

ASX: EQX | 31 January 2017 | ASX RELEASE

DECEMBER 2016 QUARTERLY REPORT

Equatorial Resources Limited ("**Equatorial**" or "**Company**") is pleased to present its quarterly report for the period ending 31 December 2016. Highlights during the quarter include:

- Lodged a mining licence application for the Company's 100%-owned and potentially large-scale Badondo Iron Project ("**Badondo**") located in the northwest region of the Republic of Congo.
- Badondo is located within a regional cluster of world-class iron ore exploration projects including Sundance Resources Ltd's Mbalam-Nabeba project, Core Mining's Avima project, and the Belinga project in Gabon.
- Badondo has a large direct shipping ore hematite exploration target and assay results received to-date have confirmed the presence of thick high grade iron mineralisation at, and close to, surface.
- Plans for further exploration and development activity at Badondo are being considered by Equatorial in the context of the current iron ore price and the progress of regional infrastructure developments.
- In addition, Equatorial is continuing to investigate regional opportunities for partnership and co-operation with strategic investors at a project level, in order to maximise the value of Badondo for shareholders.
- Equatorial also retains a 2% royalty on all future production from the Mayoko-Moussondji Iron Project, located in the southwest region of the Republic of Congo, following its sale to Midus Global Limited.
- Equatorial is in a strong financial position with significant cash reserves and no debt. At 31 December 2016 the Company had cash reserves of A\$41 million.
- Equatorial is focused on creating value from Badondo in addition to identifying and evaluating new opportunities in the resources sector which have the potential to build shareholder value.

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Badondo Iron Project

Equatorial is the 100% owner of the Badondo Iron Project, which is held by Equatorial's 100% owned subsidiary Congo Mining Exploration Ltd SARL. Badondo is a potentially large-scale iron project in the northwest region of the Republic of Congo, within a regional cluster of world-class iron ore exploration projects including Sundance Resources Limited's Mbalam-Nabeba project.

Badondo has a large direct shipping ore hematite exploration target and assay results received to-date have confirmed the presence of thick high grade iron mineralisation at, and close to, surface.

During the quarter, the Company lodged a Mining Licence Application ("MLA") for Badondo. Under the terms of the Republic of Congo Mining Code, exploration licences are granted for an initial 3 year period and are then capable of being renewed, upon application, for two further periods of two years. The Badondo Exploration Licence was renewed for the second time by Government Decree dated 7 December 2015. Equatorial is now undertaking the process to upgrade the Company's tenure to a 25 year Mining Licence. According to the Republic of Congo Mining Code, an MLA requires the submission of a feasibility study, an environmental and social impact assessment, community development plans, and the completion of technical reviews by relevant government agencies. On 22 November 2016, Equatorial lodged the MLA for Badondo based on completed exploration work in order to position the Company with a 25 year right to mine at the project. Equatorial will continue to work with the Government with the aim of securing the Badondo Mining Licence during the 2017 calendar year.

Equatorial has plans for further exploration work at Badondo, which may include a follow-up drilling program. Further exploration and development programs at Badondo will be considered by the Company in the context of the current iron ore price and the progress of regional infrastructure developments.

In addition, Equatorial is continuing to investigate regional opportunities for partnership and cooperation with strategic investors at a project level, in order to maximise the value of Badondo for shareholders.

Other Projects

Equatorial retains a 2% royalty on all future production from Mayoko-Moussondji, calculated on the value of all sales of ore extracted, produced, sold or otherwise disposed of from the project.

Corporate

Equatorial is in a strong financial position with A\$41 million at 31 December 2016.

In addition to maximising the value of existing assets, the Company continues to identify and evaluate resource projects which have the potential to build shareholder value. During the quarter, Equatorial assessed a number of new business opportunities and will make announcements to the market as appropriate should an acquisition occur.

Tenement Information

As at 31 December 2016, the Company has an interest in the following mining and exploration tenements:

| Project Name | Tenement Type | Tenement Number | % Interest | Status |
|----------------------|---------------------|---------------------|------------|---------|
| Badondo Iron Project | Exploration Licence | Decree No. 2015-984 | 100% | Granted |



Figure 1: Badondo Project Location

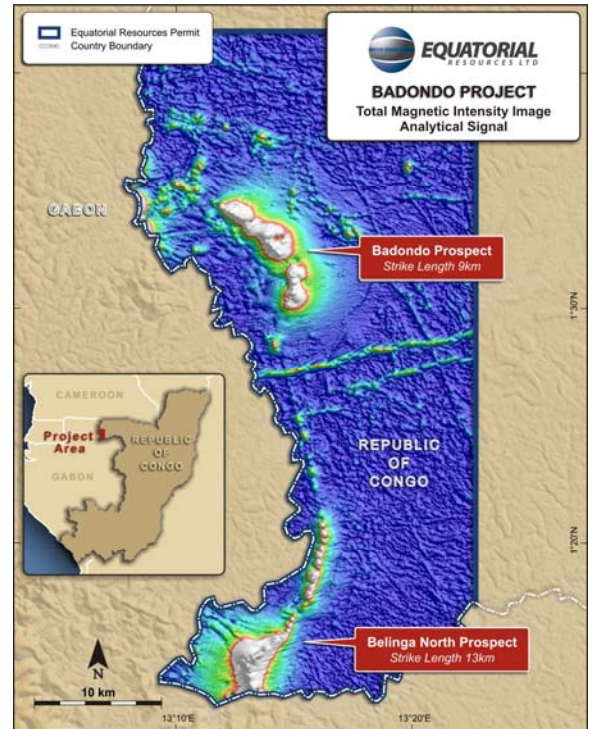


Figure 2: Badondo Exploration Targets

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Equatorial Resources Limited

ABN

50 009 188 694

Quarter ended ("current quarter")

31 December 2016

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | - | - |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (55) | (76) |
| (e) administration and corporate costs | (22) | (122) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 272 | 646 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | 281 |
| 1.8 Other (provide details if material): | | |
| (a) business development | (331) | (331) |
| 1.9 Net cash from / (used in) operating activities | (136) | 398 |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| | (d) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material): | | |
| | (a) deferred consideration | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| | | | |
|-------------|---|---|---|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|--------|--------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 40,982 | 40,448 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (136) | 398 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 40,846 | 40,846 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 546 | 682 |
| 5.2 | Call deposits | 40,300 | 40,300 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 40,846 | 40,982 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 |
|------------------------------------|
| 72 |
| - |

Payments include directors' fees, superannuation, executive remuneration, company secretarial services and provision of a fully serviced office.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter \$A'000 |
|------------------------------------|
| - |
| - |

Not applicable.

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

Not applicable.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | (50) |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | (50) |
| 9.5 Administration and corporate costs | (100) |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | (200) |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | - | - | - | - |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | - | - | - | - |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: 31 January 2017
(Director/Company secretary)

Print name: Gregory Swan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.