

EQUUS EXECUTES OPTION AGREEMENT TO ACQUIRE THE CERRO BAYO PROJECT

Equus Mining Limited ('Equus' or 'Company') (**ASX: EQE**) is pleased to announce that Equus has executed its Option with Mandalay Resources ('Mandalay') over the Cerro Bayo Project and at the Closing Date will assume 100% ownership of the mine infrastructure including the operational 0.5Mtpa flotation plant located centrally to the 295 km² mining claim package (the "Project").

HIGHLIGHTS

- ▶ This transaction will complete an important milestone in Equus's growth from explorer to producer with the operating mine and infrastructure central to its large exploration package and existing resources.
- ▶ The transaction is subject to Shareholder Approval scheduled for Nov 2021 for a planned Closing Date of 1 December 2021.
- ▶ No upfront cash consideration.¹
- ▶ Following the Closing Date Equus will acquire and will take control of the entire Cerro Bayo project area including existing Mineral Resources, exploration ground and all mine infrastructure:
 - ▶ Fully operational 0.5Mtpa processing plant currently processing low-grade stockpiles.
 - ▶ Expansive 295km² mining claim with significant potential to define additional feedstock for the plant by converting higher-grade Inferred Mineral Resources to Ore Reserves and exploring numerous high potential Brownfields and Greenfields exploration targets.
- ▶ As part of this transaction Equus plans to consolidate its issued capital on a 1:20 basis.
- ▶ Equus plans to raise up to US\$3.0 million in new capital to provide appropriate working capital for the Project.
- ▶ Equus will appoint the Mandalay Corp Costerfield Mine General Manager Ryan Austerberry to the Board of Equus as a non-executive director representing Mandalay.
- ▶ Mandalay has delivered consistent and strong production results at low costs via the processing of low-grade stockpiles at Cerro Bayo since recommissioning the plant in Feb 2021.²
- ▶ Key Financial & Production Statistics for **three months ended 30 June 2021** (Mandalay's first full quarter of production):²
 - ▶ **Gold Produced:** 1,087ozs
 - ▶ **Silver Produced:** 87,062ozs
 - ▶ **Gold Equivalent Production:** 3,084ozs
 - ▶ **Cash Cost:** US\$1,097/oz
 - ▶ **All in sustaining cost:** US\$1,110/oz
 - ▶ **Adjusted EBITDA:** US\$1.8M
- ▶ Cashflow from the processing of stockpiles has the potential to assist in funding future exploration and resource development activities at Cerro Bayo.

John Braham, Managing Director, Equus Mining Commented:

"Via the exercising of the option agreement of the Cerro Bayo Mining District, Equus will immediately transition to a producer with a fully operational plant, existing Mineral Resources and exciting exploration potential within a large, highly prospective land package located in a globally significant gold-silver producing jurisdiction.

With the first full quarter of production now complete, Equus has a good understanding of the processing parameters of the plant and production and potential cashflows achievable from the low-grade stockpiles within

¹ ASX Announcement 26 June 2021 - Equus Executes Agreement to Explore and Option to Acquire Mandalay Resources Corporation's Cerro Bayo Mining Project
<https://wsecure.weblink.com.au/pdf/EQE/02117478.pdf>

² Mandalay Resources Corporation Announces Financial Results for the three and six months ended June 30, 2021

Cerro Bayo. This information has proved extremely valuable for the decision on exercising of the option and reinforced our confidence of the potential economic viability of our existing, as well as any future resources that result from our aggressive exploration programs.

KEY TERMS OF THE OPTION³

- Date of closing confirmed as 1 December 2021.
- Consideration for completion of the acquisition, will be the issue to Mandalay of Equus shares such that Mandalay will have a 19% shareholding in Equus at the Closing Date and a 2.25% NSR on production from the Cerro Bayo mining claims subsequent to production of 50,000 oz Aueq.
- Equus holds the right to repurchase the NSR at any time by paying Mandalay US\$4M and issuing US\$2M in ordinary shares.
- Equus will assume the closure costs at Cerro Bayo with a guarantee from Mandalay covering 50% of the closure costs at the Closing Date.

CERRO BAYO MINERAL RESOURCES AND EXPLORATION POTENTIAL

Within the expansive 295km² mining claim package at Cerro Bayo, Equus is evaluating potential for additional feedstock for the plant based on the delineation of a JORC 2012 compliant inferred resource at Taitao of 302koz gold equivalent oz at 2.5 g/t Au equivalent,⁴ the remnant NI 43.101 resource at the Marcela Mine (21.8KOz gold, 2.74 Moz oz silver with an average grade of 2.53 g/t gold, 318 g/t silver)⁵ and potential extensions to mineralisation adjacent to other historic mines throughout the Cerro Bayo Project. Furthermore, the company is aggressively assessing what it believes to be compelling exploration potential at our Pegaso and Droughtmaster targets, as well as >100 historically identified veins throughout the Cerro Bayo district that the company considers to remain underexplored.

³ ASX Announcement 26 June 2021 - Equus Executes Agreement to Explore and Option to Acquire Mandalay Resources Corporation's Cerro Bayo Mining Project
<https://wscsecure.weblink.com.au/pdf/EQE/02117478.pdf>

⁴ ASX Announcement 22 December 2020 – Maiden Inferred Mineral Resource Estimate, Cerro Bayo Project & Gold equivalent (AuEq) is based on the formula $AuEq\ g/t = Au\ g/t + 0.0128 \times Ag\ g/t$

⁵ Based on Mandalay Resources Corporation, Cerro Bayo Mine NI 43-101 Technical Reports dated May 14, 2010 & March 21, 2017 Report #2699

CERRO BAYO PROCESSING PLANT PRODUCTION OVERVIEW

Following the successful recommissioning of the Cerro Bayo 0.5Mtpa flotation plant and commencement of processing of low-grade stockpiles in late February 2021, Mandalay have delivered positive production and financial results.

Since recommissioning the 0.5Mtpa plant at Cerro Bayo on 20 February 2021, Mandalay has processed a total 183kt of feed (please refer to Table 1 & Table 2 for full financial and production statistics).

Table 1: Cerro Bayo Financial Results⁶

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Revenue	5,411	-	5,411	-
Cost of sales	3,576	-	3,695	-
Income from operations (excl. depreciation & depletion)	1,835	-	1,716	-
General and administrative costs (a)	36	41	31	85
Adjusted EBITDA (b,d)	1,835	-	1,759	8
Depreciation & depletion	-	142	-	311
Adjusted EBIT (c)	1,799	-183	1,685	-396
Care and maintenance	-	488	383	1,093
Revision of reclamation liability	-	-5,783	-	-5,783
Finance costs, foreign exchange and others (c)	208	335	-248	523
Income before tax	1,591	4,777	1,550	3,771
Current tax expense	-	5	-	5
Adjusted net income (loss) after tax and before special items (d)	1,591	-1,499	1,167	-3,110
Consolidated net income after tax	1,591	4,772	1,550	3,766
Total capital expenditure (Capital purchases)	40	26	40	26

- a) Includes intercompany transfer pricing recharge costs of \$36,000 and \$74,000 for three and six months ended June 30, 2021 and \$41,000 and \$93,000 for the same period of 2020.
- b) Does not include intercompany transfer pricing recharge costs.
- c) Others includes such items as intercompany transfer pricing recharge for marketing fees and stock-based compensation of \$109,000 and \$110,000 for the three and six months ending June 30, 2021, and \$nil for the corresponding period of 2020.
- d) Income from operations (excl. depreciation & depletion) and Adjusted EBITDA, Adjusted EBIT and Adjusted net income are non-IFRS

Feedstock ore was provided from low-grade stockpiles located generally within 1km to the plant and Mandalay has permitted production of a further 1.55Mt of stockpiled ore sufficient for over 3 years of production. Significant

⁶ Mandalay Resources Corporation Announces Financial Results for the three and six months ended June 30, 2021

additional volumes of low-grade stockpiles occur throughout the wider Cerro Bayo mine district adjacent to the historic centres of historic production.

Table 2: Cerro Bayo Operating Results⁷

	Unit	Three months ended		Six months ended	
		June 30		June 30	
		2021	2020	2021	2020
Processed ore	t	128,905	-	183,029	-
Processed ore mill head grade Au	g/t	0.53	-	0.52	-
Processed ore mill head grade Ag	g/t	27.67	-	29.11	-
Recovery Au	%	83.25	-	83.32	-
Recovery Ag	%	77.25	-	77.99	-
Saleable Au produced	oz	1,807	-	2,531	-
Saleable Ag produced	oz	87,062	-	130,761	-
Saleable Au equivalent produced	oz	3,084	-	4,447	-
Processing cost per tonne ore	\$/t	15.51	-	16.77	-
Au sold	oz	1,728	-	1,728	-
Ag sold	oz	90,024	-	90,024	-
Au equivalent sold	oz	3,049	-	3,049	-

⁷ Mandalay Resources Corporation Announces Financial Results for the three and six months ended June 30, 2021

CERRO BAYO PROJECT

The Company's Flagship Cerro Bayo Project is held under a 3-year option to acquire 100% of all the Project's mining properties, resources and mine infrastructure from Mandalay Resources Corporation⁸. The project contains an operational 0.5Mtpa processing plant through which historical production of 645Koz Gold and 45Moz Silver⁹ was achieved up until the mine's temporary closure in mid-2017. The centrally located Cerro Bayo Project under option represents 295 km² within approximately 350km² of highly prospective gold-silver claim holdings held 100% by the company (Figure 1).

Equus is aggressively advancing drill testing of high priority brownfields drill targets, many of which are located along trend of several key historic producing mines within 2km from the processing plant and infrastructure. Results from this work will be released by the Company upon the scheduled receipt of results in the coming weeks.

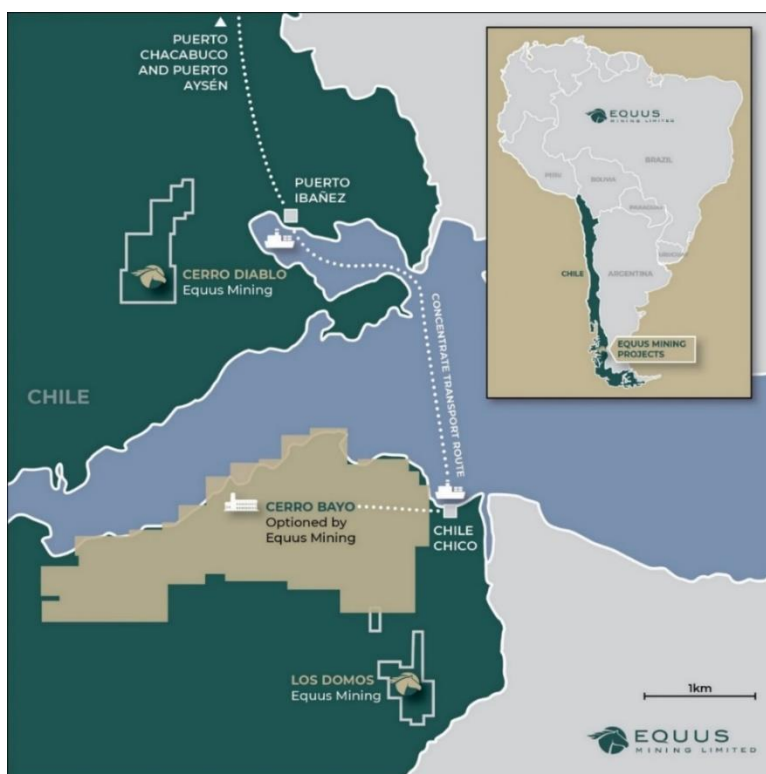


Figure 1 – Location plan of Equus Mining's Cerro Bayo mining district and other projects.

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This announcement has been approved by the Managing Director, John Braham.

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⁸ ASX Announcement - 8 October 2019 Equus Executes Option to Acquire Mandalay Resources Corporation's Cerro Bayo Mining Project <https://wsecure.weblink.com.au/pdf/EQE/02156517.pdf>

⁹ Based on Mandalay Resources Corporation, Cerro Bayo Mine NI 43-101 Technical Reports dated May 14, 2010. & March 21, 2017 Report #2699