

# EQUATOR

RESOURCES LIMITED

ACN: 127 411 796

26 April 2017

## **BINDING AGREEMENT TO PURCHASE COBALT REFINERY**

- **EQUATOR ENTERS INTO BINDING AGREEMENT TO PURCHASE A COBALT EXTRACTION REFINERY LOCATED IN COBALT, ONTARIO, CANADA (“COBALT MINING CAMP”) FROM CANADIAN COMPANY 36569 YUKON INC**
- **THE REFINERY ASSETS INCLUDE PERMITS FOR, AND LAND CONTAINING, THE YUKON REFINERY IN NORTH COBALT, ONTARIO.**
- **PURCHASE OF THE REFINERY IS EXPECTED TO CREATE LONG TERM SYNERGIES WITH EXISTING TENURE AND PROJECTS IN THE COBALT MINING CAMP OF ONTARIO**
- **PURCHASE OF THE REFINERY ESTABLISHES EQUATOR WITH AN IMMEDIATE FAST TRACK TO COBALT PRODUCTION**
- **EQUATOR GRANTED 8 WEEKS EXCLUSIVITY TO COMPLETE ALL RELEVANT DUE DILIGENCE ON THE REFINERY ASSETS**

**Equator Resources Limited (ASX: EQU) (the “Company” or “Equator”)** is pleased to announce that the Company has entered into an asset purchase agreement with 36569 Yukon Inc (“**Yukon**”) and its parent company, Yukon Refinery AG, (“**Agreement**”) whereby the Company will, subject to certain conditions precedent, buy properties, permits, assets and rights, including intellectual property and goodwill, from Yukon relating to or held for use in connection with the operation of the cobalt concentrates refinery located in North Cobalt, Ontario, Canada, on an “as is” basis (“**Refinery Assets**”) (together the “**Transaction**”).

The Company believes the purchase of the Refinery Assets is an appropriate long term strategic addition to the Company’s existing cobalt project portfolio in the Cobalt Mining Camp of Ontario, Canada.

The acquisition will confirm Equator as a major player in the Cobalt Mining Camp to take advantage of future processing of potential cobalt resources from the Company’s own land holdings. In addition, it will also include meeting the potential demand of third parties actively exploring and developing their own cobalt resources in the region, with the potential to result in a significant North American based primary cobalt producing region.

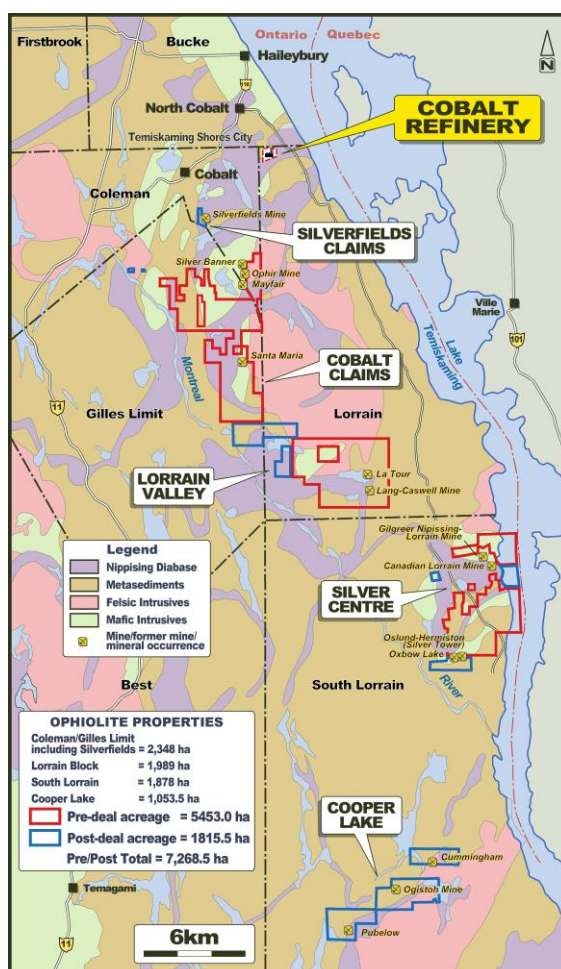
The refinery is not currently operating, and will require upgrades to meet the Company’s potential future processing demands.

## ABOUT THE REFINERY ASSETS

The refinery is located in North Cobalt, Ontario, 495 km due north of Toronto, and 5.3 km from the Company's existing cobalt projects. The Refinery is a key strategic acquisition for future potential cobalt mineral processing due to:

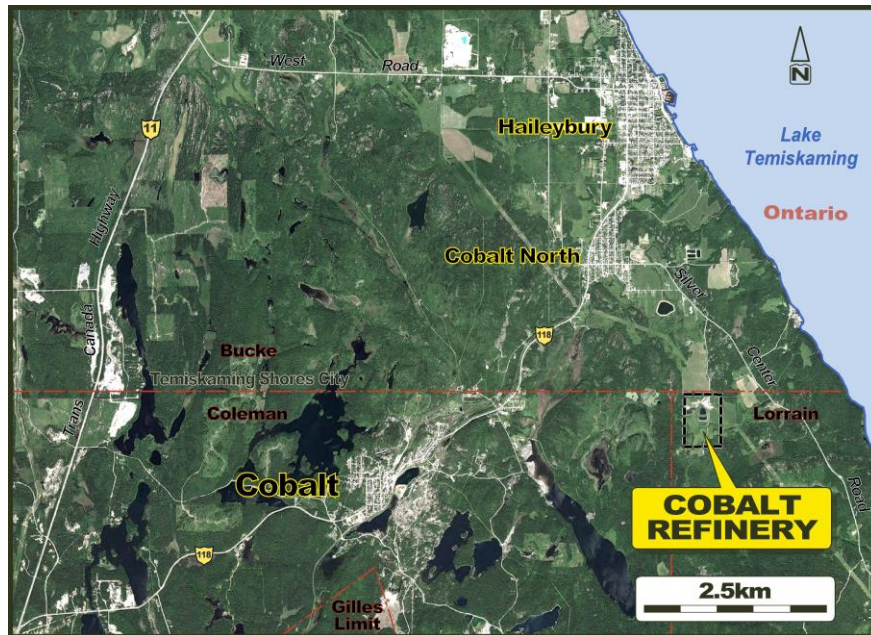
**OPERATING PERMITS:** The refinery is designed to process ore containing arsenic, which it is able to render arsenic less soluble through the process of pressure oxidation in an autoclave converting arsenic to a ferrous arsenate as a by-product of the process. The Yukon Refinery is one of only four such facilities in Canada, besides those belonging to Vale, Glencore, and Sherritt International, and the only refinery in North America with no set limits on processing or storing arsenic from feeds.

**LAND LOCATION:** The refinery is located on 40.2 acres and includes an autoclave pond (i.e. Tailings Management Facility) and two water management ponds, with space and environmental permits to expand the autoclave pond 2-3 times the current size. Significantly and importantly the refinery is situated on a rare strategic clay rich location within the Cobalt Mining Camp region that is highly suitable for the existing tailings management facility and any necessary future expansions of the tailings management facility.



The Yukon Refinery proximity to EQU landholdings

Level 1, 35 Richardson Street, West Perth WA 6005  
[www.equatorresources.com.au](http://www.equatorresources.com.au)



Map showing Refinery location and surrounding infrastructure

## HISTORY AND CURRENT STATUS

The Refinery was built in the mid 90's and acquired by Yukon in 2002. The Refinery was maintained in a state of care and maintenance until 2012 when Yukon signed a brief operating agreement with a German listed company which invested several million dollars upgrading the Refinery.



Yukon Refinery, Cobalt Ontario



The Refinery is designed for primary Cobalt and Nickel extraction using environmentally friendly technologies to produce high purity Cobalt chemical compounds along with other saleable by-products such as concentrated Nickel (Ni) and Manganese (Mn) compounds that can be modified to form the make-up of storage battery products. The buildings include the Refinery, control room with computerized switching, fully-equipped laboratory, large warehouse for storage or processing expansion, maintenance shop, administration offices, employee change rooms, full kitchen and meeting area, and a remote water pumping station at Lake Temiskaming. The site is connected to the local utilities networks for gas and electricity with capacity for expansion if required.

The Refinery's capabilities include three separate circuits within the complex to process various secondary feeds using pressure acid-leach, solvent extraction, and Merrill-Crowe for precious metals. Ores or coarse materials ("primary feeds") would require installation, or acquisition of, a mill, or acquisition of, to prepare concentrate for processing.



Inside the Yukon Refinery

The Refinery is not currently operating, and will require upgrades to meet the Company's potential future processing demands. Subject to completion of the transaction, EQU will commence further detailed engineering assessments to upgrade the refinery to a significant and commercially viable throughput production level. Desktop investigations have already identified the initial bottlenecks within the process. To enhance production rates, the focus will be on upgrading the facility to allow for a continuous process rather than batching style operation to enhance the production levels. Any larger scale future production plans to enable the processing of raw feed stock will require the construction of a gravity/flotation processing facility to mill and produce a bulk sulphide concentrate to a suitable sizing and grade for the refinery. Initial desktop figures have assumed a feed head grade of 0.3-0.5% Co and producing a concentrate grade of 6-8% Co for the refinery feed.

A 2012 report prepared by HATCH estimated the overall replacement cost including both direct and indirect costs at **USD\$78M**. The estimate focussed only on the replacement of the cobalt processing facility and did not include the cost of real estate, tailings impoundment, permits and licences.

## ENVIRONMENTAL PERMITTING

Initial due diligence has indicated that all permits are in place to restart the refinery “as-is”. Only minor amendments would be required to re-commence production at the facility. The Yukon Refinery is currently permitted to treat and process ore containing arsenic and to manage the resulting tailings in the on-site tailings management facility.

## MINE CLOSURE REQUIREMENTS

The current mine closure plan contains an assessment of rehabilitation costs assessed in 2013 of approx. CAD\$800,000. A portion of this is currently held in trust by the province (approximately CAD\$400,000). These funds, held in trust, forms part of the Refinery Assets.

## POTENTIAL FEEDSTOCK

There are number of potential options with regards to feedstock within the Cobalt Mining Camp, which include:

- Unmined potential ore feed stocks owned by the Company
- Unmined potential ore feed from surrounding prospective companies in the vicinity
- Existing stockpiles of milled and concentrated feed material ready for refinery feed
- Existing stockpiles of mined ores – unprocessed
- Tailings – or waste dumps that have been processed for mainly silver extraction purposes

## CONSIDERATION

The Company has paid Yukon a non-refundable deposit of A\$250,000 upon signing of the Agreement. Under the Agreement, the Company is also required to:

- pay A\$5,750,000 first to Yukon’s legitimate creditors with a claim against the Refinery Assets and the remainder to Yukon or its nominee as directed by Yukon (“**Cash Consideration**”); and
- issue 100,000,000 fully paid ordinary shares in Equator of which 50,000,000 Shares will be escrowed for a period of 24 months from the date of issue, and 50,000,000 will be escrowed for a period of 12 months from the date of issue (“**Share Consideration**”).

within 8 weeks of the date of the Agreement (“**Interim Period**”) and subject to satisfaction or waiver of the conditions precedent noted below.

Equator will seek shareholder approval under ASX Listing Rule 7.1 for the Share Consideration as soon as possible.

At the same general meeting to consider the Share Consideration, Equator will also seek shareholder approval for the issue of up to 10,000,000 facilitation performance shares at \$0.001 per share to advisors in consideration for facilitation services. The Performance Shares are unvested fully paid ordinary Shares. The Performance Shares will vest when the Company’s share price on ASX is at \$0.20 or above for 10 consecutive trading days.

From completion, until 24 months after execution, if Equator offers to issue shares, Yukon has a right to subscribe for 10% of the shares offered, subject to a number of exceptions.

## CONDITIONS PRECEDENT

Completion of the Transaction is subject to the following conditions precedent:

- Equator obtaining all approvals, consents or acceptances of the ASX or from any other governmental authority necessary in connection with the Agreement;
- any required Equator shareholder approval of the Transaction (being shareholder approval under Listing Rule 7.1.);
- Equator being satisfied (in its sole discretion) with the results of its environmental assessment and its due diligence of the Refinery Assets, and the legal status and financial condition of Yukon;
- if any permits forming part of the Refinery Assets are incapable of being transferred or assigned, then approval for the issue of new permits to Equator on substantially the same terms as the existing permits; and
- Equator and Yukon obtaining all third-party consents and approvals to deal with the Refinery Assets.

These conditions must be satisfied or waived and completion of the Transaction must occur no later than the date that is 8 weeks after the date the Agreement is executed.

## EXCLUSIVITY

The Agreement provides that Yukon must deal with the Company exclusively with respect to the purchase of the Refinery Assets during the period commencing on the date the Agreement is executed and ending on the date the Transaction completes (unless the Agreement is terminated), being no later than 8 weeks after execution.

## DIRECTOR PERFORMANCE SHARES

The Company proposes to seek shareholder approval to grant 15,000,000 Performance Shares as reasonable remuneration for increased work commitments to Messrs Paul Matysek, Jason Bontempo and Nicholas Rowley (5,000,000 Performance Shares to each). The Performance Shares are unvested fully paid ordinary Shares. The Performance Shares will be issued at 0.001 cents per share. The Performance Shares will vest when the Company's share price on ASX is at 20 cents or above for 10 consecutive ASX trading days.

ENDS

For more information, please contact:

Corporate

Jason Bontempo  
Executive Director  
[jasonb@equatorresources.com.au](mailto:jasonb@equatorresources.com.au)