

EQUATOR RESOURCES LIMITED

ACN 127 411 796

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at Level 1, 35 Richardson Street, West Perth, Western Australia on 6 February 2017 at 10.00am (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9212 0104.

EQUATOR RESOURCES LIMITED

ACN 127 411 796

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Equator Resources Limited (**Company**) will be held at Level 1, 35 Richardson Street, West Perth, Western Australia on 6 February 2017 at 10.00am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 4 February 2017 at 10.00am (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Change to Scale of Activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Issue of Vendor Consideration Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 100,000,000 Shares in consideration for the acquisition of an 80% interest in Ophiolite Consultants Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. This exclusion includes the Vendor and its nominees.

3. Resolution 3 – Issue of Performance Options

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 50,000,000 Performance Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. This exclusion includes the Vendor and its nominees.

4. Resolution 4 – Issue of Facilitation Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Ratification of Prior Issue - Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the allotment and issue of 35,125,000 Shares on the terms and conditions set out in the Explanatory Statement”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 – Approval for a Related Party to Participate in Share Placement

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue up to 2,500,000 Shares to a Related Party, being a relative of Mr Nicholas Rowley, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Rowley (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 3 January 2017

BY ORDER OF THE BOARD



Michael Naylor
Company Secretary
Equator Resources Limited

EQUATOR RESOURCES LIMITED

ACN 127 411 796

EXPLANATORY MEMORANDUM

1. Introduction

1.1 General

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 35 Richardson Street, West Perth, Western Australia on 6 February 2017 at 10.00am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1.2 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2. Background

2.1 Summary of Resolutions

This Notice of Meeting sets out the Resolutions necessary to complete the acquisition of up to 100% of the issued share capital in Ophiolite Consultants Pty Ltd (**Ophiolite**), the owner of the Cobalt Camp Project in Ontario, Canada (further details are set out in section 2.2 to 2.4) (**Acquisition**). A summary of the Resolutions is as follows:

- (a) the Acquisition, if successfully completed, will represent a significant change in the scale of the Company's operations, for which shareholder approval is required under ASX Listing Rule 11.1.2 (Resolution 1);
- (b) the issue of 100,000,000 Shares to the Vendor in part consideration for the acquisition of 80% of the issued shares in Ophiolite (Resolution 2);
- (c) the issue of 50,000,000 Performance Options to the Vendor and the Facilitators in consideration for the Vendor granting a call option to purchase the remaining 20% interest in the issued capital of Ophiolite (Resolution 3);
- (d) the issue of 25,000,000 Shares to the Facilitators as a facilitation fee regarding the Acquisition (Resolution 4);

- (e) the ratification of the prior issue of 35,125,000 Shares on 7 December 2016, pursuant to a capital raising undertaken to fund the exploration of the assets that are held by Ophiolite (Resolution 5); and
- (f) the participation by a related party of Mr Nicholas Rowley in the Share Placement the subject of Resolution 5 (Resolution 6).

2.2 Summary of Acquisition

On 28 November 2016, the Company announced it had signed a Binding Terms Sheet to acquire up to 100% of the issued capital in Ophiolite Consultants Pty Ltd (**Ophiolite**).

Ophiolite is a private company registered in Australia, which holds the Cobalt Camp Project (**Project**), a total claim area of 13,470 acres (5300 hectares) located near the town of Cobalt, Ontario Canada. The acquisition of Ophiolite will position the Company as the largest unpatented claim holder in the Cobalt region targeting Co-Ag.



Figure 1: Project Location Map

The Company has agreed to purchase an initial 80% interest in Ophiolite with an option to acquire the remaining 20% interest.

Completion of the Acquisition is subject to certain conditions including the Company obtaining Shareholder approval and the Company undertaking a due diligence review of the Project and Ophiolite for a period of 60 days from signing of the Binding Terms Sheet (dated 28 November 2016 and summarized in section 2.5).

Accordingly, it should be noted as a specific risk factor that there is uncertainty that the Acquisition will proceed given its conditional nature.

2.3 The Cobalt Camp Project

The Project comprises 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 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.¹

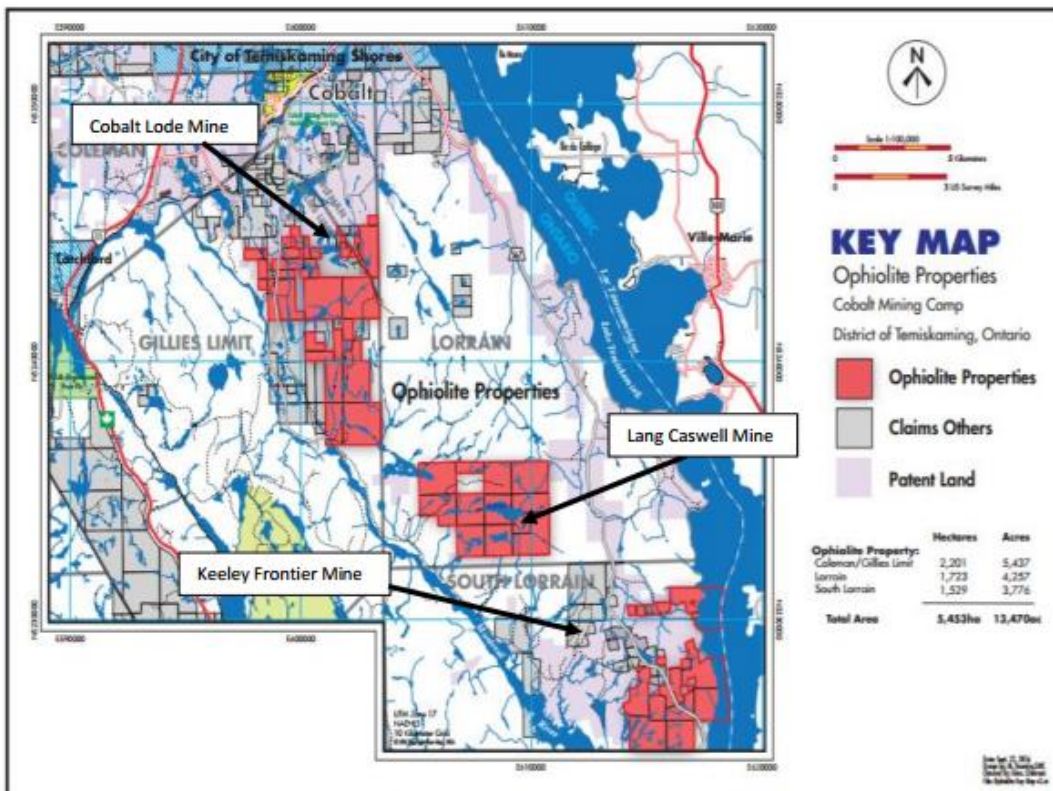


Figure 2: Location of Claims within the Cobalt Camp

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%).²

Within the Project, 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 Project covers over 20kms of highly prospective ground along these contact points.

¹ Prospecting Report 1998 2.19051 "MNDM"

² Ontario Ministry of Northern Development and Mines "MNDM"

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 Project includes 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.

2.4 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;
- Conducting an IP survey, and
- A drilling program targeted for mid-2017 following detailed first phase data analysis.

2.5 Binding Terms Sheet

The material terms of the Binding Terms Sheet pursuant to which the Company has agreed to acquire up to 100% of the issued capital in Ophiolite are as follows:

- (a) **(Sale and Purchase)**: the sole shareholder of Ophiolite, Ms Sonja Louise Newman Heath, (**Vendor**) has agreed to sell to the Company 80% of the issued capital in Ophiolite (comprising 80 Ophiolite Shares) (**Initial Interest**) and to grant the Company a call option to acquire the further 20% of the issued share capital in Ophiolite (comprising 20 Ophiolite Shares) (**Remaining Interest**).
- (b) **(Conditions Precedent)**: Completion of the Acquisition remains subject to the following conditions precedent:
 - (i) confirmation from the ASX that the terms and conditions of the Vendor Performance Options are not inconsistent with the ASX Listing Rules;
 - (ii) the Company, and the Vendor and Mr James Thompson, being the manager of Ophiolite (**Manager**) each undertaking due diligence investigations on the other, to their sole satisfaction, within 60 days of execution of the Binding Terms Sheet (**Due Diligence**). The period for due diligence may be extended by a period of 30 days by mutual agreement between the parties;
 - (iii) the Company obtaining Shareholder approval for the Acquisition and related transactions;
 - (iv) the parties entering into a formal sale agreement in respect of the Acquisition (if required by the Company);
 - (v) the Company having a cash balance of at least A\$2,600,000 and creditors of no more than A\$175,000 on the date of completion of the Acquisition (including the Loan Facility, as defined in paragraph (e) below); and
 - (vi) any regulatory approvals for the transfer of the Vendor's interest to the Company.

(c) **(Consideration):** In consideration for the purchase of up to a 100% interest in Ophiolite, on completion of the Acquisition (**Completion**), the Company has agreed to issue the following Securities to the Vendor and Facilitators:

(i) **(Vendor Consideration):** the Company will issue to the Vendor (or her nominees):

- (A) 100,000,000 Shares at a deemed issue price of \$0.02 per Share (**Vendor Consideration Shares**) (having a total deemed value of \$1,500,000);
- (B) 20,000,000 Options exercisable at \$0.03 on or before the date that is three (3) years from the date of issue, vesting upon the Company being provided by the Vendor with a report on the claims the subject of the Project (**Claims**) that is equivalent to and compliant as a NI 43-101 report on the Claims (**Tranche 1 Options**); and
- (C) 20,000,000 Options exercisable at \$0.06 on or before the date that is three (3) years from the date of issue, vesting upon the Company releasing a report in respect of the Claims confirming a JORC and NI 43-101 compliant resource or on any subsequent complementary mining asset acquired by the Company if it was introduced by the Vendor group (**Tranche 2 Options**); and

(ii) **(Facilitation Fee):** the Company will issue:

- (A) 25,000,000 Shares at a deemed issue price of \$0.02 per Share (having a total deemed value of \$500,000) to parties that assisted with the Project Acquisition. These Shares will be issued subject to a holding lock which will be released subject to the Company being satisfied that these parties have provided ongoing corporate services to the Company up to 31 December 2017 (**Facilitation Shares**). In the event the corporate services are not provided to that date, the parties agree to cancel the Facilitation Shares and the Company will seek any necessary approvals to effect that cancellation;
- (B) 5,000,000 Tranche 1 Options; and
- (C) 5,000,000 Tranche 2 Options (together with the Tranche 1 Options referred to in paragraph (ii)(B) above, the **Facilitation Performance Options**).

The terms of the Performance Options to be issued are set out in Schedule 3 of this Notice. It should be noted that the performance hurdle for the grant of the Tranche 1 Options is solely the release of a NI 43-101 report on the Claims (no resource requirement), whereas the performance hurdle for the Tranche 2 Options is the higher threshold of a report that is compliant with JORC and NI 43-101 and which confirms a resource on the Claims or a complementary mining asset acquired.

(d) **(Call Option):**

- (i) The Vendor has agreed to grant a call option to the Company pursuant to which the Company may acquire the Remaining Interest (**Call Option**).
- (ii) The Call Option may be exercised at any time within three (3) years from Completion, while the Claims are and remain granted.

- (iii) **(Exercise of the Call Option):**
 - (A) If both Tranche 1 Options and Tranche 2 Options (together the **Performance Options**) vest, then the Company has the option (but not the obligation) to require the transfer of the Remaining Interest to the Company; or
 - (B) if only one tranche of the Performance Options has vested, then the Company has the option (but not the obligation) to require the transfer of a 10% interest in Ophiolite to the Company and the parties will enter into good faith discussions regarding the price of the acquisition of the remaining 10% interest in Ophiolite by the Company; or
 - (C) if neither tranche of the Performance Options vest, then the parties will enter into good faith discussions regarding the price of the acquisition of the Remaining Interest.
- (iv) The milestones relating to the Tranche 1 Options and the Tranche 2 Options are separate and independent milestones relevant to each tranche of Option, and which must be satisfied for vesting of that particular tranche of Option to occur.
- (e) **(Loan Funding):**
 - (i) The Company has agreed to provide up to \$500,000 as an unsecured and interest free loan facility to Ophiolite for the funding of agreed exploration activities on the Project over a period of six months on normal commercial terms (**Loan Facility**). Upon Completion occurring, the loan will be deemed to have been repaid.
 - (ii) Where the Acquisition has not settled or the Acquisition does not complete, any funds then drawn under the Loan Facility, at the election of Ophiolite shall either be repaid in full in cash, or converted into a 20% interest in either Ophiolite Shares or the Project by 25 November 2017. If less than the full amount of the loan is drawn, any conversion will be adjusted on a pro rata basis against the maximum 20% ownership interest based on the amount of the loan actually drawn down.
- (f) **(No Dilution):** From the date of Completion up to the earlier of three (3) years following Completion and the date the Company acquires the Remaining Interest, the Company has agreed that it will not issue any Shares without the prior written consent of the Vendor.
- (g) **(Escrow):** Subject to any ASX imposed escrow restrictions, the Vendor Consideration Shares, Tranche 1 Options and Tranche 2 Options (together, the **Performance Options**) (with the exception of 10,000,000 Vendor Consideration Shares and any Shares issued on exercise of the Performance Options) will be subject to a maximum escrow period of 12 months.
- (h) **(Capital Raising):** The Company agreed to undertake a capital raising and has placed 62,494,595 Shares to institutional and sophisticated investors to raise \$1,249,892 at a price of \$0.02 per Share to fund the planned work programs on the Ophiolite cobalt projects and for working capital (**Capital Raising**). Other than the 2,500,000 Shares to be issued under Resolution 6, these Shares have now been issued.

2.6 Board Changes

It is proposed that, on completion of the Acquisition, all current Directors will remain on the Board, however pursuant to the Binding Terms Sheet, the Vendor is entitled to nominate one additional director to the Board. The identity of this proposed director will be determined and released in due course.

On Completion, it is also intended that each of the current directors and secretary of Ophiolite will retire, with new directors and a new secretary (as determined by the Company) to be appointed.

2.7 Pro-Forma Balance Sheet

The financial effects of the Acquisition and other matters contemplated by this Notice of Meeting is set out in the unaudited pro-forma balance sheet of the Company at Schedule 2 to this Notice of Meeting.

2.8 Pro Forma Capital Structure

The pro-forma capital structure of the Company following completion of the Acquisition and other matters contemplated by this Notice of Meeting is as follows:

| | Shares | Options |
|---|--------------------|-------------------------|
| Current issued capital | 310,172,975 | 94,500,000 ¹ |
| Issue of Vendor Consideration | 100,000,000 | 40,000,000 ² |
| Issue of Facilitation Securities | 25,000,000 | 10,000,000 ² |
| Issue of Shares to Nicholas Rowley (Resolution 6) | 2,500,000 | - |
| Total | 437,672,975 | 144,500,000 |

Notes:

- Comprising Options on the following terms:
 - 15,000,000 Class A Options, exercisable at \$0.02 on or before 5 April 2020;
 - 60,000,000 Class B Options exercisable at \$0.02 on or before 25 May 2020;
 - 1,000,000 Class C Options exercisable at \$0.02 on or before 30 June 2019; and
 - 18,500,000 Class D Options exercisable at \$0.03 on or before 30 November 2019.
- Of the total amount of 50,000,000 Performance Options to be issued, the Company will issue 25,000,000 Tranche 1 Options and 25,000,000 Tranche 2 Options, on the terms and conditions contained in Schedule 3.

2.9 Indicative Timetable

The indicative timetable for completion of the Acquisition is as follows:

| Event | Indicative date |
|--|-----------------|
| Notice of Meeting despatched to Shareholders | 3 January 2017 |
| General Meeting held | 6 February 2017 |
| Due diligence completed | 6 February 2017 |
| Completion of the Acquisition | 8 February 2017 |

* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders.

2.10 Advantages and Disadvantages

(a) Advantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1 to 4:

- (Strategic Cobalt Asset Acquisition):** the Acquisition represents an attractive opportunity for the Company to invest in high grade, strategic cobalt properties located in Ontario, Canada, to increase the value of the Company;
- (High Grade Cobalt Potential):** the Project has high grade cobalt potential including grades as high as 12.3% (average 5.84%, range 0.42-12.3%)³ from sampling works undertaken on the Lang-Caswell property, which form part of

³ Simpson M. and Weiring S. 1998., Prospecting Report for the 1998 Season

the Project. Records from historical mines (Lang-Caswell mine) on the claims also confirm the occurrence of high grade cobalt mineralisation;

- (C) **(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 Project and historically produced 19Moz of Ag and 3.3Mpds of Co.⁴ 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 Project, where production records indicate historical mined grades of 520g/t Ag and 0.5% Co.⁵ This style of mineralisation is associated with exceptionally high grades of cobalt and has led to significant high grade production in the past;
- (D) **(Large Acreage Position Secured)**: the Project 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;
- (E) **(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;
- (F) **(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;
- (G) **(Proven Management Ability)**: an experienced operational and corporate executive team is in place, with the Canadian geological and mining team to develop the Project and future cobalt projects;
- (H) **(Immediate Funding Secured)**: the Company received firm commitments to raise \$1.25 million in new capital at issue price of \$0.02 per Share to fund immediate work programs on the Project as part of the Acquisition, of which all of these Shares have now been issued, other than the 2,500,000 Shares the subject of Resolution 6;
- (I) **(Increase in Scale of the Company)**: the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's shares;
- (J) **(Equity Based Consideration)**: the consideration for the Acquisition is comprised of Shares, Performance Shares and Performance Options, thereby conserving the Company's existing cash reserves;
- (K) **(Performance Based Consideration)**: the Performance Options will vest on the satisfaction of certain milestones. The Company has structured the Performance Options to incentivise and align the interests of the Vendor with the interests of the Company and existing Shareholders; and
- (L) **(Increased Market Capitalisation)**: the issue of the Consideration Securities will result in an increased market capitalisation which, combined with the Acquisition, may assist the Company to raise funds in the future to further its operations.

⁴ Harron GA 2008 Technical Report on Keeley Frontier Project, South Lorraine Township, Larder Lake M.D. Ontario

⁵ Sergiades AO. 1968., Silver Cobalt Vein Deposits of Ontario. Ontario Department of Mines

(b) **Disadvantages**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1 to 4:

- (A) the Company intends to alter the primary focus of its operations to cobalt exploration in Canada, which may not be consistent with the objectives of all Shareholders;
- (B) the Company will issue the Consideration Securities to the Vendor and the Facilitator, which will have a dilutionary effect on the current holdings of Shareholders;
- (C) the Project may not turn out to be commercially viable and thus losses may be incurred. In general terms, investments in listed exploration companies should be considered highly speculative;
- (D) there are risks associated with cobalt exploration in Canada and the prospective business of the Company upon completion of the Acquisition. A non-exhaustive list of these risks is set out in Section 2.11 below; and
- (E) there is no guarantee that the Shares will not fall in value upon completion of the Acquisition.

2.11 Requirements for additional funding

Other than the Capital Raising, details of which are set out in section 2.5(g) and 4, the Company confirms that the Acquisition will not result in the Company needing to borrow funds or raise capital in the short term.

2.12 Risk Factors

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing its primary focus to that of a cobalt exploration company with assets in Canada. There are risks for the Company and its Shareholders inherent in the Acquisition. The risks described below are not intended to be exhaustive. There may be additional risks that the Company is unaware of or that the Company currently considers to be immaterial which may affect the Company. Based on the information available, a non-exhaustive list of risk factors associated with the Company's proposal to acquire up to a 100% interest in Ophiolite is as follows:

(a) **Risks relating to the Acquisition**

(i) **Dilution**

On completion of the Acquisition and all issues of Securities contemplated by the Binding Terms Sheet and the Capital Raising, existing Shareholders will be significantly diluted. In this scenario, existing Shareholders will retain approximately 62.01% of the issued capital of the Company, with the Vendor holding 19.99% and the participants under the Capital Raising holding 12.4% (on an undiluted basis).

If all Performance Options vest and are exercised, existing Shareholders will retain 56.37% of the issued capital of the Company, with the Vendor, participants under the Capital Raising, and the Facilitators holding 18.17%, 11.35% and 6.36% respectively.

(ii) **Restricted securities reducing liquidity**

It is a term of the Binding Terms Sheet that the Vendor Consideration Shares and Performance Options be subject to a maximum of a 12 month escrow period (with the exception of 10,000,000 Vendor Consideration Shares and any Shares issued on exercise of the Performance Options).

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid, which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

(iii) **Contractual risk**

Pursuant to the Binding Terms Sheet (summarised in section 2.5 above), the Company has agreed to acquire 80% of the issued capital in Ophiolite and has been granted an option to acquire the remaining 20% interest in Ophiolite, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the Vendor of their obligations under the Binding Terms Sheet. If the Vendor or any other counterparty defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(iv) **Sovereign**

The assets to be indirectly acquired by the Company pursuant to the Acquisition are situated in Canada. Accordingly, the Company is subject to the risks associated with operating in foreign countries. The risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company and its advisers will undertake all reasonable due diligence is assessing and managing the risks associated cobalt exploration in Canada. However, any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects is outside the control of the Company. Such changes may affect the foreign ownership, exploration, development or activities of companies involved in cobalt exploration and production and in turn may affect the viability and profitability of the Company.

(b) **Company and Industry Specific Risks**

(i) **Financial Statements and previous disclaimers of audit opinion**

In the Company's financial report for the financial year ending 30 June 2015, the Directors noted that they had not been able to obtain access to all written financial records to explain certain transactions and the liabilities of the Company. The Directors advised that although they had prepared the financial statements to the best of their knowledge based on the information available to them, they were of the opinion that it was not possible to state that the financial statements give a true and fair view of the Company's financial position and performance, or comply with Australian accounting standards. Similarly, there was not sufficient appropriate audit evidence for the auditors to provide a basis for an opinion on the financial report.

For the financial year ended 30 June 2016, as a result of the inability to access the comparative information from the 30 June 2015 financial year, the audit opinion for the 2016 has been qualified.

(ii) **Exploration**

The Company's tenements and the claims which comprise the Project (**Claims**) are at an early stage of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of the Company's tenements or the Claims, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability. Whilst the Directors' will make every effort to reduce this risk, the fact remains that the discovery and development of a commercially viable resource is the exception rather than the rule.

(iii) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests or the Claims. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(iv) **Permits and Licences**

The activities in Canada will be subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local native populations. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of Equator. Further, the mining licenses and permits issued in respect of its mineral property may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of Equator's investments in its mineral property may decline.

(v) **Permits and Licences**

The Acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. The Acquisition of the mineral properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. The boundaries of its mineral property have not been surveyed and consequently may be disputed.

(vi) **Commodity price volatility and exchange rate**

If the Company successfully defines a resource or reserve and subsequently achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and Canadian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian and Canadian dollar as determined in international markets.

(vii) **Environmental**

The minerals and mining industry has become subject to increasing environmental regulations and liability.

The potential for liability is an ever present risk. The operations and proposed activities of the Company are subject to territory, Federal and Canadian laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or noncompliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

Exploration work will be carried out in a way that has minimal impact on the environment. It may be required for the Company to conduct baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored and minimised where ever possible. Whilst the Company is not aware of any endangered species of flora or fauna at this point, no baseline studies have been done to date, and such a discovery could prevent exploration and mining activity in certain areas.

(viii) **Native title**

Consultation with First Nations groups in Canada is required of the Company in the environmental assessment, subsequent permitting, development and operation stages of the Cobalt Camp Project. One or more First Nations groups may oppose the Cobalt Camp Project at any given stage and such opposition may adversely affect the Cobalt Camp Project, the Company's public image, or the Company's share performance.

Canadian law relating to aboriginal rights, including aboriginal title rights, is in a period of change. There is a risk that future changes to the law may adversely affect the Company's rights to the Cobalt Camp Project.

(c) **General Risks**

(i) **Management of growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Transaction. The capacity of management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(ii) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(iii) **Market risk**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) interest rates and inflation rates;
- (C) currency fluctuations;
- (D) commodity price fluctuations;
- (E) changes in investor sentiment toward particular market sectors;
- (F) the demand for, and supply of, capital; and
- (G) terrorism and other hostilities.

(iv) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or projects. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

2.13 What if the Acquisition does not succeed?

If the conditions to the Acquisition are not satisfied or waived, including if Resolutions 1 to 4 of this Notice are not passed, the Acquisition will not proceed and the Company will continue in its current form as a resources exploration company focused on its exploration activities at its Acacia Frazer Project located in the Northern Territory.

2.14 Interests of Directors in the Acquisition

None of the Directors have any interest in the Acquisition other than the potential dilution of their current shareholders (set out in the table below)_upon the issue or conversion (as applicable) of Consideration Securities to the Vendor and Facilitators. Details of the Company's existing Directors' interests in Securities are set out below:

| Directors | Shares | Options |
|------------------------------------|-----------|-----------|
| Mr Nicholas Rowley ¹ | 2,500,000 | 8,000,000 |
| Mr Michael Naylor ² | Nil | 4,000,000 |
| Mr Alexander Passmore ³ | Nil | 8,000,000 |
| Mr Jason Bontempo ⁴ | 5,000,000 | 8,500,000 |

Notes:

¹ Held by Jet Capital Pty Ltd <The Jet Capital A/C> (a company of which Mr Rowley is a director). The Options held by Jet Capital Pty Ltd are exercisable at \$0.03 on or before 30 November 2019.

² 1,500,000 of these Options are held by Blue Leaf Corporate Pty Ltd (a company of which Mr Naylor is a director) and exercisable at \$0.02 on or before 5 April 2020. 2,500,000 of these Options are held by the Blue Leaf Trust (of which Mr Naylor is a beneficiary) and are exercisable at \$0.03 on or before 30 November 2019.

³ Held by Verde Trading Pty Ltd (a company of which Mr Passmore is a director and sole shareholder). The Options held by Verde Trading Pty Ltd are exercisable at \$0.03 on or before 30 November 2019.

⁴ The Shares are held by Mr Jason Bontempo and Mrs Tiziana Battista <Morrison Super Fund A/C> and the Options (which are exercisable at \$0.02 on or before 5 April 2020) are held by Tiziana Battista <Morrison Trust> (a trust in which Mr Bontempo has an interest).

2.15 Directors' Recommendation

The Directors recommend that Shareholders vote in favour of each of Resolutions 1 to 4 and consider the Acquisition to be beneficial to Shareholders because of the advantages set out in Section 2.10(a).

No Director has any interest in shares in Ophiolite.

2.16 Competent Person's Statement

The information in this Notice 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'.

This information was first reported in an ASX announcement released by the Company on 28 November 2016 (**Announcement**) in which Mr Grabowski consented to the inclusion of these matters based on his information in the form and context in which it appears. The Company is not aware of any new information or data that materially affects the information included in the Announcement and confirms that all material assumptions and technical parameters underpinning the estimates in the Announcement continue to apply and have not materially changed.

3. Resolutions 1 to 4 - The Acquisition of Ophiolite Consultants Pty Ltd

3.1 General

A detailed description of the Acquisition is set out above at Section 2 to this Explanatory Statement.

Resolution 1 seeks Shareholder approval under ASX Listing Rule 11.1.2 for a change of scale of the Company which will occur as a result of the Acquisition.

Resolution 2 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue up to 100,000,000 Shares to the Vendor (or her nominee), who are not related parties of the Company.

Resolution 3 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue up to 50,000,000 Performance Options to the Vendor (or her nominee) and the Facilitators, who are not related parties of the Company.

Resolution 4 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of 25,000,000 Shares to the Facilitators (or their nominee), who are not related parties of the Company.

3.2 ASX Listing Rule 11.1.2

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (i) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (ii) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (iii) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has advised the Company that, given the proposed change in the scale of the Company's activities resulting from the Acquisition, it requires the Company to obtain Shareholder approval for the change in scale of its activities, but it will not be required meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

3.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolutions 2 to 4 will be to allow the Company to issue Consideration Securities pursuant to the Acquisition during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolutions 2 to 4:

- (i) the maximum number of Securities to be issued is as follows:
 - (A) 100,000,000 Shares (to the Vendor or nominees);
 - (B) 25,000,000 Shares (as a facilitation fee to the Facilitators); and
 - (C) 50,000,000 Performance Options.
- (ii) the Shares and Performance Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Securities will occur on the same day;
- (iii) the Shares and Performance Options will be issued for nil cash consideration as part of the consideration for the Acquisition;
- (iv) the Shares and Performance Options will be issued to the Vendor (or her nominees, refer to Schedule 4 for breakdown of allocation) and Facilitators (refer to Schedule 4 for breakdown of allocation), as specified in each Resolution, none of whom are related parties of the Company;
- (v) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (vi) the Facilitation Shares will be issued subject to a holding lock which will be released subject to the Company being satisfied that these parties have provided ongoing corporate services to the Company up to 31 December 2017. In the event the corporate services are not provided to that date, the parties agree to cancel the Facilitation Shares and the Company will seek any necessary approvals to effect that cancellation;
- (vii) the Performance Options will be on the terms and conditions contained in Schedule 3; and
- (viii) no funds will be raised from the issue of the Shares and Performance Options as they are being issued as part of the consideration for the Acquisition.

4. Resolution 5 – Ratification of Prior Issue - Shares

4.1 General

On 6 December 2016, the Company completed a placement of 35,125,000 Shares, at an issue price of \$0.02 per Share (**Placement Shares**), to raise approximately \$702,500 before costs. Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Placement Shares that were not previously approved by Shareholders (**Share Ratification**).

A summary of ASX Listing Rule 7.1 is set out at Section 3.3 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 Technical Information Required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 35,125,000 Placement Shares were issued;
- (b) the issue price was \$0.02 per Placement Share;
- (c) the Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Placement Shares were issued to professional and sophisticated investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue will be used for further exploration and assessment of the Project as announced to ASX on 28 November 2016 and working capital.

5. Resolution 6 – Approval for a Related Party to Participate in Share Placement

5.1 General

On 6 December 2016, the Company completed a placement of 35,125,000 Shares, at an issue price of \$0.02 per Share, to raise approximately \$702,500 before costs (being the placement the subject of Resolution 5) (**Share Placement**).

Mr Nicholas Rowley, who is a Director, wishes to allow a relative of his (and therefore a related party of the Company), Mr Martin Rowley, to participate in the Share Placement (**Related Party**). Resolution 6 seeks Shareholder approval for the allotment and issue of an additional 2,500,000 Placement Shares under the Share Placement to the Related Party.

5.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

It is the view of the Board (other than Mr Rowley, who has a material personal interest in the Resolution) that Shareholder approval under Chapter 2E of the Corporations Act is not required for the issue of Placement Shares to the Related Party as the issue of Placement Shares falls within the exception under section 210 of the Corporations Act.

Section 210 of the Corporations Act provides that shareholder approval is not required for a company to give a financial benefit on terms that:

- (c) would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- (d) are on terms that are less favourable to the related party than would be given if the parties were dealing at arm's length.

In forming this view, the Board noted that the price of the Placement Shares to be issued to the Related Party is the same as the price of the Placement Shares that were issued under the Share Placement, which was set having regard for current market conditions and demand. Accordingly, the terms of the issue of Placement Shares to the Related Party will be considered by the uninterested members of the Board to have been negotiated on an arm's length basis and are reasonable in the circumstances.

5.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of Placement Shares contemplated under this Resolution involves the issue of Placement Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

5.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the Placement Shares will be issued to a relative of Mr Nicholas Rowley;
- (b) the maximum number of Placement Shares the Company will issue to the Related Party is 2,500,000 Placement Shares;
- (c) the Placement Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the issue price will be \$0.02 per Placement Share, being the same as all other Placement Shares issued under the Share Placement;
- (e) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the funds raised will be used for the same purposes as all other funds raised under the Share Placement as set out in Section 4.2(e).

Approval pursuant to ASX Listing Rule 7.1 is not required for the Related Party to participate in the Share Placement as approval is being obtained under ASX Listing Rule 10.11.

Schedule 1 - Definitions

Acquisition means the acquisition by the Company of up to 100% of the issued capital of Ophiolite pursuant to the Binding Terms Sheet.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Binding Terms Sheet means the binding terms sheet between the Company, Ophiolite, the Vendor and the Manager which sets out the terms of the Acquisition, as amended.

Board means the board of Directors.

Capital Raising means the proposed capital raising by the Company to raise up to \$1,249,500 at an issue price of not less than \$0.02 per Share, pursuant to the Binding Terms Sheet.

Chairman means the chairman of the Meeting.

Claims Means the mining claims comprising the Project.

Company means Equator Resources Limited ACN 127 411 796.

Consideration Securities means the Vendor Consideration Shares, Performance Options and Facilitation Shares.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Facilitation Performance Options means the 10,000,000 Performance Options to be issued to the Facilitator pursuant to Resolution 3, on the terms and conditions contained in Schedule 3.

Facilitation Shares means the 25,000,000 Shares to be issued to the Facilitator pursuant to Resolution 4.

Facilitators means Vonross Nominees Pty Ltd as trustee for the Vonross Family Account and Cheiftain Securities Pty Ltd.

Initial Interest means 80 Ophiolite Shares (comprising 80% of the issued capital of Ophiolite).

Listing Rules means the listing rules of ASX.

Manager means the Manager of Ophiolite as defined under the Binding Terms Sheet, being James Thompson.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Ophiolite means Ophiolite Consultants Pty Ltd (ACN 092 694 490).

Ophiolite Share means a fully paid ordinary share in the capital of Ophiolite.

Options means an option to purchase a Share.

Performance Options means the Tranche 1 Options and Tranche 2 Options to be issued to the Vendor (or her nominees) and the Facilitators on the terms and conditions contained in Schedule 3.

Placement means the placement recently undertaken by the Company, as described in section 4.1.

Placement Shares means the Shares issued (or to be issued) under the Placement.

Project means the Cobalt Camp Project held by Ophiolite.

Proxy Form means the proxy form attached to the Notice.

Remaining Interest means 20 Ophiolite Shares (comprising 20% of the issued capital of Ophiolite).

Resolution means a resolution contained in this Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

Securities means Shares and Options, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Tranche 1 Options means the 25,000,000 Options to be issued to the Vendor (or her nominees) and the Facilitators as noted in section 2.5(c)(i)(B), on the terms and conditions contained in Schedule 3.

Tranche 2 Options means the 25,000,000 Options to be issued to the Vendor (or her nominees) and the Facilitators as noted in section 2.5(c)(i)(C), on the terms and conditions contained in Schedule 3.

Vendor means the legal and beneficial owner of 100% of the issued capital of Ophiolite, Sonja Louise Newman Heath.

Vendor Consideration Shares means the 100,000,000 Shares to be issued to the Vendor (or her nominees) pursuant to Resolution 2.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 2 – Pro Forma Balance Sheet

| | Last audited financial statements | Acquisition Adjustments | Un-audited Pro Forma Post Completion of Acquisition |
|--|-----------------------------------|-------------------------|---|
| | As at 30 June 2016 | A\$ | A\$ |
| Current Assets | | | |
| Cash and Cash Equivalents ¹ | 1,863,444 | 1,249,891 | 3,113,335 |
| Other Receivables and Prepayments | 28,294 | - | 28,294 |
| Total Current Assets | 1,891,738 | 1,249,891 | 3,141,629 |
| Non Current Assets | | | |
| Exploration Expenditure ³ | - | 2,500,000 | 2,500,000 |
| Total Non Current Assets | - | 2,500,000 | 2,500,000 |
| Total Assets | 1,891,738 | 3,749,891 | 5,641,629 |
| Liabilities | | | |
| Trade and Other Payables | 85,913 | - | 85,913 |
| Total Current Liabilities | 85,913 | - | 85,913 |
| Total Liabilities | 85,913 | - | 89,913 |
| Net Assets | 1,805,825 | 3,749,891 | 5,555,716 |
| Equity | | | |
| Issued capital ² | 15,903,139 | 3,749,891 | 19,653,030 |
| Reserves | 1,362,000 | - | 1,362,000 |
| Accumulated losses | (15,459,314) | - | (15,459,314) |
| Total Equity | 1,805,825 | 3,749,891 | 5,555,716 |

Pro-forma Adjustments

The pro forma statement of financial position has been prepared based on the audited statement of financial position as at 31 December 2015 that has been adjusted to reflect the following transactions and events:

- The cash balance has increased by a Share Placement that was completed in December 2016. A capital raising and has placed 62,494,595 Placement Shares to institutional and sophisticated investors to raise \$1,249,891 at a price of \$0.02 per Placement Share to fund the planned work programs on the Ophiolite cobalt projects and for working capital.
- Issued capital increased by \$3,749,891 which represents by:
 - 100,000,000 Vendor Consideration Shares with a deemed value of \$0.02 per Share
 - the Share Placement outlined in point 1 above; and
 - 25,000,000 Facilitation Securities with a deemed value of \$0.02 per Share.
- Acquisition costs relating to the acquisition of Ophiolite Consultants Pty Ltd.

Schedule 3 – Terms and conditions of Performance Options

(a) **Entitlement**

Each Performance Option (together the **Performance Options**) entitles the holder (**Holder**) to subscribe for and be issued one Share upon vesting.

(b) **Exercise Price**

Tranche 1 Options - Exercise Price

- (i) Each Tranche 1 Option has an exercise price of A\$0.03 per Tranche 1 Option.

Tranche 2 Options - Exercise Price

- (ii) Each Tranche 2 Option has an exercise price of A\$0.06 per Tranche 2 Option.

(c) **Expiry Date**

Each Performance Option will expire on 3 years from the date of issue (**Expiry Date**).

(d) **Vesting Condition**

The Performance Options will vest on the following performance based criteria:

Tranche 1 Options - Vesting Condition

- (i) Company has been provided by the Vendor with a report on the claims the subject of the Project (**Claims**) that is equivalent to and compliant as a NI 43-101 report on the Claims.

Tranche 2 Options - Vesting Condition

- (ii) Company has released a report in respect of the Claims confirming a JORC and NI 43-101 compliant resource on the Claims or on any subsequent complementary mining asset acquired by the Company as introduced by the Vendor or the Manager.

(e) **Exercise Period**

Each Performance Option is exercisable at any time after the Performance Option has vested and before the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Performance Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Performance Option being exercised. Any Notice of Exercise of an Performance Option received by the Company will be deemed to be a notice of the exercise of that Performance Option as at the date of receipt.

(g) **Shares issued on exercise**

Shares issued on exercise of the Performance Options rank equally with the then issued Shares of the Company.

(h) **Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Performance Options.

(i) **Timing of issue of Shares and quotation of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Performance Option being exercised; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in clause (f) above; or

the Company will:

- (i) allot and issue the Shares pursuant to the exercise of the Performance Options;
- (ii) as soon as practicable, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Performance Options for resale under section 708A(11) of the Corporations Act; and
- (iii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Performance Options.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Performance Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the Holders of Performance Options the opportunity to exercise their Performance Options prior to the date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Performance Option will be increased by the number of Shares which the Performance Optionholder would have received if the Holder of Performance Options had exercised the Performance Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Holders of Performance Options may be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) **Amendments**

The terms and conditions of the Performance Options may only be amended subject to compliance with the Listing Rules.

(n) **Quotation of Performance Options**

No application for quotation of the Performance Options will be made by the Company.

(o) **Performance Options Transferable**

The Performance Options are only transferable after they have vested and provided that the transfer of Performance Options complies with section 707(3) of the Corporations Act.

(p) **Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Performance Options with the appropriate remittance should be lodged at the Company's Registry.

Schedule 4 – Breakdown of Vendor and Facilitator Consideration for Ophiolite Acquisition

| Shares held by/to be issued to: | Vendor Shares | Tranche 1 Performance Options | Tranche 2 Performance Options | Facilitation Shares |
|---|--------------------|-------------------------------|-------------------------------|---------------------|
| Joke Pty Ltd | 10,000,000 | 2,000,000 | 2,000,000 | - |
| Brett Mitchell and Michelle Mitchell < Mitchell Spring Family Ac> | 10,000,000 | 2,000,000 | 2,000,000 | - |
| Helmet Nominees Pty Ltd | 10,000,000 | 2,000,000 | 2,000,000 | - |
| James Thompson (or his nominee which includes Sonja Heath, RZJ Capital Management LLC, T H Capital Super Fund, RZJ Capital LLC) | 70,000,000 | 14,000,000 | 14,000,000 | - |
| Chieftain Securities Pty Ltd | - | - | - | 10,000,000 |
| Vonross Nominees Pty Ltd <Vonross Family Account> | - | 5,000,000 | 5,000,000 | 15,000,000 |
| Total | 100,000,000 | 25,000,000 | 25,000,000 | 25,000,000 |

EQUATOR RESOURCES LIMITED

ACN 127 411 796

PROXY FORM

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/We

(details of registered shareholder)

being member(s) of EQUATOR RESOURCES LIMITED hereby appoint:

**The Chairman
of the Meeting
(mark box)**

OR

If you are **NOT appointing the Chairman of the Meeting** as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of the Company to be held at Level 1, 35 Richardson Street, West Perth, Western Australia on 6 February 2017 at 10.00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on all Resolutions.

Important Note: The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Step 2 – Instructions as to Voting on Resolutions

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | | FOR | AGAINST | ABSTAIN |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Change to Scale of Activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Issue of Vendor Consideration Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Issue of Performance Options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Issue of Facilitation Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Ratification of Prior Issue - Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Approval for Related Party to Participate in Share Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Step 3 – Sign

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and
Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the Meeting.

Lodge your vote:**By hand:**

Company Secretary
Equator Resources Limited
c/- Advanced Share Registry
110 Stirling Hwy
NEDLANDS, WA, AUSTRALIA, 6009

By post:

Company Secretary
Equator Resources Limited
c/- Advanced Share Registry
PO Box 1156
NEDLANDS, WA, AUSTRALIA, 6909

By facsimile:

+61 8 9262 3723