Stantons International Securities

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 42 128 908 289
AFS Licence No: 448697
www.stantons.com.au

1 April 2015

The Directors
Equator Resources Limited
Level 2, Spectrum
100 Railway Road
SUBIACO WA 6008

Dear Sirs

RE: EQUATOR RESOURCES LIMITED ("EQUATOR" OR "THE COMPANY") (ACN 127 411 796) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE DISPOSAL OF 100% OF THE LIBERIAN MINERAL ASSETS OF THE COMPANY VIA THE SALE OF ALL OF THE SHARES IN BUKON JEDEH HOLDINGS LTD TO THE ORIGINAL VENDORS OF BUKON JEDEH HOLDINGS LTD PARTLY UNDERTAKEN VIA A SELECTIVE BUY BACK OF SHARES IN THE COMPANY - MEETING OF SHAREHOLDERS PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 10.1 AND SECTIONS 256C(2)

1. Introduction

1.1 We have been requested by the Directors of Equator to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as outlined in Resolutions 5 and 6 to the Notice of Meeting ("Notice") and the Explanatory Statement ("ES") attached to the Notice relating to the proposal to sell the Liberian Mining Assets of the Equator Group (as proposed under Resolution 6) and as consideration selectively buy back 44,476,294 shares and one B class performance share in Equator ((as noted in Resolution 5). It is noted that Resolution 1 to a Special General Meeting of Shareholders will seek approval to cancel the 45,163,251 shares and one B class performance share.

It is proposed that Equator, through BJH, will sell its sell its interest in the Bukon Jedeh Gold Project and other Liberian gold projects to the 17 original vendors (known as the "Bukon Jedeh Original Investor group" or BJO Investors") of BJH via selling back to the BJO Investors all of the shares in BJH. Further details are noted below.

1.2 The Company (originally known as NT Resources Limited), since June 2011 holds 100% of the issued capital of Isle of Man registered company, Bukon Jedeh Holdings Ltd ("BJH") and BJH owns 100% of Liberian registered company, Bukon Jedeh Resources In ("BJR"). BJH through BJR ultimately controls the Bukon Jedeh Gold Project in Liberia (three licences owned prospective for gold and know as the Bukon Jedeh, River Gee and Maryland Projects).

1.3 In June 2011, Equator acquired all of the shares in BJH from the BJO Investors for a total deemed consideration of $4,544,502 made up of:

- 37,250,000 fully paid shares in Equator ($4,097,500)
- 18,625,000 share options in Equator, exercisable at 20 cents each on or before 30 June 2013 (since expired) ($447,000);
- 2 Performance Shares ($2) which on reaching certain milestones will each convert to 2,500,000 fully paid shares in Equator as follows:

- The volume weighted average share price ("VWAP") of Equator shares trades on ASX at not less than 20 cents for a period of 20 consecutive trading days on the ASX (this performance condition was met and the First Performance Share converted to 2,500,000 ordinary shares in Equator in February 2012); and
- Second B Performance Share converts after Equator reports a JORC resource in respect of the Bukon Jedeh Concession of greater than 1 million ounces of gold (performance milestone not met to 22 September 2014).

Further details on the Liberian Mineral Assets are referred to in the Valuation Report noted in paragraph 1.13 below.

1.4 Pursuant to a Binding Term Sheet signed in February 2014, Equator will sell 100% of the shares in BJH "(the Transactions") for the consideration of:

- Cancellation of all of the BJO Investor Shares held by the BJO Investors in Equator (39,439,401 shares as at 30 June 2014 plus 5,036,893 to be issued pursuant to Resolutions 1 to 3 as outlined in the Notice and ES (45,163,251 ordinary shares in total and one B Performance Share); and
- Assumption by the BJO Investors of the agreed /approved creditors relating to the BJR Exploration Licences and Liberian in-country costs (estimated at $1,248,940 as at 30 June 2014). Any additional BJR Exploration Licences and Liberian in-country costs incurred post 30 June 2014 may also be assumed by the BJO Investors and these are estimated not to exceed $75,000 however we have excluded such costs and assume the assumed total will be the figure as per the Notice of $1,248,940.

Furthermore, we have been advised that the BJO Investors have agreed that the convertible notes (BJO Notes) totalling $446,610 owing to various BJO Investors by Equator will be cancelled and will no longer be payable. Furthermore, Messrs Niles Helmboldt and Charles Waterman will resign as Directors of Equator.

1.5 The above cancellation of BJO Investor Shares and assumption by the BJO Investors of the agreed /approved creditors relating to the BJR Exploration Licences and Liberian in-country costs (and the write off of the BJO Notes) are known in this report as the Considerations.

This report outlines below our view of the Considerations being provided to Equator as a result of the Transactions.

It is expected that the sale will leave Equator with an interest in various Northern Territory Exploration Assets (part of the Acacia-Frazer Project – originally sold to TUC Resources Limited ("TUC") in June 2012 but transferred back to Equator in 2014 and via a 3 year option to buy back into the Plenty River Project – originally sold to an unrelated private company, FAR Resources Pty Ltd in the September 2012 quarter).

1.6 This report outlines below our view of the Considerations being provided to Equator as a result of the Transactions.

1.7 Section 256C (2) of TCA provides that a company may reduce its share capital in a way that is not otherwise authorised by law if the reduction:

- is fair and/or reasonable to the company's shareholders as a whole; and
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders.

Section 256C (2) of TCA provides that a selective reduction must be approved by either:

- a special resolution passed at a general meeting of the company with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates; or

- a resolution agreed to, at a general meeting, by all ordinary shareholders.

1.8 Listing Rule 10.1 of the ASX Listing Rules provides that shareholder approval is required before a listed company may sell a substantial asset from various persons in a position of influence. This includes acquiring a substantial asset from a related party or a substantial shareholder. The BJO Investors are proposing to acquire the 100% interest in the share capital of BJH for the Considerations noted above that includes the cancellation of BJO Investor Shares held by the BJO Investors in Equator as noted in paragraph 1.3 above and Resolution 6 in the Notice. The sale of the shares in BJH to the BJO Investors is a substantial asset for the purposes of ASX Listing Rule 10.1. The Listing Rule requires an Independent Expert's Report as to whether the relevant transactions are fair and reasonable to non-associated shareholders.

1.9 The proposals under Resolution 6 are for the shares in BJH to be sold to the BJO Investors for the Considerations (including cancellation of the BJO Investor Shares) and the sale of the BJH Shares being sold represents a sale of a substantial asset as the sale of the BJH Shares represents more than 5% of the Company's last audited net assets (only available to June 2012). The consideration for the BJH shares includes the cancellation of all of the BJO Investor Shares held by the BJO Investors in Equator. The cancellation of the BJO Investor Shares is deemed to be a selective reduction in capital. The Directors believe that the selective capital reduction is fair and reasonable to shareholders and that the capital reduction will not prejudice the interests of shareholders or the Company's ability to pay its creditors. However it is noted that the Company currently has a deficiency in working capital and will need to raise new capital shortly to survive in the medium term. The assumption of certain liabilities reduces the extent of creditors to be repaid.

1.10 In determining the fairness and reasonableness of the Transactions, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. In this case, there is no offer bid but we have considered other factors in determining whether the proposals are reasonable and these are set out in section 8 of this report.

1.11 The Company has requested Stantons International Securities Pty Ltd trading as Stantons International Securities to prepare an Independent Expert's Report to determine whether the proposals outlined in Resolutions 5 and 6 are fair and/or reasonable to the shareholders of Equator (not associated with the BJO Investors). Under TCA our opinion on the buy back of the BJO Investor Shares pursuant to Resolution 6 requires conclusion as to whether the proposals sunder Resolution 5 are in the best interests of Equator and its shareholders other than the BJO Investors and their associates.

1.12 Apart from this introduction, this report considers the following:

- Summary of opinion;
- Implications of the proposals;
- Corporate history and nature of business of Equator;
- Future directions of Equator;
- Basis of valuation of Equator shares;
- Basis of valuation of the Considerations ;
- Fairness and Reasonableness of the proposals under Resolutions 5 and 6;
- Conclusion as to fairness and reasonableness;
- Shareholders Decision;
- Sources of information; and
- Appendix A and our Financial Services Guide.

1.13 **In our opinion, the proposals as outlined in Resolutions 5 and 6 are on balance, fair and reasonable to the shareholders of Equator not associated with the BJO Investors and the proposal noted in Resolution 5 is in the best interests of shareholders.**

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this Report, including the independent valuation report (the Maynard Valuation Report") on the Liberian Mineral Assets prepared by Al Maynard & Associates ("Maynard") and included as an Appendix to the Notice.

2. Implications of the Proposals pursuant to Resolutions 5 and 6 (and other Resolutions)

2.1 As at 1 April 2015, there are 130,098,286 ordinary fully paid shares on issue in Equator and one B Performance Share (see paragraph 1.3 above). The significant registered fully paid shareholders as at 25 August 2013 (refer below), based on the top 20 shareholders list were disclosed as follows:

	No. of fully paid shares	% of issued fully paid shares
Citicorp Nominees Pty Ltd	9,891,157	7.60
Terry Graham Stanley	8,650,000	6.65
Treecity Pty Ltd	8,150,000	6.26
Silverwood Ventures Ltd	7,576,270	5.82
111Kenneth Alfred Ross	6,134,061	4.71
Ross Stanley	6,000,000	4.61
	46,401,488	35.65

The top 20 shareholders at 25 August 2013 owned approximately 73.80% of the ordinary issued capital of the Company and the BJO Investors hold an approximate 23.74% of the ordinary issued capital of Equator at that date. No updated Register of Members is available as the Share Registrars are owed monies and are not processing and transfers (minimal as the Company has been suspended from trading from September 2013).

Mr Ross Stanley via shareholdings in his own name and that of companies under his control own a total of 21,876,270 shares in Equator, representing approximately 16.81% of the total shares on issue. Currently, Ross Stanley is financially supporting the Company.

It is proposed pursuant to Resolutions 1 to 4 to issue a total of 17,036,983 ordinary shares of which 5,036,983 are to be issued to the BJO Investors and effectively cancelled as part of the Transactions. The issue of such shares are not raising any funds and, are in effect being issued based on past agreements to eliminate debts due by the Equator Group to various parties and from past placements of shares. This report assumes all of the new shares will be issued. The creditors figures disclosed in this report exclude the debts to be eliminated by the above share issues.

The movement in the share capital will be as follows:

Shares on issue as at 1 April 2015	130,098,286
Shares to be issued as noted above (Resolutions 1 to 4)	17,036,983
Shares on issue pre the Transactions	147,135,269
Less: Shares to be cancelled (Resolution 5 and also part of Resolution 1 in the Special Meeting of Shareholders)	(44,476,294)
Shares on issue post the Transactions	**102,658,975**

Further shares may be issued as noted in paragraph 2.5 below.

Thus subsequent to the selective buy back of the BJO Investor Shares, there will be 102,658,975 ordinary shares on issue and no Performance Shares on issue. The percentage interests' of all other shareholders holding ordinary shares is thus increased..

2.2 As at 1 April 2015, the following share options were on issue:

1,500,000	Unlisted options exercisable at 25 cents expiring 11 July 2015

It is not expected that the existing share options will be exercised by their expiry date.

2.3 If the Transactions are completed by selling a 100% interest in the shares in BJH, Equator's share structure would change as noted above and it would divest itself of the Liberian Mineral Assets. In addition, creditors totalling approximately $1,248,940 would be eliminated from the Equator Group creditors as at 31 January 2015
.

2.4 The current Board of Directors is expected to change in the near future following the passing of Resolutions 5 and 6 at the proposed shareholders meeting. The existing directors of Equator are Niles E Helmboldt, Neville Cridge, Robert Marusco, Michael Roberts and Charles Waterman. It is expected that Mr Niles E Helmboldt and Charles Waterman would resign as Directors following completion of the Transactions. Further new directors may be appointed in the future as and when the need arises.

2.5 The Company will seek to raise new capital (part possibly by Convertible Notes) in 2015 and use some new funds to pay out existing creditors (some assumed by the BJO Investors as noted above), spend exploration monies on the NT Mineral Assets and seek new business opportunities.

The Company in August 2014 borrowed $43,000 by way of a convertible note from Ross Stanley ("Stanley Note") in order to pay certain administration cost of the Company. As at 31 January 2015, the amount owing to Ross Stanley is $360,000 (all by way of Notes) and bears interest at 1% per annum and are due for repayment (if not converted to shares in Equator) by 31 August 2015. The Stanley Notes may be converted into Equator shares at the option of Ross Stanley at an issue price equal to the next capital raising of the Company. It is expected that the next capital raising will be undertaken at 0.2 cents each but may well be a different figure. If converted at 0.2 cents each a further 180,000,000 shares may be issued. It is planned, post the passing and consummations of all of the Resolutions in the Notice, to seek to further recapitalise the Company and raise fresh equity. The final issue price has not been determined and there is no guarantee that a recapitalisation would be successful.

3. Corporate History and Nature of Business

3.1 Equator is a listed mineral exploration company on the ASX. Its significant assets as at 20 October 2014 as noted in announcements to the ASX to that date are:

- A 100% interest in the Liberian Mineral Assets as noted in paragraphs 1.1 and the Maynard Valuation Report; and
- An interest in various Northern Territory Mineral Tenements as noted in the Maynard Valuation Report.

Further details are in announcements made by Equator to the ASX to 1 April 2015 and shareholders are encouraged to read recent reports on the various projects (and any other subsequent announcements before the meeting of shareholders) before determining whether to vote for or against all Resolution in the Notice.

4. Future Directions of Equator

4.1 We have been advised by the directors and management of Equator that:

- There are no proposals currently contemplated either whereby Equator will acquire any properties or assets from the BJO Investor Group or where Equator would transfer any of its property or assets to the BJO Investor Group (other than the sale of the shares in BJH and thus indirectly the sale of the Liberian Mineral Assets);
- The composition of the Board is expected to change in the short term as a result of the proposed Issue (refer paragraph 2.4 above);
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- The Company may seek new capital by way of share and/or debt issues in 2015/16 and later for working capital; and
- The Company will endeavour to enhance the value of its interests in its remaining Northern Territory Exploration Assets and seek new business opportunities.

5. Basis of Valuation of Equator Shares

5.1 Ordinary Shares

5.1.1 In considering part of the proposals outlined in Resolutions 5 and 6, we have sought to determine if the Considerations payable by the BJO Investors to acquire all of the shares in BJH for the Considerations including buying back (cancelling) all of the BJO Investor Shares is fair and reasonable and/or in the best interests of Equator and its shareholders other than the BJO Investors and their associates.

5.1.2 The Transactions pursuant to Resolutions 5 and 6 would be fair to the existing non associated shareholders if the value of the shares in BJH being sold to the BJO Investors is less than the implicit value of the Considerations being offered that includes Equator in effect cancelling the BJO Investor Shares being bought back as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Equator ordinary shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an Equator ordinary share are:

- Capitalise maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;

- Adjusted net backing and windup value; and
- The market price of Equator shares.

5.2 Capitalise maintainable earnings and discounted cash flows.

Due to Equator's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. No annual reports have been prepared by Equator for the years ended 30 June 2013 and 2014 due to the lack of funds. To 31 December 2012, the Equator Group disclosed accumulated losses of $7,557,406 and since being suspended from quotation on the ASX, the Company has spent little funds but has continued to incur losses (in effect no revenue).

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Equator could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Equator have formed the view that there is unlikely to be any takeover bids made for Equator in the immediate future. The BJO Investors ordinary shareholders interest in Equator by the time of the selective share buyback will be approximately 30.22%. As a result of buying back the BJO Investor Shares held by the BJO Investors the direct shareholding of the BJO Investors in Equator will reduce to nil on the passing and consummation of Resolution 5.

5.4 Net Asset Backing

- We set out below an unaudited estimated consolidated statement of financial position of Equator as at 31 January 2015 (adjusted for the estimated costs of holding the shareholders meetings of $15,000 and the proposed issue of the shares as noted in Resolutions 1 to 4) and an unaudited pro-forma statement of financial position assuming the sale of the shares in BJH for the Considerations that includes:

- the buy back/cancellation of the 44,476,294 ordinary shares as part of the BJO Investor Shares as envisaged in Resolution 5 at a deemed $1,248,940 (nil ascribed to the one B Performance Share);

- the cancelation of the BJO Convertible Notes of $446,610; and

- the assumption of in country liabilities estimated at approximately $1,248,940.

	Equator Group (as adjusted) (unaudited) 31 January 2015 $000's	Equator Group (unaudited) Pro-Forma 31 January 2015 $000's
Current Assets		
Cash assets	13	13
Receivables	-	-
	13	13
Non Current Assets		
Property, plant and equipment	-	-
Exploration and evaluation expenditure	1,205	-
	1,205	-
Total Assets	1,218	13
Current Liabilities		
Trade creditors and accruals	1,842	594
Convertible Notes – BJO Investors	447	-
Stanley Notes	360	360
Total Liabilities	2,649	954
Net Assets(Liabilities)	(1,431)	(941)
Number of ordinary shares on issue (refer paragraph 2.1 above)	147,135,269	102,658,975
Net book value per ordinary share (cents)	**Nil (0.97 negative)**	**Nil (0.92 negative)**

5.4.1 In determining the value of an ordinary share in Equator, we have had to ascribe fair market values to the mineral interests of the Equator Group. Section 5.4.3 below notes the current fair market values of the mineral interests of the Equator Group.

5.4.3 Using the fair values in Australian Dollars of the Mineral Assets (Liberian Mineral Concessions) and Northern Territory Exploration Assets as ascribed in the Maynard Valuation Report and based on the assumptions provided to us of the other assets and liabilities of Equator as at 31 January 2015 as per Balance Sheet A above, the net fair value of the Equator Group is expected to lie in the range as follows:

	Paragraph	Low $	Preferred $	High $
Mineral Assets and Northern Territory Exploration Assets	5.4.4	910,000	1,205,000	1,513,000
Property, plant and equipment		-	-	-
Current assets		13,000	13,000	13,000
Total liabilities		(2,649,000)	(2,649,000)	(2,649,000)
Total Net (Liabilities)		(1,726,000)	(1,431,000)	(1,123,000)

Number of ordinary shares on issue	147,135,269	147,135,269	147,135,269
Net asset (liabilities) per share (cents)	**NIL cents (1.17)**	**NIL cents (0.97)**	**NIL cents (0.76)**

The actual range of valuations of the Mineral Assets by Maynard was in US dollars and the range was US$710,000 (low) to US$1,180,000 (high) with a preferred fair market value of US$940,000. The Australian dollar equivalent at AUS$1= US$0.78 (rounded).

5.4.4 Based on the preferred values, the adjusted net book values ("Balance Sheet A") equates to a liability per share (147,135,269 ordinary shares) of approximately (0.97) cents (ignoring the value, if any, of non-booked tax benefits that are considered minimal). Thus technically a share in Equator has nil value to the existing shareholders of Equator. On a wind up, shareholders would receive no consideration for their shares.

Thus the BJO Investor Shares (as applied to the ordinary shares) have a deemed preferred value of $Nil. The Company itself cannot realise value as a shell company but a value may be given to an investor or group of investors who may wish to recapitalise the Company. This may range between $200,000 and $500,000 for a company such as Equator. However an arrangement would ne need to be made with all existing creditors that could include a payment to them at less than book values.

5.4.5 We have used the preferred fair value ($Nil) of a Equator share as the fair share price to attribute to the ordinary shares as part of the BJO Investor Shares to be cancelled (and also nil ascribed to the B Performance Share as it is unlikely in the near future to meet the milestone of achieving a JORC resource in respect of the Bukon Jedeh Concession of greater than 1 million ounces of gold).

5.4.6 No detailed review was made by us on the assets and liabilities disclosed in the unaudited consolidated adjusted statement of financial position as at 31 January 2015. We have been assured, by the management of Equator that they believe the carrying value of all current and non-current assets and liabilities at 31 January 2015 are fair and not materially misstated pending considerations following the value of the shares in BJH following this transaction.

5.4.4 We also note it is not the present intention of the Directors of Equator to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value, is just that, theoretical. The shareholders, existing and future, must acquire shares in Equator based on the market perceptions of what the market considers an Equator share to be worth. The Company however is in an extremely poor financial position and unless a capital raising is conducted (along with completion of the Transactions), the Company may well fall into Administration or even Liquidation (refer above for recapitalisation proposals).

5.5 Market Price of Equator Fully Paid Ordinary Shares

5.5.1 The shares in Equator have been suspended from trading since 27 September 2013 and thus using past ASX traded share prices is not suitable in these circumstances. The last share price before suspension was 1.5 cents (130,000 shares traded on 15 August 2013).

5.5.2 The future value of an Equator ordinary share after the sale of the shares in BJH (and effectively the sale of the Liberian Mineral Assets) and the buy-back of BJO Investor Shares in Equator held by the BJO Investors will depend upon, inter alia:

- The successful exploitation of the current Northern Territory Exploration Assets of the Equator Group and any new exploration assets or other businesses acquired;
- The state of the mineral exploration markets (and prices) in Australia and overseas;
- The cash position of the Company;
- The state of Australian and overseas stock markets;
- Exchange rates;
- Membership and control of the Board and the quality of management
- General economic conditions; and
- Liquidity of shares in Equator.

6. Basis of Valuation of the interest in the Shares in BJH

6.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the shares in BJH to be sold to the BJO Investors, we have considered valuation methodologies recommended by ASIC Regulatory Guide 111 regarding valuation reports of independent experts and common market practices. These are discussed below.

6.2 Market based methods

Market based methods estimate a company's or assets fair market value by considering the market price of transactions in its shares (where shares are involved) or market value of comparable companies or assets. Market based methods include:

- Capitalisation of maintainable earnings;
- Discounted cash flows:
- Analysis of a company's recent share trading history (not applicable re the shares in BJH to be sold (but noting that Equator acquired the shares in BJH in June 2011 for a total deemed cost of $4,544,502 and as at 30 June 2012 when the last audited accounts were available, the consolidated carrying value was in excess of $6,000,000) on its own; and
- Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based upon the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence on market value of a company, as they may not account for company specific factors.

6.3 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

6.4 Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets methods;
- Liquidation of assets method; and
- Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. The net assets on a going concern basis, estimates the market values of the net assets of a company but does not take account of realisation costs. These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

6.5 Selection of Valuation Methodologies

All of the valuation methodologies considered above have significant limitations or restrictions in their application to the shares in BJH to be sold back to the BJO Investors. Capitalisation of maintainable earnings is not appropriate as no positive earnings have been achieved from the Liberian Mineral Assets. Recent share trading is not applicable as BJH since June 2011 has been a wholly owned subsidiary of Equator. The asset based method is the most relevant in these circumstances. The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

6.6 The Company, in conjunction with us has commissioned Al Maynard & Associates Pty Ltd ("Maynard") (author of the Valuation Report is Brian Varndell and the report was signed by Al Maynard) to prepare a valuation report of the Mineral Assets in Liberia and the Northern Territory Exploration Assets ("Maynard Valuation Report"). The Maynard Valuation Report of 20 February 2015 should be read in its entirety and a full copy of the Maynard Valuation Report is attached as an Appendix to the Notice and forms part of the Explanatory Statement to Shareholders. The Maynard Valuation Report ascribes a range of values to the interests to the Liberian Mineral Assets (and the Northern Territory Exploration Assets) and for the purposes of our report we have used the low, high and mid range market valuations referred to in the Maynard Valuation Report.

6.7 We have used and relied on the Maynard Valuation Report on the Mineral Assets (and also the Northern Territory Exploration Assets to be retained by the Company) and have satisfied ourselves that:

- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the author and signer of the report, Mr Brian Varndell and Mr Al Maynard are suitably qualified and experienced);
- Maynard is independent from Equator and the BJO Investors; and
- Maynard has employed sound and recognised methodologies in the preparation of the valuation report on the Mineral Assets in Liberia and the Northern Territory Exploration Assets.

6.8 Maynard has provided a range of market values of the Mineral Assets in Liberia and the Northern Territory Exploration Assets (refer paragraph 5.4.3 above) as follows:

	Low AUD$	Preferred AUD$	High AUD$
Mineral Assets in Liberia	910,000	1,205,000	1,513,000
Northern Territory Exploration Assets	nil	nil	nil
Tenements (all)	**910,000**	**1,205,000**	**1,513,000**

Accordingly, the value of the market value of the Liberian Mineral Assets based upon Maynard's fair market valuation, range from a low value of AUD$910,000, to a high value of AUD$1,513,000, with a preferred market value of AUD$1,205,000. In US dollars, the values ascribe by Maynard were US$710,000 (low) to US$1,180,000 (high) with a preferred valuation of US$940,000. The values in Australian dollars can vary depending on AUS/US exchange rates. Using the 1 April 2015 AUS/US exchange rate, the low would be approximately $932,500, the high would be approximately $1,550,000 and the preferred would be approximately $1,235,000 (AUS$1=US$0.7614).

6.9 No statement of financial position has been prepared specifically on BJH/BHR due to lack of cash to prepare accounts. It is our understanding that the only assets of the BJH Group are the Liberian Mineral Assets. We have been advised that plant and equipment initially owned by BHR has either been lost, destroyed or misappropriated by local people in Liberia who have not been paid by BHR. We have been advised that the whole site was dangerous and there was no way of recovering any minor assets remaining.

There would be an intercompany liability owing to Equator, however the amount cannot be currently ascertained and an in any event if the Transactions proceed, any intercompany debt will be written back and not payable to Equator. From Equator's point of view, the Debt is currently irrecoverable.

We are not sure as to the extent of other liabilities that may be recorded in the books of the BJH Group but note that from an Equator Group point of view, the estimated agreed /approved creditors relating to the BJR Exploration Licences and Liberian in-country costs as noted above approximate $1,248,940.

6.10 Thus the <u>preferred value</u> of BJH as a whole (and in effect the value of 100% of the shares in BJH) is $nil but noting that the Liberian Mineral Assets on their own approximate $1,205,000 to $1,235,000 (US$940,000) at preferred independent value.

6.11 Both BJH and BJR may have tax losses however we have not been able to ascertain the extent of the tax losses. Any tax losses of BJH and BJR reside in such companies and are not available to be used by Equator in its own right. If BJH and BJR continue to comply with Liberian tax law, the tax losses should be able to be used by such companies and eventually offset against any taxable income that may occur in the future (that cannot be guaranteed). We would normally ascribe nil value to tax losses as use of the tax losses is dependent on a number of factors, including compliance with tax laws of the country. In addition, there is no guarantee that taxable income will be available to utilise the tax losses (significant uncertainty). As noted overseas tax losses are quarantined and cannot be used by Equator in Australia.

7 Conclusion as to Fairness on the proposal relating to the Sale of the Shares in BJH to the BJO Investors

7.1 The proposal to sell the shares in BJH for the Considerations noted in paragraph 5.1 is believed fair to Equator's non-associated shareholders if the value of the consideration offered is equal to or greater than the value of the shares in BJH being sold to the BJO Investors. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

As noted above, the Consideration is made up of:

- Cancellation of all of the BJO Investor Shares held by the BJH Investors in Equator (44,476,294 ordinary shares and one B Performance Share); and
- Assumption by the BJO Investors of the agreed /approved creditors relating to the BJR Exploration Licences and Liberian in-country costs (estimated at $1,248,940).

The deemed preferred Consideration is considered to be:

	Preferred $ value
BJO Investor Shares to be bought back (paragraph 5.4.4)	Nil
Assumption of Liabilities	1,248,940
Total preferred Consideration	**1,248,940**

In addition, certain Notes owing to the BJO Investors totalling $446,610 are to be cancelled and if this is taken into account, the Consideration payable by the BJO Investors to acquire the Liberian Mineral Assets is $1,695,550.

7.2 The assessed preferred value of the shares in BJH is $Nil (as noted in paragraph 6.10 above).

7.3 Given the preferred Consideration receivable of $1,248,940 and arguably $1,695,550 (refer to paragraph 7.1) for the sale of the shares in BJH is above the preferred fair value of the shares in BJH (or on its own the value of the Liberian Mineral Assets), the Transaction is considered to be fair to the non-associated shareholders of Equator.

7.4 It is noted that the interests of Ross Stanley would be paying $nil to increase their shareholding interests in Equator from approximately 16.81% to approximately 21.45% but it is noted that pre and post the Transactions the Company is in a net liability position. The net liability position reduces from approximately $1,431,000 to approximately $941,000.

7.5 Conclusion on Fairness

In our opinion using the asset backing approach at fair values, the proposed buyback of the BJH Investor Shares for the part consideration of selling all of the shares in BJH to the BJO Investors and the buy-back of the 44,476,294 ordinary shares (and one B performance share as outlined in Resolutions 5 and 6 to the Notice are considered on balance to be fair (and in the best interests of the Company as it relates to Resolution 5).

8. Reasonableness of the proposals in relation to Resolutions 5 and 6

8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed sale of all of the shares in BJH to the BJO Investors and the proposal as per Resolutions 5 and 6.

<u>Advantages</u>

8.2 The buyback of the BJO Investor Shares reduces the issued capital from 147,135,269 (see above) ordinary shares to 102,658,975 ordinary shares and eliminates a 30.22% shareholding in Equator by the BJH Investors (that could be argued to be partially an overhang in the market). This also increases the shareholding of the non-associated shareholders.

By entering into the divestment of the shares in BJH (and in effect the interests in the Liberian Mineral Assets), Equator is relieved from the payment of creditors totalling an estimated $1,248,940. Currently, the Company has no funds to pay creditors and meet planned expenditures on the Mineral Assets in Liberia and Exploration Assets in the Northern Territory.

The elimination of debt may assist the Company in its recapitalisation plans. Equator plans to raise new capital and focus on its existing Northern Territory Exploration Assets and possibly acquire new exploration assets and/or other businesses. Whilst the Company has heavy debts in relation to the Liberian Mineral Assets, new capital raisings are extremely difficult.

8.3 The Company would require a significant capital outlay to fund the exploration activities to prove up reserves from the Liberian Mineral Assets. The Company does not currently have the ability to raise funds to spend on the Liberian Mineral Assets.

8.4 The sale of the shares in BJH, as noted above is considered to be fair. Equator is to divest itself of a suite of Mineral Assets for a Consideration which is greater than the assessed value of the shares in BJH.

<u>Disadvantages</u>

8.5 The Company would lose any future direct benefit of an increase in the market value of the Mineral Assets in Liberia being sold via selling all of the shares in BJH, due to positive exploration results or increased market sentiment or otherwise.

<u>Other Factors</u>

8.6 The Equator Group will lose Liberian tax losses (unquantified) as a result of the Transactions. However, utilisation of such Liberian tax losses are dependent on the ability of BJR to earn profits and as BJR is currently an exploration company with nil income, the likely hood of utilisation of the tax losses in the short/medium term is remote (with the possibility that the tax losses may never be utilised). It is our opinion that the tax benefit has currently a minimal or nil value. The tax rate on Liberian registered companies involved in the mining industry is 30%.

8.7 The buyback of the Buyback Shares does not affect the financial viability of the Equator Group other than incurring costs estimated at no more than $15,000. The Company currently has a significant deficiency in working capital and will need to raise new capital shortly to survive in the medium term.

8.8 The interests of Ross Stanley increase their shareholding in Equator to approximately 21.45%. This may encourage Ross Stanley to continue to support financially the Company and assist the Company in raising new capital to pay out remaining creditors and meet planned exploration on the NT exploration tenements.

9. Conclusion as to Reasonableness

9.1 **In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the proposals as outlined in paragraph 1.1 and Resolutions 5 and 6 may on balance collectively be considered to be reasonable to those shareholders not associated with the BJH Investors (and their Associates) at the date of this report.**

10. Shareholder Decision

10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the proposals as outlines in Resolutions 5 and 6 and as more fully described in the ES are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolutions 5 and 6 (and all other Resolutions). The responsibility for such a voting recommendation lies with the directors of Equator.

10.2 In any event, the decision whether to accept or reject Resolutions 5 and 6 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposals under Resolutions 5 and 6 (and all other Resolutions) shareholders should consult their own professional adviser.

10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Equator. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolutions 5 and 6 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

11.1 In making our assessment as to whether the proposals under Resolutions 5 and 6 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and its mining assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Equator about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Equator.

11.2 Information we have received includes, but is not limited to:

- Draft Notices and Explanatory Statement to Shareholders of Equator prepared to 1 April 2015;
- Discussions with management and a director of Equator;
- Details of historical market trading of Equator ordinary fully paid shares recorded by ASX to 18 August 2013;
- Shareholding details of Equator as at 17 February 2015;

- Announcements made by Equator from 1 January 2011 to 1 April 2015;
- The cash flow forecasts of Equator for December 2014 to November 2015;
- Unaudited financial accounts of Equator for the half years ended 31 December 2012 (audit reviewed);
- Unaudited financial position of the Equator Group as at 31 January 2015;
- Annual Report of Equator for the year ended 30 June 2012;
- The Binding Term Sheet between the Company and the BJH Investors of 20 February 2014; and
- The Independent Valuation of the Tenements (Maynard Valuation Report) of August 2014 and subsequently updated on 20 February 2015 by Maynard.

11.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

John Van Dieren
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 1 April 2015, relating to the proposed selective share buy-back of shares in BJH as outlined in Resolutions 5 and 6 in the Notice of Meeting to Shareholders and the ES proposed to be distributed to the Equator shareholders in late March 2015 or early April 2015.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Equator and the BJO Investors other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of $15,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren or Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in Equator. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd who owns 100% of the shares in Stantons International Securities Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Messrs John van Dieren (FCA,) and Martin Michalik (CA), the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Equator in order to assist them to assess the merits of the proposals as outlined in Resolutions 5 and 6 to the ES to which this report relates. This report has been prepared for the benefit of Equator's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of Equator, its subsidiaries and their assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of the Equator Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolutions 5 and 6 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 5 and 6 (and all other Resolutions).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Equator and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), Equator has agreed:

(a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Equator may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Equator; and

(b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Equator or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Equator or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Equator directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 1 April 2015

1. Stantons International Securities ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au