



**EQUATORIAL**  
RESOURCES LTD



# **INTERIM FINANCIAL REPORT**

*For the half year ended 31 December 2013*

**ASX : EQX**

ABN : 50 009 188 694

Equatorial Resources Limited  
Level 2, BGC Centre  
28 The Esplanade  
PERTH WA 6000

## **CORPORATE INFORMATION**

### **Directors**

Ian Middlemas – Chairman (Non-executive)  
John Welborn – Managing Director and Chief Executive Officer  
Mark Pearce – Non-Executive Director  
Peter Woodman – Non-Executive Director

### **Company Secretary**

Greg Swan

### **Registered Office**

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### **Stock Exchange**

Australian Securities Exchange  
Home Branch – Perth  
2 The Esplanade  
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### **ASX Code**

EQX – Fully paid Ordinary Shares

### **Bankers**

Australia and New Zealand Banking Group Limited

### **Solicitors**

Hardy Bowen Lawyers

### **Auditors**

Ernst & Young

### **Website Address**

[www.equatorialresources.com.au](http://www.equatorialresources.com.au)

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Equatorial Resources Limited for the year ended 30 June 2013 and any public announcements made by Equatorial Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*

The directors of Equatorial Resources Limited present the consolidated financial report of Equatorial Resources Limited (“**Company**” or “**Equatorial**” or “**EQX**”) and the entities it controlled during the half year ended 31 December 2013 (“**Consolidated Entity**” or “**Group**”).

## **DIRECTORS**

The names of the Company’s directors in office at any time during the half year and until the date of this report are set out below.

Ian Middlemas	Chairman (Non-executive)
John Welborn	Managing Director and Chief Executive Officer
Mark Pearce	Non-Executive Director
Peter Woodman	Non-Executive Director

All directors held their office from 1 July 2013 until the date of this report.

## **REVIEW OF OPERATIONS**

During the half year, Equatorial continued to advance the exploration and development of its two 100% owned iron projects in the Republic of Congo (“ROC”). The Mayoko-Moussondji Iron Project (“Mayoko-Moussondji”), located in the southwest region of the ROC, has access to a rail line running directly to the deep-water port of Pointe-Noire, where the Company’s office is located. The Badondo Iron Project (“Badondo”), in the northwest region of ROC, is located within a regional cluster of world-class iron ore exploration projects including Sundance Resources Ltd’s (ASX:SDL) (“Sundance”) Mbalam project.

### **MA YOKO-MOUSSONDJI IRON PROJECT**

#### **Completion of Scoping Study**

Equatorial completed and announced on 16 July 2013 a Scoping Study for Mayoko-Moussondji which delivered excellent results demonstrating low capital intensity and first quartile operating costs. The study envisaged an initial mine life of 23 years, producing 2Mtpa of “Mayoko Premium Fines”, a 64.1% Fe hematite fines product. Operating costs were expected to average \$41 per tonne FOB and total capital expenditure was \$231 million.

The Company advises that the Scoping Study results and Production Targets are preliminary in nature as conclusions are drawn partly from Indicated Resources (being 25% of the total hematite resource that the Scoping Study results and Production Targets were based on) and Inferred Resources (being 75% of the total hematite resource that the Scoping Study results and Production Targets were based on). The Scoping Study is based on lower-level technical and economic assessments, and are insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The Company has concluded it has a reasonable basis for providing the forward looking statements in relation to the Scoping Study results and Production Targets. The detailed reasons for that conclusion were outlined in detail in the section headed “Forward Looking and Cautionary Statements” of the Company’s ASX announcement of 16 July 2013.

Equatorial’s project management team, directed by the Company’s Technical Studies Manager Paul Henharen, and using consultants from WorleyParsons have completed further work since publication of the Scoping Study for Mayoko-Moussondji and this has been incorporated into Equatorial’s feasibility study for the purposes of the MLA.

The focus of this additional study work was on further optimising the overland transport solutions and on delivering a port solution within the Port of Pointe-Noire that would enable the loading of Panamax size vessels.

#### **Environmental & Social Impact Assessment**

Equatorial has completed and lodged its Environmental and Social Impact Assessment (“ESIA”) for Mayoko-Moussondji. The ESIA was completed by local environmental consultancy Eco Durable based on the baseline work conducted by the Company’s environmental consultants SRK and Genivar.

The ESIA is an extensive study that includes the results of more than 12 months of environmental monitoring programs, field surveys to understand flora and fauna of the Project, ecosystem sensitivity assessments, a detailed community engagement plan, socio-economic surveys, and a review of the livelihood restoration requirements for communities directly affected by the Project. The study was prepared within the framework of the Terms of Reference that was drafted by a joint team of scientists from SRK, Genivar and Eco Durable and formally approved by the Government during 2012.

Numerous stakeholder meetings and workshops were undertaken as part of the ESIA, at local, regional and national levels, in line with Equatorial's strong corporate focus on the environmental and social aspects of the Project. The results of this stakeholder engagement process were extremely positive, highlighting the strong levels of community and government support for the Project.

The ESIA for Mayoko-Moussondji has been completed and lodged with the Ministry of Environment in the ROC and the Company is working with a commission from the Ministry on securing its approval.

### **Lodgement of Mining Licence Application**

On 10 December 2013, Equatorial lodged a Mining Licence Application ("MLA") for Mayoko-Moussondji with the ROC Ministry of Mines and Geology in Brazzaville. The MLA is the result of Equatorial's highly successful exploration activities at Mayoko-Moussondji which have identified a large deposit of iron ore. The MLA is based on a feasibility study and an ESIA. The feasibility study and the ESIA have been prepared in accordance with the guidelines contained within the ROC Mining Code and other applicable local legislation. These studies have not been prepared in accordance with the JORC Code. Within the MLA, Equatorial has outlined a technical mine plan and outlined the Company's needs with respect to national port and rail infrastructure.

Under the ROC Mining Code of 2005, the holder of an Exploration Licence has the exclusive right to apply for a Mining Licence by submitting a feasibility study for the project and an ESIA that has been approved by the ROC Government. A Mining Licence for iron ore in the ROC is valid for 25 years and grants the holder the exclusive right to mine within the boundaries of the licence area. Upon the grant of a Mining Licence the Mining Code stipulates that a Convention Agreement is to be signed between the holder and the ROC Government. The Convention Agreement defines the fiscal rights and responsibilities of both the Government and the holder with respect to the operation of the Mining Licence.

The Mining Code has a number of favourable terms for miners. The Government is entitled to a 3% royalty on revenues and a 10% free carried interest in the project. The corporate tax rate for mining companies in the ROC is currently 30% and mining companies have been able to negotiate tax holidays of up to five years from first production and a range of other investment incentives. Equatorial is greatly encouraged by the ROC Government's strong commitment to the establishment of a mining industry in the country and its support of the Company's development activities.

The Mining Code stipulates and Equatorial has included the following documents as required to be lodged with the MLA:

- The geographical coordinates of the zone requested;
- A report on the results of the exploration work programme which proves the existence of a potentially mineable deposit;
- A feasibility study;
- A technical and economic mining plan;
- An environmental and social impact assessment;
- Rail use Terms Sheet;
- Port use Terms Sheet; and
- A draft Mining Convention agreement.

Equatorial's MLA details preferred mining and processing plans, scale, throughput rate, project life, and infrastructure requirements to support the intended production and logistics profile of Mayoko-Moussondji. The advantages of Mayoko-Moussondji's access to existing infrastructure and favourable mineralisation allow for the potential for a long mine life with competitive operating costs based on relatively low capital investment. Equatorial will work closely with the relevant ROC Government departments to progress approval of the Mayoko-Moussondji Mining Licence, Mining Convention agreement and all related transport infrastructure agreements.

### **Rail and Port Agreements**

Equatorial's MLA included detailed Agreements and Terms Sheets for rail and for port that are intended to form the basis of commercial agreements in relation to the export of iron ore from Mayoko-Moussondji. The Terms Sheets were drafted in accordance with the principles of the Company's previously signed MOUs with the rail and port authorities, the CFCO and PAPN respectively, and reflect the ROC Government's prior confirmation of Equatorial's transport requirements for the initial 2Mtpa project.

The Rail Agreement and Terms Sheet for the purposes of the MLA was in relation to access and use of CFCO's existing rail infrastructure; CFCO's responsibilities and obligations regarding the operation and maintenance of the respective transport infrastructure; and the upgrading of rail operating and communication systems required for the safe and expeditious passage of traffic. The Rail Terms Sheet included an undertaking by the CFCO to grant Equatorial sufficient rail capacity to transport 2Mtpa from the project site at Mayoko to Pointe-Noire and set out a proposed per tonne tariff payable by Equatorial to CFCO for the rail services provided by CFCO.

The Port Agreement and Terms Sheet envisages the lease of a suitable area of land at the existing port of Pointe-Noire for Equatorial's export facilities for Panamax size vessels; Equatorial's access to common user port facilities; the construction and maintenance of Equatorial's rail and material handling infrastructure; and the provision of services in the areas of ship-handling, towage, vessel mooring, and maintenance and operations to be provided by PAPN in the day-to-day operations of the port. The Port Terms Sheet included a commitment by the PAPN to develop a new wharf within the port of Pointe-Noire with a berth length of approximately 370 metres with fenders and bollards to accommodate the safe mooring and warping of fully laden Panamax size vessels. The Port Terms Sheet also stipulated that the parties would enter into a port fees and tariffs agreement that would set out the tariff payable by Equatorial to PAPN for access and port services to be provided by PAPN.

The permitting of rail and port transport solutions has been designed to occur in parallel with the granting of the Mining Licence for Mayoko-Moussondji and the completion of the Mining Convention agreement, as has been the case with other iron ore companies operating in the Republic of Congo.

### JORC Mineral Resource Estimate Upgrade

On 4 December 2013, Equatorial announced a substantial upgrade to the Mineral Resource Estimate ("MRE") at Mayoko-Moussondji. The Indicated and Inferred Hematite Resource increased by 78% from 102 million tonnes to 182 million tonnes at 35.7% Fe ("Hematite Resource").

The Indicated portion of the Hematite Resource more than doubled from 25 million tonnes to 55 million tonnes at 39.3% Fe. The Indicated and Inferred Magnetite Resource increased from 665 million tonnes to 735 million tonnes of fresh Magnetite banded iron formation ("BIF") at 30.4% Fe ("Magnetite Resource"). The Hematite Resource and Magnetite Resource collectively make up the total MRE of Mayoko-Moussondji which has increased from 767 million tonnes to 917 million tonnes at 31.4% Fe.

The upgraded MRE for Mayoko-Moussondji is as follows:

Mayoko-Moussondji Iron Project Mineral Resource Estimate Upgrade - December 2013								
Resource Class	Material Type	Tonnage (Mton)	Fe grade (%)	SiO <sub>2</sub> grade (%)	Al <sub>2</sub> O <sub>3</sub> grade (%)	P grade (%)	LOI grade (%)	S grade (%)
Indicated	Colluvial Hematite	41	39.1	23.0	12.0	0.061	7.8	0.06
	Friable Hematite	8	41.3	34.0	3.8	0.063	2.5	0.02
	Hard Hematite	7	38.1	41.0	1.9	0.061	1.0	0.01
	Magnetite BIF	2	36.0	43.2	1.9	0.064	-0.4	0.04
	Sub-Total	57	39.2	27.3	9.3	0.061	6.0	0.05
Inferred	Colluvial Hematite	62	33.9	22.7	16.3	0.062	10.9	0.09
	Friable Hematite	48	34.6	37.1	7.4	0.065	4.9	0.05
	Hard Hematite	17	33.7	43.2	4.2	0.064	2.3	0.07
	Magnetite BIF	733	30.4	46.8	3.5	0.055	-0.2	0.14
	Sub-Total	859	30.9	44.4	4.6	0.057	0.9	0.13
Total Indicated + Inferred	Colluvial Hematite	103	36.0	22.8	14.5	0.061	9.7	0.08
	Friable Hematite	56	35.5	36.7	6.9	0.065	4.6	0.04
	Hard Hematite	23	34.9	42.6	3.5	0.063	1.9	0.05
	Hematite Sub-Total	182	35.7	29.6	10.8	0.063	7.1	0.06
	Magnetite BIF	735	30.4	46.8	3.5	0.056	-0.2	0.14
<b>Total Indicated and Inferred</b>		<b>917</b>	<b>31.4</b>	<b>43.4</b>	<b>4.9</b>	<b>0.057</b>	<b>1.3</b>	<b>0.12</b>

*\*Note: Totals may not add up due to rounding. All material is reported at a 20% Fe cut-off grade.*

**Table 1: Total Mineral Resource Estimate Table**

The updated MRE was compiled from 55,404 metres of drilling from 475 drill holes at the Makengui and Mbinda Prospects. This represents data from an additional 11,631 meters of drilling from 92 holes completed since the calculation of the maiden MRE.

In addition to these drill results, the Company conducted an extensive trenching and pitting program as part of the resource upgrade program. The trenching and pitting program was successful in verifying the surface mineralisation and increasing confidence in resource classification.

### Funding & Partnership Opportunities to Fast-track Development

Mayoko-Moussondji's positive project fundamentals as demonstrated by the completed Scoping Study and the recent lodgement of the Mining Licence Application, provide a solid platform for Equatorial to advance discussions and negotiations with potential strategic partners and financiers. Equatorial continues to explore opportunities for collaboration and partnership with significant mining houses and potential funders in order to fast track the financing and development of Mayoko-Moussondji.

The Company is exploring a number of opportunities for project funding including product off-take arrangements and strategic partnership. Currently, no binding agreements have been concluded with any party nor has any opportunity sufficiently progressed to be announced to the market. There is no guarantee that any agreement or transaction will eventuate from the Company's current discussions.

### BADONDO IRON PROJECT

Equatorial's 100% owned Badondo Iron Project is located in the northwest region of the ROC within an emerging cluster of world class iron projects including Sundance Resources Ltd's (ASX:SDL) ("Sundance") Mbalam-Nabeba project, Core Mining's Avima project and Gabon's Belinga project (refer Figure 1).



**Figure 1: Badondo Project Location Map**

### Increased Exploration Target

On 30 October 2013, Equatorial announced an increase in the size and grade of an Exploration Target at Badondo. The updated Exploration Target has been independently estimated by Core Geophysics based on remodelling following on-ground work including results from the completed initial drilling program.

The total Exploration Target for Badondo is made up of individually modelled Exploration Targets for three identified prospect areas: Badondo Prospect, the Belinga North Prospect, and the Belinga North Extension Prospect. At each prospect a target estimate has been calculated for potential primary magnetite material ("Primary Itabirite") and also for potential enriched hematite material ("Enriched Hematite"). The results from the initial drilling program, when combined with the geological mapping program conducted by SRK Consulting (Perth) Limited ("SRK"), have allowed for more accurate magnetic modelling to be conducted of the Badondo Prospect. No changes have been made to the size of the targets for the Belinga North Prospect, and the Belinga North Extension Prospect.

Updated Badondo Exploration Targets			
Project	Enriched Hematite Target (58 to 67% Fe)	Primary Itabirite Target (35 to 54% Fe)	Total Exploration Target (35 to 67% Fe)
Badondo	270 – 450 Mt	1,770 – 2,950 Mt	2,040 – 3,400
Belinga North	40 – 70 Mt	460 – 770 Mt	500 – 840
Belinga North Ext	60 – 100 Mt	170 – 290 Mt	230 – 390
<b>Total</b>	<b>370 - 620 Mt</b>	<b>2,370 – 3,950 Mt</b>	<b>2,770 – 4,630 Mt</b>

**Table 3: Updated Exploration Targets for Badondo**

The Exploration Target estimates are based on a number of assumptions and limitations. The potential quantities and grades are conceptual in nature and should be considered broadly indicative at best. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The remodelling of the Badondo Prospect has resulted in a 370% upgrade to the Exploration Target for primary magnetite and hematite banded iron formation ("BIF") at that prospect. The Exploration Target for Enriched Hematite has been upgraded to between 270 and 450 million tonnes and the grade range has been increased to between 58% and 67% Fe. This represents a significant target of potentially high grade Direct Shipping Ore ("DSO") material. The Exploration Target for Primary Itabirite has been upgraded to between 2,370 and 3,950 million tonnes at a grade of 35% to 54% Fe.

This combined with the previous Exploration Target at the Belinga North and Belinga North Extension Prospects (see ASX announcement dated 28 March 2011) provides an updated total Exploration Target for the project which has increased by more than 100% and is now 2,770 to 4,630 million tonnes at a grade range of 35% to 67% Fe. The total Exploration Target for enriched hematite is now between 370 and 620 million tonnes at a grade range of between 58% and 67% Fe.

### HEALTH AND SAFETY PERFORMANCE

Equatorial is committed to achieving the highest performance in occupational health and safety to create and maintain a safe and healthy environment at company sites and workplaces for all personnel and contractors. The Company has adopted detailed Health, Safety, Environment and Security policies.

The Company suffered one loss time injury during the period at Mayoko-Moussondji, resulting in one lost work day.

## ENVIRONMENT AND COMMUNITY

Equatorial is committed to the highest standards of social responsibility and sustainable development. The Company submitted its Sustainable Development Charter to the ROC government in 2010 and has been working closely with the ROC Ministry of Mines, the Ministry for Sustainable Development, Economic Forestry and Environment, departmental authorities in Niari and Sangha as well as local community leaders and companies to ensure stakeholders are aware and supportive of the Company's development plans and that operations are carried out with transparency and respect for the various stakeholder needs.

Equatorial has partnered with local environmental consultancy Eco Durable to carry out environmental monitoring and management during the exploration phase, with representatives now active at Mayoko-Moussondji.

Equatorial is proud to support the local communities in which the Company operates. The Company is committed to making a positive impact. During the period a number of key initiatives and community programs were continued at both Mayoko-Moussondji and Badondo. These included: support for local medical facilities, refurbishment of local water purification systems, provision of electricity to the local community, road repair and maintenance and waste management. In addition, Equatorial completed the construction of new facilities for the Mayoko Primary School. These facilities are designed to greatly expand the capacity and functionality of the Mayoko Primary School and will include the provision of extra classrooms, sporting facilities, educational equipment, and, for the first time, toilets with running water.

## OPERATING RESULTS

The net loss of the Consolidated Entity for the half year ended 31 December 2013 was \$8,912,990 (31 December 2012: \$20,410,622). Specifically, this loss is largely attributable to:

- (i) Exploration and evaluation expenses of \$5,348,930 (31 December 2012: \$15,777,731), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of the rights to explore and up to the successful completion of definitive feasibility studies for each separate area of interest;
- (ii) Non-cash share based payment expenses of \$1,280,760 (31 December 2012: \$1,968,438) relating to the Company's employee and contractor long term incentive plans;
- (iii) Feasibility expenses of \$1,114,009 (31 December 2012: \$1,322,373), which includes consultancy fees and infrastructure studies relating to the project development of Mayoko-Moussondji; and
- (iv) Corporate expenses of \$1,265,073 (31 December 2012: \$1,230,280), which includes expenses relating to the management of an ASX listed company and expenses relating to the Group's investor relations activities during the half year.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

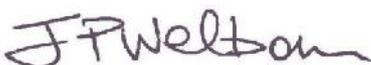
At the date of this report, there are no matters or circumstances, which have arisen since 31 December 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2013, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2013, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2013, of the Consolidated Entity.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2013 has been received and can be found on page 8 of the Interim Financial Report.

Signed in accordance with a resolution of the directors.



**JOHN WELBORN**  
Managing Director

Perth, 10 March 2014



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## Auditor's Independence Declaration to the Directors of Equatorial Resources Limited

In relation to our review of the financial report of Equatorial Resources Limited for the financial half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

P Mclver  
Partner  
Perth  
10 March 2014

	Notes	Half Year ended 31 Dec 2013	Half Year ended 31 Dec 2012
		\$	\$
<b>Operations</b>			
Revenue	3	979,431	1,829,758
Other income	3	7,593	1,812
Exploration and evaluation expenses		(5,348,930)	(15,777,731)
Feasibility expenses		(1,114,009)	(1,322,373)
Corporate expenses		(1,265,073)	(1,230,280)
Administrative expenses		(652,437)	(724,277)
Share based payments	4	(1,280,760)	(1,968,438)
Business development expenses		(232,110)	(351,307)
Other expenses	4	(6,695)	(24,305)
<b>Loss before income tax</b>		<b>(8,912,990)</b>	<b>(19,567,141)</b>
Income tax expense		-	(843,481)
<b>Loss for the period</b>		<b>(8,912,990)</b>	<b>(20,410,622)</b>
<b>Loss attributable to members of Equatorial Resources Limited</b>		<b>(8,912,990)</b>	<b>(20,410,622)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences arising on translation of foreign operations		236,062	140,290
Other comprehensive income for the period, net of tax		236,062	140,290
<b>Total comprehensive loss for the period</b>		<b>(8,676,928)</b>	<b>(20,270,332)</b>
<b>Total comprehensive loss attributable to members of Equatorial Resources Limited</b>		<b>(8,676,928)</b>	<b>(20,270,332)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents per share)		(7.31)	(17.41)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	31 Dec 2013 \$	30 Jun 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	45,454,965	51,878,445
Trade and other receivables		1,105,705	1,142,998
Prepayments		175,771	229,685
<b>Total Current Assets</b>		<b>46,736,441</b>	<b>53,251,128</b>
<b>Non-current Assets</b>			
Property, plant and equipment	6	4,121,364	4,932,050
Exploration and evaluation assets		7,149,090	7,148,319
Intangible assets		110,117	120,931
<b>Total Non-current Assets</b>		<b>11,380,571</b>	<b>12,201,300</b>
<b>TOTAL ASSETS</b>		<b>58,117,012</b>	<b>65,452,428</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,671,012	2,463,161
Provisions		87,048	410,996
Income tax payable		622,130	622,130
<b>Total Current Liabilities</b>		<b>3,380,190</b>	<b>3,496,287</b>
<b>TOTAL LIABILITIES</b>		<b>3,380,190</b>	<b>3,496,287</b>
<b>NET ASSETS</b>		<b>54,736,822</b>	<b>61,956,141</b>
<b>EQUITY</b>			
Contributed equity	7(a)	175,086,000	174,817,051
Reserves	8	5,533,998	5,641,826
Accumulated losses		(125,883,176)	(118,502,736)
<b>TOTAL EQUITY</b>		<b>54,736,822</b>	<b>61,956,141</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	<b>174,817,051</b>	<b>4,949,564</b>	<b>692,262</b>	<b>(118,502,736)</b>	<b>61,956,141</b>
Net loss for the period	-	-	-	(8,912,990)	(8,912,990)
<b>Other comprehensive income:</b>					
Exchange differences on translation of foreign operations	-	-	236,062	-	236,062
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>236,062</b>	<b>(8,912,990)</b>	<b>(8,676,928)</b>
<b>Transactions with owners recorded directly in equity</b>					
Exercise of Options	272,100	(92,100)	-	-	180,000
Share issue costs	(3,151)	-	-	-	(3,151)
Share based payments	-	1,280,760	-	-	1,280,760
Expiry of options transferred to Accumulated Losses	-	(1,532,550)	-	1,532,550	-
<b>Balance at 31 December 2013</b>	<b>175,086,000</b>	<b>4,605,674</b>	<b>928,324</b>	<b>(125,883,176)</b>	<b>54,736,822</b>
<b>Balance at 1 July 2012</b>	<b>172,276,851</b>	<b>4,428,516</b>	<b>(93,438)</b>	<b>(86,158,151)</b>	<b>90,453,778</b>
Net loss for the period	-	-	-	(20,410,622)	(20,410,622)
<b>Other comprehensive income:</b>					
Exchange differences on translation of foreign operations	-	-	140,291	-	140,291
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>140,291</b>	<b>(20,410,622)</b>	<b>(20,270,331)</b>
<b>Transactions with owners recorded directly in equity</b>					
Share based payments	-	1,968,438	-	-	1,968,438
Expiry of options transferred to Accumulated Losses	-	(96,300)	-	96,300	-
<b>Balance at 31 December 2012</b>	<b>172,276,851</b>	<b>6,300,654</b>	<b>46,853</b>	<b>(106,472,473)</b>	<b>72,151,885</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Half Year ended 31 Dec 2013	Half Year ended 31 Dec 2012
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers, employees and others	(7,582,017)	(19,606,610)
Interest received	986,471	2,231,368
<b>Net Cash flows from Operating Activities</b>	<b>(6,595,546)</b>	<b>(17,375,242)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(1,967)	(209,164)
Proceeds from sale of property, plant and equipment	1,011	-
<b>Net Cash flows from Investing Activities</b>	<b>(956)</b>	<b>(209,164)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	180,000	-
Payments for share issue costs	(3,151)	-
<b>Net Cash flows from Financing Activities</b>	<b>176,849</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,419,653)</b>	<b>(17,584,406)</b>
Net foreign exchange differences	(3,827)	783
Cash and cash equivalents at beginning of period	51,878,445	79,963,913
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>45,454,965</b>	<b>62,380,290</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose condensed financial report for the half year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Equatorial Resources Limited for the year ended 30 June 2013 and any public announcements made by Equatorial Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Basis of Preparation

The interim financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars, unless otherwise stated.

The interim financial statements have been prepared on a going concern basis that contemplates the continuity of normal business activities and the realisation of assets and the extinguishment of liabilities in the ordinary course of business.

### (b) Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2013, other than as detailed below.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2013.

New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- (i) AASB 13 Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
- (ii) AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011).

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 2. SEGMENT INFORMATION

AASB 8 *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity. There have been no material changes in Non-current Assets by geographical location since the 30 June 2013 annual report.

## 3. REVENUE AND OTHER INCOME

	Half Year ended 31 Dec 2013	Half Year ended 31 Dec 2012
	\$	\$
<b>Revenue</b>		
Interest income	979,431	1,829,758
<b>Other Income</b>		
Net realised foreign exchange gains	-	1,812
Net unrealised foreign exchange gains	7,593	-
	<b>7,593</b>	<b>1,812</b>

#### 4. EXPENSES

	Half Year ended 31 Dec 2013	Half Year ended 31 Dec 2012
	\$	\$
<b>Depreciation and amortisation included in statement of comprehensive income</b>		
Depreciation of plant and equipment	1,162,083	948,720
Amortisation of intangible assets	20,247	17,194
	<b>1,182,330</b>	<b>965,914</b>
<b>Employee benefits expense</b>		
Wages and salaries	2,470,268	3,507,660
Superannuation	50,829	69,478
Share-based payments expense	1,280,760	1,968,438
Other employee benefits	292,738	296,038
	<b>4,094,595</b>	<b>5,841,614</b>
<b>Other Expenses</b>		
Impairment loss	-	23,275
Net realised foreign exchange losses	6,695	-
Net unrealised foreign exchange loss	-	1,030
	<b>6,695</b>	<b>24,305</b>

#### 5. CASH AND CASH EQUIVALENTS

	31 Dec 2013	30 Jun 2013
	\$	\$
Cash on hand	332,809	1,756,289
Deposits at call	44,122,156	50,122,156
	<b>44,454,965</b>	<b>51,878,445</b>

#### 6. PROPERTY, PLANT & EQUIPMENT

	31 Dec 2013	30 Jun 2013
	\$	\$
At cost	9,363,029	8,623,269
Accumulated depreciation and impairment	(5,241,665)	(3,691,219)
<b>Net carrying amount</b>	<b>4,121,364</b>	<b>4,932,050</b>

##### (a) Additions and Disposals

During the period there were \$1,967 of additions to Property, Plant and Equipment (30 June 2013: \$207,244) and \$1,011 in proceeds on the disposal of property, plant and equipment (30 June 2013: Nil). Other than additions and disposals, the presented cost and accumulated depreciation and impairment of Property, Plant and Equipment have both been impacted by foreign exchange differences arising from the translation of asset values in foreign currencies.

## 7. CONTRIBUTED EQUITY

	31 Dec 2013	30 Jun 2013
	\$	\$
<b>(a) Issued and Unissued Capital</b>		
122,185,353 (30 June 2013: 121,885,353) fully paid ordinary shares	<b>175,086,000</b>	174,817,051

### (b) Movements in Ordinary Shares during the period were as follows:

On 29 November 2013 and 6 December 2013, the Company issued 300,000 ordinary shares as a result of the exercise of 300,000 unlisted options. The Company raised \$180,000 from the conversion of these options before share issue costs.

## 8. RESERVES

		31 Dec 2013	30 Jun 2013
	Note	\$	\$
Share based payments reserve	8(a)	<b>4,605,674</b>	4,949,564
Foreign currency translation reserve		<b>928,324</b>	692,262
		<b>5,533,998</b>	5,641,826

### (a) Movements in Share based payments reserve during the period were as follows:

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
<b>01 Jul 13</b>	<b>Opening Balance</b>	<b>3,600,000</b>	<b>3,425,000</b>	<b>4,949,564</b>
	Lapse of Rights	-	(130,000)	-
	Exercise of options	(300,000)	-	(92,100)
	Share based payment expense	-	-	1,280,760
	Expiry of options	(3,300,000)	-	(1,532,550)
<b>31 Dec 13</b>	<b>Closing Balance</b>	<b>-</b>	<b>3,295,000</b>	<b>4,605,674</b>
<b>01 Jul 12</b>	<b>Opening Balance</b>	<b>7,050,000</b>	<b>3,780,000</b>	<b>4,428,516</b>
	Grant of Performance Rights	-	510,000	-
	Lapse of Rights	-	(420,000)	-
	Share based payment expense	-	-	1,968,438
	Expiry of options	(100,000)	-	(96,300)
<b>31 Dec 12</b>	<b>Closing Balance</b>	<b>6,950,000</b>	<b>3,870,000</b>	<b>6,300,654</b>

## 9. FINANCIAL INSTRUMENTS

### (a) Fair Value Measurement

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. Due to the short term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value. At 31 December 2013 and 31 December 2012 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

## 10. CONTINGENT ASSETS AND LIABILITIES

There have been no material changes to the commitments or contingencies disclosed in the most recent annual financial report of the Company.

## 11. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividend has been paid or provided for during the half year (31 December 2012: Nil).

## 12. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 31 December 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2013, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2013, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2013, of the Consolidated Entity.

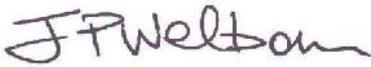
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Equatorial Resources Limited:

In the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) section 304 (compliance with accounting standards and the Corporations Regulations 2001) and;
  - (ii) section 305 (true and fair view); and
- (b) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**JOHN WELBORN**  
Managing Director

Perth, 10 March 2014

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Equatorial Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Equatorial Resources Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

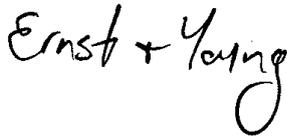
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Equatorial Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



P McIver  
Partner  
Perth  
10 March 2014

## COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and to Mineral Resources for Mayoko-Moussondji was extracted from Equatorial's ASX Announcement dated 4 December 2013 entitled "Resource Upgrade at Mayoko-Moussondji" which is available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). The information in the original ASX announcement that relates to Minerals Resources and Exploration Results was based on, and fairly represents, information compiled by Mr Mark Glassock, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Glassock was a full time employee of Equatorial, and is a shareholder of Equatorial (25,000 shares), and rights-holder of Equatorial (100,000 rights exercisable for nil consideration upon satisfying various performance milestones). Mr Glassock has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Equatorial confirms that the form and context in which the Competent Person's findings are presented in this announcement have not been materially modified from the original ASX announcement. Mr Glassock consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results for Badondo was extracted from Equatorial's ASX Announcement dated 30 October 2013 entitled "Badondo Drilling Results Increase Size and Grade of Exploration Target" which are available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in the original ASX announcement that relates to Minerals Resources and Exploration Results was based on, and fairly represents, information compiled by Mr Mark Glassock, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Glassock was a full time employee of Equatorial, and is a shareholder of Equatorial (25,000 shares), and rights-holder of Equatorial (100,000 rights exercisable for nil consideration upon satisfying various performance milestones). Mr Glassock has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Mr Glassock consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Metallurgical Test Results was extracted from Equatorial's ASX announcement dated 16 July 2013 entitled 'Scoping Study For Mayoko-Moussondji' which is available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in the original ASX announcement that related to Metallurgical Test Results is based on information compiled by Dr John Clout who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Clout was a consultant to Equatorial Resources Limited during the Scoping Study. Dr Clout has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Dr Clout consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to the technical details and capital and operating cost estimates for the mineral processing, rail and port infrastructure "pit to port" elements of the Mayoko-Moussondji Project Scoping Study was extracted from Equatorial's ASX announcement dated 16 July 2013 entitled 'Scoping Study For Mayoko-Moussondji' which is available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in the original ASX announcement that related to the technical details and capital and operating cost estimates for the mineral processing, rail and port infrastructure "pit to port" elements of the Mayoko-Moussondji Project Scoping Study was based on information compiled by Mr Paul Henharen, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Henharen is employed by Worley Parsons. Mr Henharen has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Mr Henharen consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to mining schedule and estimated mine operating costs was extracted from Equatorial's ASX announcement dated 16 July 2013 entitled 'Scoping Study For Mayoko-Moussondji' which is available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in the original ASX announcement that related to mining schedule and estimated mine operating costs was based on information compiled Mr Steve Craig, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Craig is employed by Orelogy. Mr Craig has sufficient experience that is relevant to the style of

mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Mr Craig consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The Production Targets stated in this report are based on the Company's Scoping Study results as included in the ASX announcement dated 16 July 2013 entitled 'Scoping Study For Mayoko-Moussondji' which included the following material assumptions;

- Minimum Life of Mine ('LOM'): 23 years
- Stage 1 average production: 500Kt per annum
- Stage 1 production period: Commencement – 18 months
- Stage 2 average production: 2Mt per annum
- Stage 2 production period: 21.5 years
- Average LOM Strip Ratio: 0.36:1 (waste to ore)
- Mining Cut-off grade: 20.8% Fe
- Final Product Grade: 64.1% Fe "Mayoko Premium Fines"
- Average Total Operating Costs (FOB): US\$41.43 per tonne
- Initial Capital Expenditure: US\$114 million (Stage 1 production)
- Total Capital Expenditure: US\$231 million (Stage 2 production)

The Scoping Study and Production Targets were based on the initial Mineral Resource Estimate ("MRE") for Mayoko-Moussondji which (at the time of the Scoping Study) included an Indicated and Inferred Hematite Resource of 102 million tonnes at 40.6% Fe as part of an initial Indicated and Inferred Resource (Magnetite and Hematite) of 767 million tonnes at 31.9% Fe (refer ASX announcement 4 February 2013).

The information in this announcement that relates to Exploration Targets was extracted from Equatorial's ASX Announcement dated 30 October 2013 entitled "Badondo Drilling Results Increase Size and Grade of Exploration Target" and from Equatorial's ASX announcement dated 16 July 2013 entitled 'Scoping Study For Mayoko-Moussondji' which are available to view on the Company's website at [www.equatorialresources.com.au](http://www.equatorialresources.com.au). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in the original ASX announcements that relate to Exploration Targets was based, and fairly represents, on information compiled by Mr Mathew Cooper, a Competent Person who is a Member of The Australian Institute of Geoscientists. Mr Cooper is employed by Core Geophysics Pty Ltd who was engaged by Equatorial Resources Limited to provide geophysical consulting services. Mr Cooper has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Equatorial confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement. Mr Cooper consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.