 43-101 report on the Assets; and
- 25,000,000 options exercisable at \$0.06 cents within 3 years after grant. It is a condition of exercise that Equator has released a report in respect of the Project confirming a JORC and/or NI 43-101 compliant resource or on any subsequent complementary mining asset acquired by Equator if it was introduced by the vendor group.

If both tranches of the call options vest then Equator has the option (but not obligation) to require the transfer of the remaining 20% in Ophiolite (resulting in Equator becoming a 100% shareholder).

If only one tranche of the options has vested then Equator has the option (but not obligation) to require the transfer of a 10% shareholding interest in the Company to Equator and the parties agree to enter into good faith discussions regarding the remaining 10% shareholding interest in Ophiolite by Equator at a price to be agreed between the parties.

The vendor's corporate advisor to the Acquisition was Chieftain Securities.

Capital Raising:

As part of the Acquisition, Equator has received firm commitments to raise \$1,250,000 at \$0.02 per share ("Placement") to fund the planned work programs on the Assets and for working capital.

The Company will complete the Placement under a section 708 (10) cleansing prospectus which will be released over the coming week.

Shareholder Meeting:

Shareholder approval will also be sought for the purchase of Ophiolite. A notice of meeting will be lodged with the ASX and sent to Shareholders during December 2016 and the Shareholders meeting is expected to be held in late January 2017.

Board Changes:

Subject to completion of the acquisition of Ophiolite, the vendors will be entitled to nominate a person to the Board as a Non-Executive director.

Also, subject to completion of the Acquisition, Mr Alexander Passmore will move from Non-Executive Director to an Executive Director position on the board.

Jason Bontempo
Executive Director

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Gary Grabowski, who is a member of the Association of Professional Geoscientists of Ontario. Mr Grabowski is a geological consultant for the Company. Mr Grabowski has forty years relevant exploration experience, which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Grabowski consents to their inclusion in the report of the matters based on his information in the form and context in which it appears.

ⁱ Simpson M. and Weiring S. 1998., Prospecting Report for the 1998 Season.

ⁱⁱ Harron GA 2008 Technical Report on Keeley Frontier Project, South Lorraine Township, Larder Lake M.D. Ontario.

ⁱⁱⁱ Sergiades AO. 1968., Silver Cobalt Vein Deposits of Ontario. Ontario Department of Mines.

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> Where reporting historical production grades or quantities this ASX Release refers to historical production records from the Ontario Mines Department or subsequent technical reports which have been based on such. Sampling at Lang Caswell by previous explorers – shaft dump reported to consist of 1000 tons by order of magnitude calculations was hand trenched and sampled for assay at random locations. Initial samples submitted for assay on June 30, 1998 showed Cobalt values from 2.64% - 10.76% although silver values were relatively low. This was considered to be the result of high-grade silver mining practices of the past. A second trenching and sampling was done and submitted for assay on July 24, 1998. Assays returned similar low silver values while cobalt values ranged from 2.75% - 12.30% The highest nickel value overall was 3.83%. Other mineral values were negligible.
Drilling techniques	<ul style="list-style-type: none"> <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> No Drilling results have been included in this release. Some historical drill results are available however detailed drilling reports are being compiled.
Drill sample recovery	<ul style="list-style-type: none"> <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> No Drilling results have been included in this release. Some historical drill results are available however detailed drilling reports are being compiled.
Logging	<ul style="list-style-type: none"> <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> <i>Whether logging is qualitative or quantitative in nature. Core (or costean,</i> 	<ul style="list-style-type: none"> Not applicable as only historical results are available at this stage

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	<ul style="list-style-type: none"> channel, etc) photography. The total length and percentage of the relevant intersections logged. 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Not available as only historical results are available at this stage
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Not available as only historical results are available at this stage.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Not available as only historical results are available at this stage.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> Lang Caswell location data collected from handheld GPS unit in 1998 with an estimated 10m accuracy. Shaft location and mine locations well known and mapped.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. 	<ul style="list-style-type: none"> Sampling of Lang Caswell shaft dump was via hand sampling and

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	while the results indicate presence of mineralisation the company is unable to determine the continuity of any ore body from this.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> Production results and mined grades are calculated from tonnes mined versus metal sold over the mining period. Historical ore body reconciliation data is not available at this stage.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Not applicable for historical production records.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> No audits or reviews of sampling completed to date.

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> Ophiolite holds the Cobalt Camp Project (the "Project") a total claim area of 13,470 acres (53km²) located near the town of Cobalt, Ontario Canada.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The company is in the process of assessing exploration by other parties over the past 100 years. Much of the exploration has been carried out by smaller prospecting companies in a period between 1950-1990.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Mineralisation in the area occurs as silver-cobalt arsenides plus other cobalt arsenides such as skutterudite, cobaltite, smaltite hosted within quartz and calcite veins. Historical sampling from some of these

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		veins shows exceptionally high grades of cobalt (4-12%) (source: Ontario Ministry of Northern Development and Mines "MNDM"). Within the Assets, the vast majority of cobalt mineralised zones is related to the Nipissing diabase, Huronian sediments and Keewatin volcanics - particularly near contact points between the diabase and the latter two rock types, which is typical regionally.
Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> • No drill hole results are included in the reported exploration results. Material information is included in the body of the report.
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • Not applicable as historical results reported only. • No metal equivalent reporting is applicable to this announcement • No metal equivalent values reported
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole 	<ul style="list-style-type: none"> • Due to the early stage of exploration at the Cobalt Claims Project relationships between mineralisation is not yet understood. Apart from Co mineralisation being associated with AG mineralisation contained within veins and structures proximal to the

Criteria	JORC Code explanation	Commentary
	<i>length, true width not known').</i>	<p>contact between Nippissing Diabase and country rocks.</p> <ul style="list-style-type: none"> No drill hole results are reported
Diagrams	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> Included in body of report as deemed appropriate by the competent person for the stage of exploration the company is currently at.
Balanced reporting	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> The company is in the process of compiling historical data hence a comprehensive data set is not available.
Other substantive exploration data	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> Meaningful observations included in the body of the report
Further work	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> The company plans to compile historical production records and exploration results from the Cobalt Claims Project and then carry out geophysical test work to better identify the contact zone between the Nippissing Diabase and country rocks and where vein swarms sit in relation to this contact. In the summer drilling season drilling it is expected a verification drilling program will be carried out. The company is in early stages of assessment of the project and is not in a position to provide detailed diagrams showing potential extensions at this time.