

EQUATOR

RESOURCES LIMITED

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ASX: EQU

CORPORATE DIRECTORY

Executive Director
Jason Bontempo

Non-Executive Director
Nicholas Rowley

Non-Executive Director
Alexander Passmore

Executive Director & Company
Secretary
Michael Naylor

CONTACT DETAILS

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Quarterly Activities Report

For the quarter to 31 December 2016

Highlights

Acquisition of High Grade Cobalt Camp, Ontario, Canada

- **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.
- **HIGH GRADE COBALT POTENTIAL:** including grades as high as 12.3% (average 5.84%, range 0.42-12.3%)¹ 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 3.3Mtpds of Co². 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% Co³. 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 mineralisation 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.

Acacia-Frazer Project, Northern Territory, Australia

- Sampling of sedimentary targets identified for Uranium potential have returned low level anomalism. A group a second tier targets remain for base metal potential with insufficient surface geochemistry to evaluate, which the company will review in context of recent results.

Corporate

- As at 31 December 2016, Equator held \$2.6 million in cash.
- In July 2016, the Company completed a placement to raise \$1.2 million.¹



Cobalt Camp, Ontario, Canada

In November 2016, **Equator Resources Limited** (the "Company" or "Equator") announced that it had signed a Binding Term Sheet to acquire up to 100% of Ophiolite Consultants Pty Ltd (Ophiolite).

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"*)

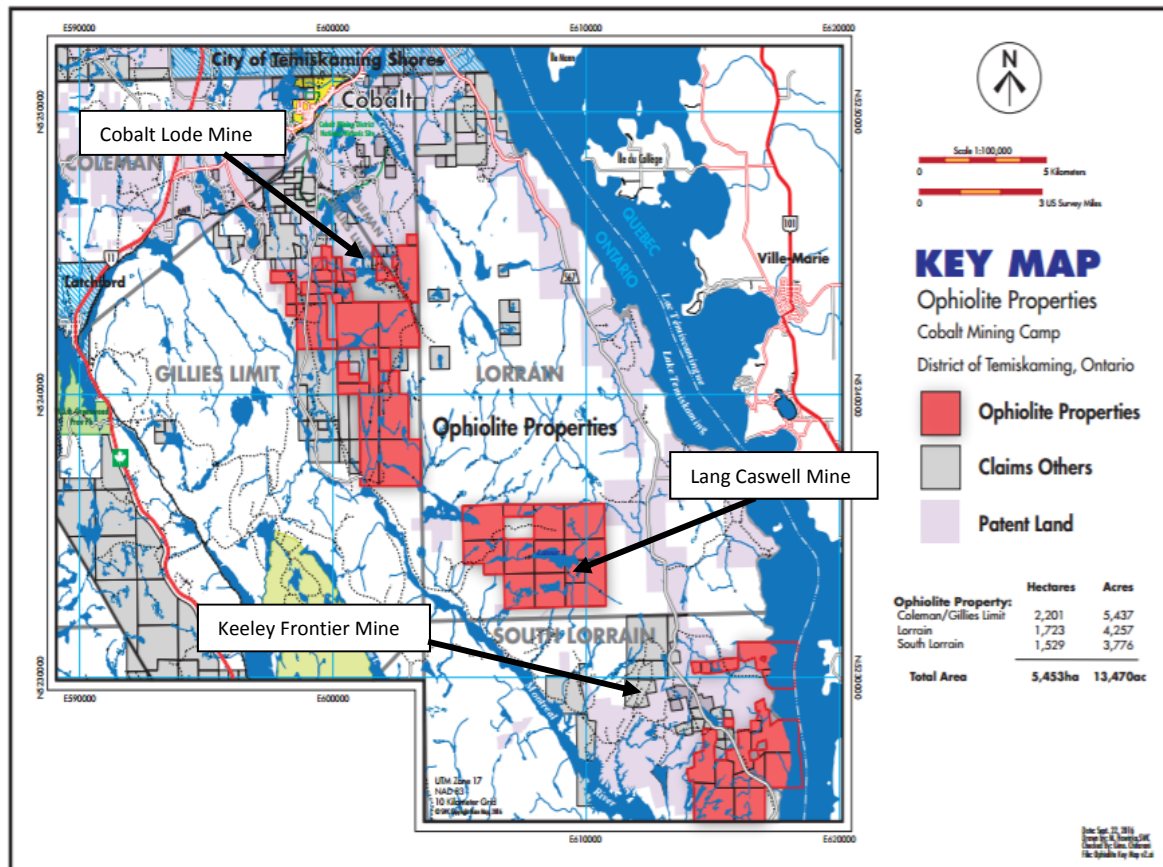


Figure 2: Location of Claims within the Cobalt Camp

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.

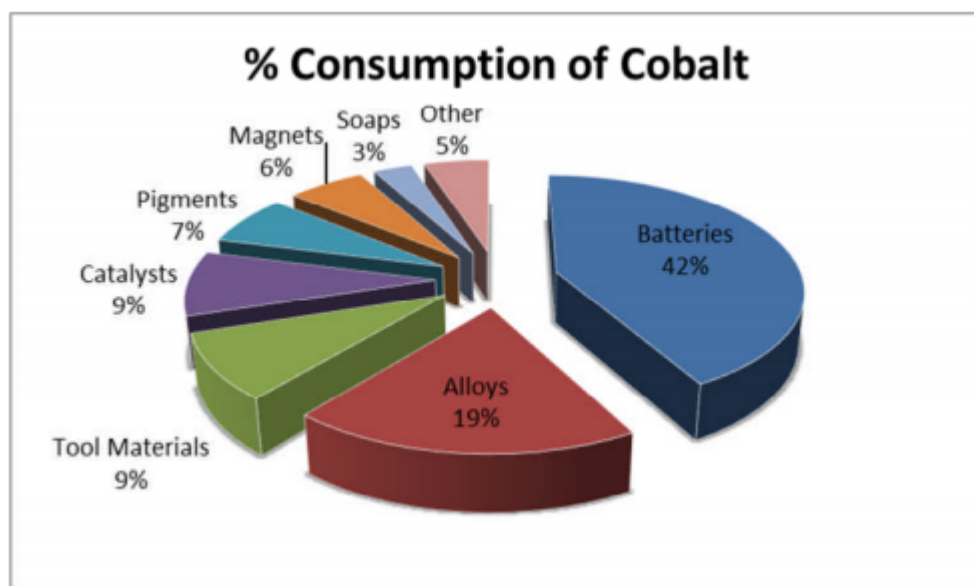


Figure 3: Uses of Cobalt

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.

Acacia-Fraser Project, Northern Territory

The Company has continued exploration on the Acacia-Fraser project in the Northern Territory, located approximately 50km south of Darwin.

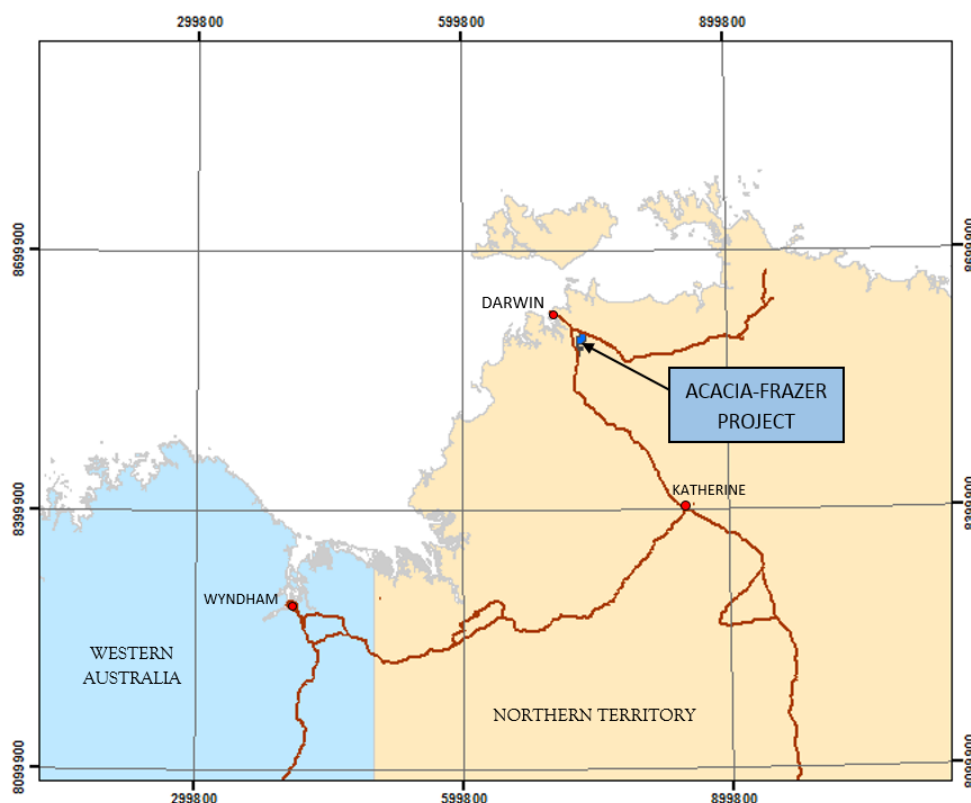


Figure 4- Location Map

The Company has recently completed a reconnaissance mapping and surface sampling program assessing a number of target areas generated from desktop studies and a revised interpretation of historical results following integration of various datasets.

The reconnaissance program has affirmed structural interpretations, and identified a number of areas containing quartz veining associated with moderate hydrothermal alteration, including the Acacia North prospect. Mapping of veins on surface have demonstrated limited continuity and low density of quartz veining and results of surface sampling has not identified substantial metal anomalism associated with them. Surface rock chip sampling at the Q-02 Prospect evaluating favourable lithology and structure has returned no anomalous values.

Sampling of sedimentary targets identified for Uranium potential have returned low level anomalism, however no areas tested to date are of sufficient anomalism to justify follow-up exploration activity at this time.

A group a second tier targets remain for base metal potential with insufficient surface geochemistry to evaluate, which the company will review in context of recent results and define a plan for the Acacia Fraser project in the coming months.

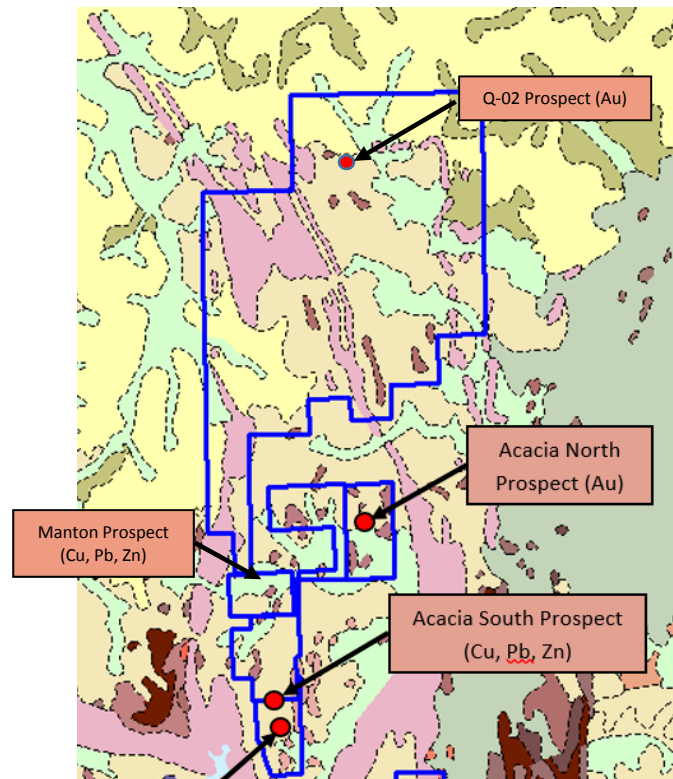


Figure 5: Targets reviewed in Reconnaissance field program.

Corporate

Cash

As at 31 December 2016, Equator Resources held \$2.6 million in cash.

As part of the Acquisition, Equator completed a placement raising \$1.2m at an issue price of \$0.02 per share to fund the planned work programs on the Assets and for working capital.

The Company completed the Placement under a section 708 (10) cleansing prospectus.

Refer to Appendix 5B (ASX website) for principle movements in cash for the quarter.

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.

Annual General Meeting

The Company's 2016 Annual General Meeting of Equator's shareholders held in Perth on 29 November 2016, all resolutions as set out in the Notice of Meeting dated 27 October 2016 were unanimously passed on a show of hands.

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.

Notes

¹ Simpson M. and Weiring S. 1998., Prospecting Report for the 1998 Season.

² Harron GA 2008 Technical Report on Keeley Frontier Project, South Lorraine Township, Larder Lake M.D. Ontario.

³ Sergiades AO. 1968., Silver Cobalt Vein Deposits of Ontario. Ontario Department of Mines.

In addition to these notes, refer to ASX announcement dated 28 November 2017 for full details.

Appendix 1 | Equator Resources Limited Tenements

Tenement	Location	Registered Owner	Structure and Ownership
Acacia Fraser Project,			
EL 25027	Northern Territory	Acacia Minerals Pty Ltd (100% subsidiary of EQU)	Granted, 100%
EL 26777	Northern Territory	Acacia Minerals Pty Ltd (100% subsidiary of EQU)	Granted, 100%
EL 27282	Northern Territory	Acacia Minerals Pty Ltd (100% subsidiary of EQU)	Granted, 100%
EL 27349	Northern Territory	Acacia Minerals Pty Ltd (100% subsidiary of EQU)	Granted, 100%
EL 27747	Northern Territory	Acacia Minerals Pty Ltd (100% subsidiary of EQU)	Granted, 100%

Tenements disposed during the quarter:

Nil

Beneficial percentage interests held in farm-in or farm-out agreements during the quarter:

Nil

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed during the quarter:

Nil