

EQUATORIAL RESOURCES LIMITED

INTERIM FINANCIAL REPORT ***For the half year ended 31 December 2017***

CORPORATE DIRECTORY
Directors

Ian Middlemas – Chairman
 Robert Behets – Non-Executive Director
 Mark Pearce – Non-Executive Director
 John Welborn – Non-Executive Director

Company Secretary

Greg Swan

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Stock Exchange

Australian Securities Exchange (ASX)
 Home Branch – Perth
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 152-158 St Georges Terrace
 Perth WA 6000

ASX Code

EQX – Fully paid ordinary shares

Bankers

Australia and New Zealand Banking Group Limited

Solicitors

DLA Piper Australia

Auditors

Ernst & Young

Website

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 2017 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**”) and the entities it controlled during the half year ended 31 December 2017 (“**Consolidated Entity**” or “**Group**”).

DIRECTORS

The names and details of the Company’s Directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas – Chairman
Mr Robert Behets – Non-Executive Director
Mr Mark Pearce – Non-Executive Director
Mr John Welborn – Non-Executive Director

Unless otherwise stated, all Directors held their office from 1 July 2017 until the date of this report.

OPERATING AND FINANCIAL REVIEW

Operations

During the half year, Equatorial continued to advance its existing mineral resource assets in Africa as well as searching for new opportunities in the resources sector which have the potential to build shareholder value.

Badondo Iron Project

Equatorial is the 100% owner of the Badondo Iron Project (“**Badondo**”), 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 (“**ROC**”), 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.

In November 2016, the Company lodged a Mining Licence Application (“**MLA**”) for Badondo. Under the terms of the ROC 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. According to the ROC Mining Code, if an exploration licence expires before a decision is made by the mining administration in regards to a MLA in respect of that exploration licence, then the validity of the exploration licence shall be extended. 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. During the half year, Equatorial continued to work with the Government with the aim of securing the Badondo Mining Licence.

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 Iron Project, located in the southwest region of the Republic of Congo, calculated on the value of all sales of ore extracted, produced, sold or otherwise disposed of from the project.

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 half year, Equatorial assessed a number of new business opportunities and will make announcements to the market as appropriate should an acquisition occur.

OPERATING AND FINANCIAL REVIEW (continued)

Operating Results

The net loss of the Consolidated Entity for the half year ended 31 December 2017 was \$118,060 (31 December 2016: \$136,684).

Financial Position

At 31 December 2017, the Company had cash reserves of \$39.8 million (30 June 2017: \$39.9 million) and no debt, placing the Company in a strong financial position to conduct its current activities and to pursue new business development opportunities. At 31 December 2017, the Company had net assets of \$42.2 million (30 June 2017: \$42.2 million).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report there are no matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2017, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2017, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2017, of the Consolidated Entity.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2017 has been received and can be found on page 4 of the Interim Financial Report.

Signed in accordance with a resolution of the directors.



MARK PEARCE
Director

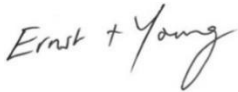
14 March 2018

Auditor's independence declaration to the directors of Equatorial Resources Limited

As lead auditor for the review of Equatorial Resources Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Equatorial Resources Limited and the entities it controlled during the financial period.



Ernst & Young



T S Hammond
Partner
14 March 2018

	Notes	Half Year ended 31 Dec 2017 \$	Half Year ended 31 Dec 2016 \$
Operations			
Revenue	3	515,042	589,446
Exploration and evaluation expenses		(88,332)	(71,310)
Corporate and administrative expenses		(252,234)	(284,620)
Business development expenses		(247,794)	(365,983)
Other expenses	3	(44,742)	(4,217)
Loss before income tax		(118,060)	(136,684)
Income tax expense		-	-
Loss for the period		(118,060)	(136,684)
Loss attributable to members of Equatorial Resources Limited		(118,060)	(136,684)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		340	287
Other comprehensive income for the period, net of tax		340	287
Total comprehensive loss for the period		(117,720)	(136,397)
Total comprehensive loss attributable to members of Equatorial Resources Limited		(117,720)	(136,397)
Earnings per share			
Basic and diluted loss per share (cents per share)		(0.09)	(0.11)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	31 Dec 2017 \$	30 Jun 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	39,839,701	39,918,044
Trade and other receivables		369,976	392,751
Total Current Assets		40,209,677	40,310,795
Non-current Assets			
Exploration and evaluation assets	5	2,146,569	2,146,421
Total Non-Current Assets		2,146,569	2,146,421
TOTAL ASSETS		42,356,246	42,457,216
LIABILITIES			
Current Liabilities			
Trade and other payables		185,880	212,793
Total Current Liabilities		185,880	212,793
TOTAL LIABILITIES		185,880	212,793
NET ASSETS		42,170,366	42,244,423
EQUITY			
Contributed equity	6	177,682,852	177,682,852
Reserves	7	333,714	289,711
Accumulated losses		(135,846,200)	(135,728,140)
TOTAL EQUITY		42,170,366	42,244,423

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
	\$	\$	\$	\$	\$
Balance at 1 July 2017	177,682,852	-	289,711	(135,728,140)	42,244,423
Net loss for the period	-	-	-	(118,060)	(118,060)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	340	-	340
Total comprehensive income/(loss) for the period	-	-	340	(118,060)	(117,720)
Share-based payments	-	43,663	-	-	43,663
Balance at 31 December 2017	177,682,852	43,663	290,051	(135,846,200)	42,170,366
Balance at 1 July 2016	177,682,852	8,100	287,208	(134,691,280)	43,286,880
Net loss for the period	-	-	-	(136,684)	(136,684)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	287	-	287
Total comprehensive income/(loss) for the period	-	-	287	(136,684)	(136,397)
Balance at 31 December 2016	177,682,852	8,100	287,495	(134,827,964)	43,150,483

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

	Half Year ended 31 Dec 2017	Half Year ended 31 Dec 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers, employees and others	(472,619)	(151,175)
Interest received	394,276	549,800
Net cash flows from/(used in) operating activities	(78,343)	398,625
Net (decrease)/increase in cash and cash equivalents	(78,343)	398,625
Cash and cash equivalents at beginning of period	39,918,044	40,447,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	39,839,701	40,846,311

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 2017 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 2017 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 2017, other than as detailed below.

In the current period, 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 2017.

The adoption of new and revised standards and amendments has not affected the amounts reported for the current or prior half year 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.

3. REVENUE AND OTHER INCOME

	Half Year ended 31 Dec 2017	Half Year ended 31 Dec 2016
	\$	\$
Revenue		
Interest income	515,042	589,446
Other expenses		
Share-based payments	(43,663)	-
Net foreign exchange losses	(1,079)	(4,217)
	(44,742)	(4,217)

4. CASH AND CASH EQUIVALENTS

	31 Dec 2017	30 Jun 2017
	\$	\$
Cash on hand	189,701	268,044
Deposits at call	39,650,000	39,650,000
	39,839,701	39,918,044

5. EXPLORATION AND EVALUATION ASSETS

	31 Dec 2017	30 Jun 2017
	\$	\$
Areas of Interest		
Badondo Iron Project ¹	2,146,569	2,146,421

Notes:

¹ The ultimate recoupment of costs carried for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The carrying values above are based upon the Group's assumption that the exploration licenses will be renewed when required, subject to the company meeting its agreed budgets and work programs.

6. CONTRIBUTED EQUITY

	31 Dec 2017	30 Jun 2017
	\$	\$
Issued capital		
Fully paid ordinary shares: 124,445,353 (30 June 2017: 124,445,353)	177,682,852	177,682,852

There were no movements in ordinary shares during the period.

7. RESERVES

	31 Dec 2017	30 Jun 2017
	\$	\$
Share-based payments reserve	43,663	-
Foreign currency translation reserve	290,051	289,711
	333,714	289,711

(a) Movements in share-based payments reserve during the period

Date	Details	Number of Incentive Options	\$
1 Jul 17	Opening Balance	-	-
1 Sep 17	Grant of \$0.35 incentive options	500,000	-
1 Jul 17 – 31 Dec 17	Share-based payment expense	-	43,663
31 Dec 17	Closing Balance	500,000	43,663

8. 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 2017 and 30 June 2017 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

9. 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.

10. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividend has been paid or provided for during the half year (31 December 2016: Nil).

11. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2017, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2017, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2017, 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 (giving a true and fair view of the financial position of the Group as at 31 December 2017 and of its performance for the half year ended on that date); 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



MARK PEARCE
Director

14 March 2018

Independent auditor's review report to the members of Equatorial Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Equatorial Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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*.

The logo for Ernst + Young, featuring the company name in a cursive, handwritten-style font.

Ernst & Young

A handwritten signature in black ink, appearing to read 'T S Hammond'.

T S Hammond
Partner
Perth
14 March 2018