ANNUAL REPORT 2014

EQUATORIAL RESOURCES LTD

ABN 50 009 188 694

CORPORATE DIRECTORY

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

COMPANY SECRETARY
Mr Greg Swan

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ASX CODE
EQX – Fully paid Ordinary Shares

BANKERS
Australia and New Zealand Banking Group Limited

SOLICITORS
Hardy Bowen Lawyers

AUDITORS
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A MESSAGE FROM THE MANAGING DIRECTOR

Dear fellow Shareholders,

The 2014 financial year has been extremely challenging for the iron ore industry and particularly difficult for emerging explorers and developers of new projects. The sustained and continuing fall in iron ore prices, driven by the ongoing expansion of supply from the existing large seaborne producers, has created an uncertain environment for new projects and had a resulting negative impact on project valuations.

As at 30 June 2014 Equatorial Resources Limited **("Company"** or **"Equatorial")** had more than $40 million in cash. The Company is in a strong financial position with no debt, a committed management team, and the ability to manage ongoing project investment depending on prevailing market conditions.

Equatorial's 100% owned iron ore projects in the Republic of Congo ("ROC") are exceptional iron ore opportunities with robust fundamentals and specific project advantages. These characteristics ensure they are capable of generating significant positive returns for shareholders despite the currently challenging market conditions. Our ambition remains to build shareholder value and reward our stakeholders, shareholders, employees, and the communities in which we operate.

During the financial year Equatorial achieved a number of important operational milestones at the Mayoko-Moussondji Iron Project ("Mayoko-Moussondji") and the Badondo Iron Project ("Badondo"). These achievements included:

- The award of a Mining Licence from the ROC Government to develop and mine Mayoko-Moussondji;
- The approval of Equatorial's Environmental and Social Impact Assessment ("ESIA") by the Government of the ROC;
- The completion of a positive Scoping Study for Mayoko-Moussondji which delivered excellent results demonstrating low capital intensity and first quartile operating costs;
- The upgrade of the Company's Mineral Resource Estimate for Mayoko-Moussondji incorporating further drilling and trenching exploration work which increased the Indicated and Inferred Hematite Resource by 78%;
- The commencement of a Pre-Feasibility Study for Mayoko-Moussondji aimed at incorporating the increased resource base, advancements in rail and port, and reducing capital expenditure requirements;
- The increase in the size and grade of the Exploration Target at Badondo demonstrating that the project is of regional and global significance potentially representing a large high grade hematite Direct Shipping Ore opportunity;
- Maintaining the Company's outstanding record of health and safety performance operating in remote and extremely challenging environments; and
- The continued support for local communities in the ROC through Equatorial's community investment program focused on the provision of medical facilities, water purification systems, electricity, and educational resources.

Mayoko-Moussondji is a unique opportunity for near term production of a premium iron ore product, transported to market using existing infrastructure at an operating cost within the first quartile of the global iron ore cost curve. The low operating cost potential of Mayoko-Moussondji, coupled with its low capital intensity profile, position the project to deliver shareholder value despite the depressed market conditions for iron ore. Completion of the Pre-Feasibility Study for Mayoko-Moussondji provides a clear pathway to production. Critical to achieving this pathway will be strong support from the ROC Government. Our team are working with the government to finalise commercial terms for the use of government rail and port infrastructure as well as conclude negotiations for the Mining Convention Agreement which will set the fiscal terms of the proposed mining operations. Concluding these agreements will provide a solid platform for Equatorial to advance potential strategic partnership opportunities to provide necessary project funding.

Badondo's potential to be a high value asset will be advanced by successful regional development of the large high value ore bodies located nearby. Badondo is highly leveraged to regional development as any infrastructure solution is likely to provide multi-user access. Equatorial continues to work with other mining companies in the region and the Governments of the ROC and Gabon to explore opportunities for consolidation and cooperation.

Reacting to market conditions, Equatorial has focused on reducing expenditure wherever possible, whilst not jeopardising project development. Management will continue to ensure the Company maintains a strong balance sheet in the financial year ahead while we continue to advance our projects as well as look for new opportunities in the resources sector which will grow shareholder wealth. Developing and maintaining harmonious relationships with local communities, government and the environment continues to be a fundamental principal of our development strategy in the ROC. Equatorial's community engagement plan continues to provide ongoing benefits to the local communities in which we operate and to link with our training and employment of our Congolese workforce.

With a strong balance sheet with large cash reserves, a world-class technical team, exciting projects with significant upside, and a strong management team searching for opportunities to build shareholder value, Equatorial approaches the financial year ahead with optimism. I thank the board, management, and all our employees for their contribution and effort during the financial year. I also extend my sincere appreciation to shareholders for your support and I look forward to sharing success with you in the financial year ahead.

Yours faithfully

JPWelborn

John Welborn
Managing Director & CEO

DIRECTORS' REPORT

The Directors of Equatorial Resources Limited present their report on the Consolidated Entity consisting of Equatorial Resources Limited ("**Company**" or "**Equatorial**" or "**EQX**") and the entities it controlled at the end of, or during, the year ended 30 June 2014 ("**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 John Welborn - Managing Director and Chief Executive Officer
Mr Mark Pearce – Non-Executive Director
Mr Peter Woodman – Non-Executive Director

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

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas B.Com, CA
Chairman

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 5 November 2009. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Berkeley Resources Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Papillon Resources Limited (May 2011 – present), Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – present), Odyssey Energy Limited (September 2005 – present), Global Petroleum Limited (April 2007 – December 2011), and Coalspur Mines Limited (March 2007 – October 2011).

Mr John Welborn B.Com, CA, FAIM, SA Fin, MAICD, MAusIMM
Managing Director and Chief Executive Officer

Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and holds memberships of the Australasian Institute of Mining and Metallurgy, the Institute of Chartered Accountants in Australia, the Financial Services Institute of Australasia, the Australian Institute of Management and the Australian Institute of Company Directors.

Mr Welborn has extensive experience in the resources sector as a senior executive and in corporate management, finance and investment banking. Mr Welborn was the Head of Specialised Lending in Western Australia for Investec Bank (Australia) Ltd and has more than 20 years of commercial experience in national and international professional services and management consulting firms.

Mr Welborn was appointed a Director of the Company on 6 August 2010. During the three year period to the end of the financial year, Mr Welborn has held directorships in Orbital Corporation Limited (June 2014 – present), Prairie Mining Limited (February 2009 – present) and Noble Mineral Resources Limited (March 2013 – December 2013).

Mr Mark Pearce B.Bus, CA, FCIS, FFin
Director (Non-Executive)

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 5 November 2009. During the three year period to the end of the financial year, Mr Pearce has held directorships in Prairie Mining Limited (August 2011 – present), Pacific Ore Limited (April 2010 – present), WCP Resources Limited (September 2009 – present), Coalspur Mines Limited (March 2007 – October 2011), Sovereign Metals Limited (July 2006 – present) and Odyssey Energy Limited (September 2005 – present).

DIRECTORS' REPORT *(CONTINUED)*

CURRENT DIRECTORS AND OFFICERS (CONTINUED)

Mr Peter Woodman B.Sc. (Geology), MAusIMM
Director (Non-Executive)

Mr Woodman is a geologist with over 20 years' experience in exploration, development and operations in the resources sector. He is a graduate of the Australian National University and is a corporate member of the Australian Institute of Mining and Metallurgy.

Mr Woodman has held senior positions in a number of mining companies during his extensive career in the resources sector including Chief Executive Officer of Wedgetail Mining Limited where he oversaw the successful completion of the bankable feasibility study for the Nullagine Gold Project and then successfully managed an equity raising and securing senior debt facilities.

Prior to his role with Wedgetail Mining Ltd, Mr Woodman held positions with Samantha Gold NL, Ranger Minerals NL, Hellman & Schofield Pty Ltd, Centamin Egypt Ltd and Kingsgate Consolidated Ltd. His background is in management, exploration planning and execution, resource development and mining operations both in Australia and overseas.

Mr Woodman was appointed a Director of the Company on 8 April 2010. During the three year period to the end of the financial year, Mr Woodman has held directorships in Papillon Resources Limited (May 2011 – 12 June 2014), WCP Resources Limited (August 2010 – present) and Sovereign Metals Limited (May 2007 – present).

Mr Greg Swan B.Com, CA, ACIS, AFin
Company Secretary

Mr Swan is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm and has since worked in the corporate office of a number of listed companies that operate in the resources sector.

Mr Swan was appointed Company Secretary of the Company on 26 May 2010.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of the report		
	Ordinary Shares [1]	Options[2]	Performance Rights [3]
Mr Ian Middlemas	5,210,000	-	-
Mr John Welborn	4,500,000	2,000,000	2,000,000
Mr Mark Pearce	1,050,000	-	-
Mr Peter Woodman	350,000	-	-

Notes:

1. *"Ordinary Shares" means fully paid ordinary shares in the capital of the Company.*
2. *"Options" means an option to subscribe for one Ordinary Share.*
3. *"Performance Rights" means a right to subscribe for one Ordinary Share upon the completion of specific performance milestones by the Company.*

PRINCIPAL ACTIVITIES

The principal activities of Equatorial during the financial year consisted of mineral exploration and associated development. No significant change in the nature of Equatorial's activities occurred during the year.

DIVIDENDS PAID OR RECOMMENDED

No recommendation for payment of dividends has been made for the year ended 30 June 2014 (2013: Nil).

OPERATING AND FINANCIAL REVIEW

During the year, Equatorial continued to advance the exploration and development of its two 100% owned iron projects in the Republic of Congo ("ROC").

Project Location Map

MAYOKO-MOUSSONDJI IRON PROJECT

The Mayoko-Moussondji Iron Project ("Mayoko-Moussondji" or "Project"), located in the southwest region of the ROC, is a near term iron ore development opportunity with the potential to produce a premium product and has access to an existing rail line and the deep-water port of Pointe-Noire.

Mining Licence Awarded

In March 2014 Equatorial announced (refer ASX announcement 31 March 2014) that its application for a Mining Licence to develop and mine Mayoko-Moussondji was approved at a meeting of the Ministerial Council of the ROC Government.

The approval by the ROC Government follows the submission of Equatorial's Mining Licence Application ("MLA") in December 2013 (refer ASX Announcement 11 December 2013). The MLA included a detailed technical feasibility study and an environmental and social impact assessment ("ESIA").

Equatorial's technical team worked with the various relevant government departments and agencies to complete the required site visits and analysis to enable the review, processing and approval of the MLA.

The Mining Licence includes the entire area applied for, which contains all components of the current Mineral Resource Estimate and covers an area of 615.5km^2, approximately 62% of the existing Exploration Licence of 1,000km^2. Under the ROC Mining Code 2005 ("Mining Code"), the holder of a Mining Licence has the exclusive right to mine within the boundaries of the licence area for an initial period of 25 years. The Mining Licence may be renewed for further periods of 15 years each subject to further application.

Mayoko-Moussondji is expected to contribute significantly to the ROC's economy once in production and would directly and indirectly employ and train a significant number of Congolese nationals. Equatorial is greatly encouraged by the ROC Government's strong commitment to expanding the country's mining industry and its strong support for Equatorial's development activities.

DIRECTORS' REPORT *(CONTINUED)*

OPERATING AND FINANCIAL REVIEW (CONTINUED)

MAYOKO-MOUSSONDJI IRON PROJECT (CONTINUED)

Mining Convention Agreement

The Mining Code stipulates that following the grant of a Mining Licence, a Mining Convention Agreement ("Mining Convention") is signed between the holder and the government. The Mining Convention defines the fiscal rights and responsibilities of both the government and the holder with respect to the operation of the relevant Mining Licence.

Following the approval of the Mining Licence for Mayoko-Moussondji, the Company immediately commenced negotiations with the ROC Government over the related Mining Convention. This involved presenting a draft Mining Convention to the relevant ROC Government Ministries and related draft agreements to the ROC rail and port authorities. Company management then made a series of technical presentations to the ROC Government Ministries and rail and port authorities to support the proposed terms included within the draft Mining Convention.

To accelerate the Mining Convention process Equatorial's Managing Director and CEO, Mr John Welborn, convened an inter-Ministerial "Committee of Negotiation" in Brazzaville which was attended by representatives of the seven relevant Ministries and the rail and port authorities. The week-long series of meetings was designed specifically to negotiate the terms of Equatorial's Mining Convention and related agreements. The Committee of Negotiation significantly advanced the Mining Convention terms and a subsequent review of the documentation is continuing after which the Mining Convention will be presented for formal approval and signature. Following signature the Mining Convention will be submitted to the ROC Parliament where it is expected to be ratified and become legislation.

Environmental approval

In September 2013 Equatorial completed another major project milestone with the submission of its full ESIA for Mayoko-Moussondji to the ROC Government Ministry of Environment ("Ministry of Environment"). The ESIA document is the result of more than two years of environmental monitoring, technical studies community engagement and consultation by the Company. The completed study was prepared in accordance with the guidelines contained within the Mining Code and other applicable local legislation.

The ESIA was completed by local environmental consultancy Eco Durable SARL based on the baseline work conducted by the Company's environmental consultants SRK Consulting (UK) Ltd and Genivar. The ESIA is an extensive study that includes the results of many months of environmental monitoring programs, field surveys to understand flora and fauna of the project area, 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 for the ESIA.

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

In January 2014 the Ministry of Environment sanctioned the ESIA for Mayoko-Moussondji and granted formal approval in May 2014 by issuance of the official Environmental Compliance Certificate, which is valid for a period of 12 months and must be renewed annually.

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 2 million tonnes per annum 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 is 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.

Completion of Scoping Study (Continued)

Equatorial's project management team, directed by the Company's Technical Studies Manager Paul Henharen, and using consultants from WorleyParsons Services Pty Limited ("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 positive results from the Scoping Study and additional work incorporated into the MLA led the company to commence preparing a JORC compliant Pre-Feasibility Study ("PFS") as outlined below.

Commencement of a Pre-Feasibility Study

Equatorial is currently conducting a JORC (2012) compliant PFS for Mayoko-Moussondji. The PFS is being prepared by WorleyParsons and Orelogy Pty Ltd ("Orelogy") and will incorporate a revised mine plan based on the upgraded JORC MRE of near surface hematite material, rail and port advancements, and other Mayoko-Moussondji Project refinements. The PFS work is also investigating the opportunity to reduce the Project's capital requirements through the use of leasing and build own operate ("BOO") contracting solutions.

Equatorial has also held meetings with potential process and mining services providers, process equipment and rolling stock suppliers, and logistics companies based in Southern Africa to evaluate opportunities for upfront capital reduction via outsourcing, leasing and BOO arrangements. Requests for quotations were issued to selected groups of contractors, particularly in relation to power, laboratory, mining, rolling stock and processing plant and the responses will be incorporated into the PFS.

Mining Plan

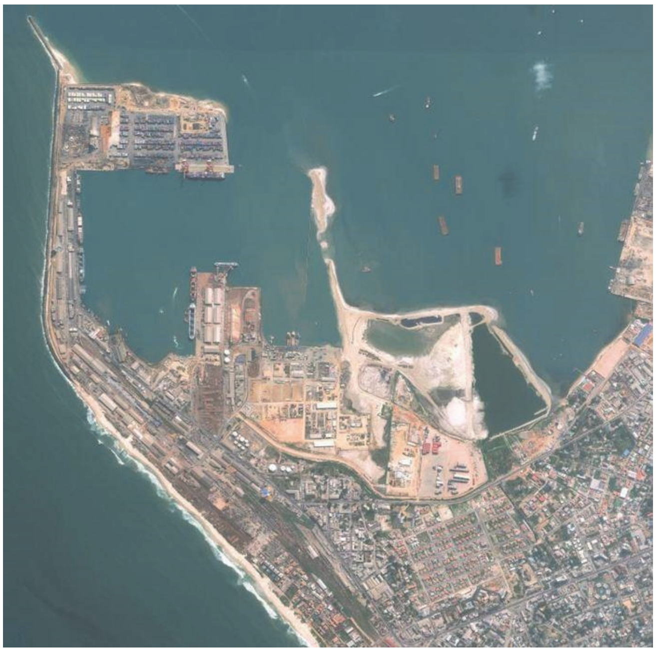
Orelogy has completed updated mining schedules and mine plan based on the updated MRE (refer ASX announcement 4 December 2013) at Mayoko-Moussondji. The mine plan includes a mining schedule for the Indicated Hematite Resource to be used for the purpose of the JORC PFS and a separate schedule based on the larger Indicated and Inferred Hematite Resource. Equatorial's Technical Studies Manager Paul Henharen and WorleyParsons are incorporating the Orelogy mine plan into the PFS.

Rail

The PFS work program includes a detailed assessment of previously completed rail studies to investigate the opportunity for increased tonnages. In addition, the impact of the upgraded communication and control systems being installed by the ROC Government and the planned upgrading of track infrastructure and maintenance facilities are being incorporated into the PFS.

Port

The impact of the on-going World Bank and ROC Government funded expansion of the port of Pointe-Noire is being incorporated into the PFS work program and is expected to have a significant impact on Project economics and Project development alternatives. The dredging and upgrading of port facilities will enable access to the port for Panamax sized bulk carrier vessels and the creation of a large area of new space within the existing port suitable for stockpiling. The port master plan now includes the creation of a new wharf area which is expected to be available for use by bulk commodity exporters.



Port of Pointe-Noire, Republic of Congo

DIRECTORS' REPORT *(CONTINUED)*

OPERATING AND FINANCIAL REVIEW (CONTINUED)

MAYOKO-MOUSSONDJI IRON PROJECT (CONTINUED)

Upgraded Mineral Resource Estimate

Equatorial announced a substantial upgrade to the Mineral Resource Estimate ("MRE") at Mayoko-Moussondji to the ASX on 4 December 2013. The upgrade was achieved by additional drilling completed earlier in 2013 and trenching activities which was completed in November 2013.

The Indicated and Inferred Hematite Resource has increased by 78% from 102 million tonnes ("Mt") to 182Mt at 35.7% Fe ("Hematite Resource"). The Indicated portion of the Hematite Resource has more than doubled from 25Mt to 55Mt at 39.3% Fe. The Indicated and Inferred Magnetite Resource has increased from 665Mt to 735Mt 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 the Project which has increased from 767Mt to 917Mt at 31.4% Fe.

Mayoko-Moussondji Iron Project
Mineral Resource Estimate Upgrade - December 2013

Resource Class	Material Type	Tonnage (Mt)	Fe grade (%)	SiO_2 grade (%)	Al_2O_3 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
Total Indicated and Inferred		**917**	**31.4**	**43.4**	**4.9**	**0.057**	**1.3**	**0.12**

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

Total Mineral Resource Estimate at Mayoko-Moussondji

Metallurgical trenching program

A trenching program was carried out during from June to November 2013 to acquire bulk samples of colluvial hematite mineralisation for metallurgical upgrade studies. The purpose of the trenching program and bulk sample collection was to provide further support for Equatorial's proposed process flow sheet and specifically focus on the colluvial material added to the Project's resource inventory as part of the MRE upgrade (refer ASX announcement 4 December 2013).

Makengui Hill – Hematite Exposed

BADONDO IRON PROJECT

The Badondo Iron Project ("Badondo") is located in the Department of Sangha in the north-west region of ROC and covers a total area of 998km^2. Badondo sits within an emerging cluster of world class iron projects including Sundance's Mbalam project, Core Mining's Avima project and the Belinga project in Gabon.

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
TOTAL	**370 - 620 Mt**	**2,370 – 3,950 Mt**	**2,770 – 4,630 Mt**

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 at that prospect. The Exploration Target for Enriched Hematite has been upgraded to between 270Mt and 450Mt 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 2,370Mt and 3,950Mt 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 2,770Mt to 4,630Mt at a grade range of 35% to 67% Fe. The total Exploration Target for Enriched Hematite is now between 370Mt and 620Mt at a grade range of between 58% and 67% Fe.

Field program completed

During the June 2014 quarter a team of Company geologists and infrastructure experts completed a field campaign at Badondo. The campaign, which commenced in late March 2014, was designed to support the on-going planning for a resource definition drilling program designed to convert the Exploration Target into a JORC compliant mineral resource estimate.

The work conducted at Badondo included the following:

- Regional review of infrastructure including roads servicing Badondo, major waterways and nearby villages;
- Review of the Company's existing camp infrastructure and planning for future expansion;
- Further mapping of outcropping hematite areas on the Badondo ridge line by Company geologists;
- Review of drill pad areas and planning for future clearing programs;
- Development of a preferred model for access to Badondo for large drilling rigs; and
- Regional meetings with government authorities, local leaders and service providers to discuss project plans.

DIRECTORS' REPORT *(CONTINUED)*

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

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;
- Refurbishment and educational supplies for the local primary school;
- Providing the local community with English language lessons; and
- Waste management.

HEALTH AND SAFETY PERFORMANCE

Equatorial continued its excellent record of health and safety performance at its operations. A key metric used by the Company to assess its safety performance record is the occurrence of Lost Time Injuries ("LTI"). An LTI occurs when a member of staff is injured in the execution of his/her duties and as a result of this injury is unable to perform his/her regular duties for one full shift or more on the day following the day on which the injury incurred. During the year ended 30 June 2014, Equatorial had one LTI for a total loss of one days' work.

OPERATING RESULTS

The net loss of the Consolidated Entity for the year ended 30 June 2014 was $13,065,037 (2013: $32,757,685).

Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

(i) Interest revenue of $1,728,396 (2013: $3,059,857);

(ii) Exploration and evaluation expenses of $8,775,927 (2013: $25,640,486), 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;

(iii) Feasibility expenses of $1,879,716 (2013: $2,668,524), which includes consultancy fees for infrastructure access, scoping studies and pre-feasibility studies relating to the project development of Mayoko-Moussondji;

(iv) Share based payments expenses of $343,297 (2013: $2,629,198) relating to the Company's employee and contractor long term incentive plans. These costs relate to the Company's long-term incentive plan to reward key management personnel and key staff for the long-term performance of the Group; and

(v) Corporate expenses of $2,123,656 (2013: $2,981,318), which includes expenses relating to the management of an ASX listed company, the Group's investor relations activities during the year and to supervise and manage the exploration programmes at the Company's two projects and the PFS study for Mayoko-Moussondji.

As a direct result of the outlays on exploration and evaluation and feasibility costs, the Consolidated Entity has achieved significant milestones during the year ended 30 June 2014. These included:

(i) Release of the Scoping Study results for Mayoko-Moussondji (refer ASX Announcement 16 July 2013);

(ii) Release of an upgraded JORC (2012) MRE for Mayoko-Moussondji (refer ASX announcement 4 December 2013);

(iii) Lodgement of an application and then award of a Mining Licence for Mayoko-Moussondji (refer ASX Announcements 11 December 2013 and 31 March 2014); and

(iv) Release of an upgraded Exploration Target for Badondo (refer ASX Announcement 31 October 2013).

FINANCIAL POSITION

At 30 June 2014, the Company had cash reserves of $40.5 million (2013: $51.9 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 30 June 2014, the Company had net assets of $49.5 million (2013: $62.0 million), a decrease of 20% compared with the previous year. This is consistent with and largely attributable to, the current year's net loss after tax which, as discussed above, is substantially attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group.

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

Equatorial's continued strategy is to explore and develop the Group's existing assets in the ROC and to assess new business opportunities in the resources sector which may add shareholder value.

The Consolidated Entity will continue to focus on maximising the value of its projects. In the coming year Equatorial intends to:

- Complete and announce the results of the PFS for Mayoko-Moussondji;
- Conclude and sign the Mining Convention for Mayoko-Moussondji;
- Conclude formal access agreements with the ROC Ministry of Transport in relation to rail and port for Mayoko-Moussondji;
- Secure a strategic partner and/or project financier to fast track the development and financing of Mayoko-Moussondji;
- Continue exploration activity at Badondo including planning for a resource-definition drilling program;
- Work with regional iron ore companies to create partnerships and cooperation initiatives and to attract development financing for the Congo/Gabon/Cameroon iron ore cluster;
- Review new business opportunities in the resources sector which leverage off the Group's skills, expertise, and existing assets; and
- Maintain the Group's strong balance sheet and ensure all expenditure is aligned with the creation of shareholder value.

All of these activities present inherent risk and therefore the Board is unable to provide certainty that any or all of these activities will be able to be achieved. The material business risks faced by the Group that are likely to have an effect on the Group's future prospects, and how the Group manages these risks, include:

- The Company's exploration properties may never be brought into production – The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Company will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Company will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. However there can be no guarantee that the studies will confirm the technical and economic viability of the Company's mineral properties or that the properties will be successfully brought into production;
- Fluctuations in commodity prices – The price of iron ore fluctuates widely and is affected by numerous factors beyond the control of the Company. Future production, if any, from the Company's mineral resource and other mineral properties will be dependent upon the price of iron ore being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward;
- Equity and debt markets are historically highly volatile which may adversely affect the Company's ability to raise finance – the ability to finance a mining project is dependent on the Company's existing financial position, the availability to and cost of project and other debt markets, the availability and cost of leasing and similar finance packages for project infrastructure and mobile equipment, the availability of mezzanine and offtake financing and the ability to access equity markets to raise new capital. To help mitigate this risk, the Company is continuing to review all these financing options and is undertaking a search for a strategic partner and/or project financier to help fast track the development and financing of Mayoko-Moussondji. There can be no guarantees that when the Company seeks to implement financing strategies to pursue the development of its projects that suitable financing alternatives will be available and at a cost acceptable to the Company;
- Global financial conditions may adversely affect the Company's growth and profitability – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity and foreign exchange markets, and a lack of market liquidity. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities. If these increased levels of volatility and market turmoil continue, the Company's activities could be adversely impacted and the trading price of the Company's shares could be adversely affected;

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS (CONTINUED)

- Sovereign risk - The Company's operations in the ROC are exposed to various levels of political, economic and other risks and uncertainties. The ROC is a developing economy which does not have an established mining industry. The Company continues to work closely with the various levels of government but there can be no assurances that the future political developments in ROC will not directly impact the Company's operations or its ability to attract funding for its operations;
- Regulations - The Company's exploration and any future mining activities are dependent upon the maintenance and renewal from time to time of the appropriate title interests, licences, concessions, leases, claims, permits, environmental decisions, planning consents and other regulatory consents which may be withdrawn or made subject to new limitations. The maintaining or obtaining of renewals or attainment and grant of title interests often depends on the Company being successful in obtaining and maintaining required statutory approvals for its proposed activities. The Company closely monitors the status of its mining permits and licences and works closely with the relevant government departments in the ROC to ensure the various licences are maintained and renewed when required. However, there is no assurance that such title interests, licenses, concessions, leases, claims, permits, decisions or consents will not be revoked, significantly altered or not renewed to the detriment of the Company or that the renewals and new applications will be successful; and
- Competitor risk - The Company competes with other companies in the ROC, including companies with proposed mining operations wishing to utilise the same rail and port infrastructure the Company is planning to use for its mining projects. Some of these companies have greater financial resources and political influence than Equatorial and, as a result, may be in a better position to compete with or impede the Company's current or future activities.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

The Directors are not aware of any non-compliance with environmental laws by the Consolidated Entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

(i) On 16 July 2014, the Company announced the completion of a Scoping Study for Mayoko-Moussondji which delivered excellent results demonstrating low capital intensity and first quartile operating costs.

(ii) 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.

(iii) On 4 December 2013 the Company announced an upgraded MRE of at Mayoko-Moussondji.

(iv) On 31 March 2014 the Company announced that its application for a Mining Licence to develop and mine Mayoko-Moussondji was approved at a meeting of the Ministerial Council of the ROC Government.

(v) On 18 June 2014, following shareholder approval at a General Meeting, the Company renewed the Equatorial Resources Performance Rights plan and extended the relevant expiry dates for the Feasibility Study Milestone and Production Milestone to 30 June 2015 and 31 December 2016 respectively.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2014, of the Consolidated Entity.

SHARE OPTIONS & PERFORMANCE RIGHTS

At the date of this report the following options and performance rights have been issued over unissued Ordinary Shares of the Company:

- 2,000,000 unlisted options exercisable on or before 16 December 2016 at an exercise price of $0.46 each;
- 2,260,000 performance rights expiring on 30 June 2015 at no exercise price; and
- 2,855,000 performance rights expiring on 31 December 2016 at no exercise price.

During the year ended 30 June 2014, 300,000 Ordinary Shares have been issued as a result of the exercise of 300,000 Unlisted Options and nil Performance Rights vested.

Subsequent to year end and up until the date of this report, no Ordinary Shares have been issued as a result of the exercise of Unlisted Options or the vesting of Performance Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the financial year, the Company paid an annualised insurance premium of $46,880 (2013: $35,254) to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

INDEMNIFICATION AND INSURANCE OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr John Welborn	Managing Director
Mr Mark Pearce	Director (Non-Executive)
Mr Peter Woodman	Director (Non-Executive)

Other Key Management Personnel

Mr Brad Farrington	Chief Financial Officer *(employment contract will terminate on 31 October 2014)*
Mr Mark Glassock	General Manager – Geology (*resigned 7 January 2014*)
Mr Hugo Schumann	Group Executive – Business Development

Unless otherwise disclosed, the KMP held their position from 1 July 2013 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

(i) the Group is currently focused on undertaking exploration, appraisal and development activities;

(ii) risks associated with small cap resource companies whilst exploring and developing projects; and

(iii) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and travel benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive ("STI")

Some executives are entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as;

- success of exploration activities (considering quality and control, time to complete and costs against budget);
- development of relevant government relationships;
- development and feasibility activities;
- corporate activities (e.g. recruitment and management of key personnel, representation of the company, etc.); and
- business development activities.

These measures were chosen as the Board believes they represent the key drivers in the short and medium term success of the projects development. On an annual basis, subsequent to year end, the Board assesses the performance against each individual executive's KPI criteria, and considers the position of the Company to be able to award STI cash bonuses.

STI awards for 2014 and 2013 financial years;

In respect to the 2014 financial year, the Board determined that no STI cash bonuses were to be awarded within the Group in acknowledgement of the ongoing difficult economic and commodity price conditions being experienced by the Company with emphasis on retaining the Company's strong cash reserves (2013 executives STI cash bonuses: $60,000). The Board did not determine STI awards by reference to changes in the price at which shares in the Company traded between the beginning and end of the current period, however acknowledged that the decline in the Company's share price was closely linked to the difficult market conditions referred to above.

Performance Based Remuneration – Long Term Incentive

On 18 June 2014, the Group received Shareholder approval to renew the Equatorial Resources Performance Rights Plan, as required every 3 years under the ASX Listing Rules. The previously adopted long-term incentive plan ("LTIP") comprised of the "Equatorial Resources Limited Employee Performance Rights Plan" and the "Equatorial Resources Limited Contractor Performance Rights Plan" (together the "Plans") were implemented to reward KMP and key staff (including employees and contractors) for long-term performance.

The Board formed the view that the existence of two separate Plans, which deal separately with employees and contractors of the Company, creates an administrative burden for the Company. As such, approval was received to adopt the Performance Rights Plan ("Plan"), which effectively merges the Plans into one consolidated, incentive scheme for contractors and employees of the Company.

The Plan provides for the issuance of unlisted performance share rights ("Performance Rights") which, upon satisfaction of the relevant performance conditions attached to the rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. Grants made to eligible participants under the Plans will assist with the Company's employment strategy and will;

(a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors needed to achieve the Company's strategic objectives;
(b) link the reward of eligible participants with the achievements of strategic goals and the long term performance of the Company;
(c) align the financial interests of eligible participants of the Plan with those of Shareholders; and
(d) provide incentives to eligible participants of the Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plan to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. The performance conditions for Performance Rights currently on issue are as follows;

- **Feasibility Study Milestone:** Meaning announcement of a positive Feasibility Study on the Project or announcement of a positive Project Financing on the Project (Expiry Date: 30 June 2015); and
- **Production Milestone:** Meaning announcement of a positive Decision to Mine being made on the Project or Production having commenced in respect of the Project (Expiry Date: 31 December 2016).

If a performance condition is not achieved by the expiry date then the Performance Right will lapse.

All performance rights automatically vest upon the occurrence of a change in control event, being;

(a) a court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the shareholders of the Company approve the proposed compromise or arrangement at such a meeting;
(b) a takeover bid (as defined in the Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the shares in the Company; or
(c) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

In addition, the Group has chosen to provide unlisted incentive options ("Unlisted Options") to some KMP as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group. The Board's policy is to grant Unlisted Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the Unlisted Options granted to KMP are generally only of benefit if the KMP performed to the level whereby the value of the Group increased sufficiently to warrant exercising the unlisted Options granted. Only the Managing Director, Mr Welborn, was granted Unlisted Options during the period.

The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options or Performance Rights granted as part of their remuneration package.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the size, nature and risks of the Company, Unlisted Options were used to initially attract Non-Executive Directors – at the end of 2013 financial year all Unlisted Options granted to Non-Executive Directors had been exercised or had expired. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Given the size, nature and opportunities of the Company, Non-Executive Directors may receive Unlisted Options or Performance Rights in order to secure and retain their services.

Fees for the Chairman were $55,000 per annum (excluding post-employment benefits) and fees for Non-Executive Directors' were set at a maximum of $30,000 per annum (excluding post-employment benefits). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees. From 1 October 2014, fees for Non-Executive Directors' have been reduced to a maximum of $20,000 per annum (excluding post-employment benefits).

Other than service-based vesting conditions, there were no additional performance criteria relating to the Unlisted Options granted to Non-Executive Directors. No unlisted options have been granted to Non-Executive Directors during (or subsequently to) the 30 June 2014 financial year.

The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP have received Unlisted Options and Performance Rights which will be of greater value to KMP if the value of the Company's shares increases.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of potential material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Remuneration of Directors and Other Key Management Personnel

Details of the remuneration of each Director and KMP of Equatorial Resources Limited are as follows:

2014	Short-term benefits Salary & fees	Cash Bonus	Other	Post-employment benefits	Share-based payments	Total	Percentage performance related
	$	$	$	$	$	$	%
Directors							
Mr Ian Middlemas	55,000	-	-	5,088	-	60,088	-
Mr John Welborn	400,000	-	5,846	25,000	157,999	588,845	26.83
Mr Mark Pearce	30,000	-	-	2,775	-	32,775	-
Mr Peter Woodman	30,000	-	-	2,775	-	32,775	-
Other Key Management							
Mr Brad Farrington[1]	275,019	-	-	25,000	137,613	437,632	31.44
Mr Mark Glassock[2]	212,173	-	-	15,732	(45,533)[2]	182,372	(24.97)
Mr Hugo Schumann	131,901	-	-	-	32,000	163,901	19.52
Total	**1,134,093**	**-**	**5,846**	**76,370**	**282,079**	**1,498,388**	**18.83**

Notes:

1. *Reacting to adverse market conditions, and to reduce expenditure, the Company has made the position of Chief Financial Officer redundant. As a result Mr Farrington's contract of employment will terminate on 31 October 2014. This has no impact on the figures reported in the table above.*
2. *Mr Glassock resigned on 7 January 2014 and forfeited the final tranche of his performance rights. Any share based payment previously recognised under AASB 2 relating to these rights has been reversed.*
3. *During the financial year, an annualised insurance premium of $46,880 was paid by the Group to provide an indemnity for directors and officers against any potential liability and the associated legal costs of a proceeding. This has not been included in the table above.*

2013	Short-term benefits Salary & fees	Cash Bonus	Other	Post-employment benefits	Share-based payments	Total	Percentage performance related
	$	$	$	$	$	$	%
Directors							
Mr Ian Middlemas	55,000	-	-	-	-	55,000	-
Mr John Welborn	400,000	-	5,081	25,000	913,294	1,343,375	68.36
Mr Mark Pearce	30,000	-	-	2,700	-	32,700	-
Mr Peter Woodman	30,000	-	-	2,700	-	32,700	-
Other Key Management							
Mr Brad Farrington[1]	49,047	-	-	4,414	9,242	62,703	14.74
Mr Mark Glassock[2]	235,897	40,000	-	23,106	316,375	615,378	57.91
Mr Hugo Schumann	150,000	20,000	-	-	141,826	311,826	51.90
Mr Andrew Steers[4]	228,360	-	-	15,510	(34,343)[4]	209,527	(14.48)
Mr Sean Halpin[3]	117,496	-	-	6,894	5,610	130,000	4.32
Total	**1,295,800**	**60,000**	**5,081**	**80,324**	**1,352,004**	**2,793,209**	**50.55**

Notes:

1. *Mr Farrington was appointed on 28 March 2013.*
2. *Mr Glassock was appointed on 12 July 2012.*
3. *Mr Halpin resigned on 17 July 2012.*
4. *Mr Steers resigned on 28 March 2013 and forfeited his performance rights. Any share based payment previously recognised under AASB 2 has been reversed.*
5. *During the financial year, an annualised insurance premium of $35,254 was paid by the Group to provide an indemnity for directors and officers against any potential liability and the associated legal costs of a proceeding. This has not been included in the table above.*

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Options and Rights Granted to Key Management Personnel

Details of incentive options and performance rights granted by the Company to each KMP of the Group during the financial year are as follows:

	Security Type	Grant Date[1]	Expiry Date	Exercise Price	Grant Date Fair Value[2]	Number Granted	Number Vested[3]
				$	$		
Directors							
Mr John Welborn	Options	18-Jun-14	16-Dec-15	$0.46	$0.078	2,000,000	2,000,000
Mr John Welborn	Rights	18-Jun-14	30-Jun-15	-	$0.363	700,000	-
Mr John Welborn	Rights	18-Jun-14	31-Dec-16	-	$0.363	300,000	-
Executives							
Mr Hugo Schumann	Rights	17-Jun-14	30-Jun-15	-	$0.385	150,000	-
Mr Hugo Schumann	Rights	17-Jun-14	31-Dec-16	-	$0.385	200,000	-

Notes:

1. *Grant date refers to the deemed date that performance rights were granted to the recipient in accordance with applicable accounting standards.*
2. *For details on the valuation of the Unlisted Options and Performance Rights, including models and assumptions used, please refer to Note 20 in the Notes to the Financial Statements. Each Unlisted Option and Performance Right converts into one Ordinary Share of Equatorial Resources Limited.*
3. *Number vested refers to the number of unlisted options or performance rights that have vested at the date of this report.*

Details of the value of Unlisted Options granted, exercised or lapsed for each KMP of the Group during the financial year are as follows:

2014	Value of Options Granted during the Year	Value of Options exercised during the year	Value of Options lapsed during the year	Value of Options included in remuneration report for the year	Remuneration for the year that consists of options
	$	$	$	$	%
Directors					
Mr John Welborn	156,000[1]	-	506,000	3,429	0.58%
Executives					
Mr Hugo Schumann	-	-	126,500	-	-
Total	**156,000**	**-**	**632,500**	**3,429**	**-**

Notes:

1. *2,000,000 Incentive Options were issued to Mr Welborn on 18 June 2014 after receiving shareholder approval at a General Meeting. For details on the valuation of the Unlisted Options, including models and assumptions used, please refer to Note 20 in the Notes to the Financial Statements. Each Unlisted Option and converts into one Ordinary Share of Equatorial Resources Limited.*

Option and Right Holdings of Key Management Personnel

	Held at 1 July 2013	Granted as Remuneration	Options Exercised/ Rights Vested	Options Expired/ Rights Lapsed	Net Change Other	Held at 30 June 2014	Vested and exercisable at 30 June 2014
Directors							
Mr Ian Middlemas	-	-	-	-	-	**-**	-
Mr John Welborn	3,000,000	3,000,000	-	(2,000,000)	-	**4,000,000**	2,000,000
Mr Mark Pearce	-	-	-	-	-	**-**	-
Mr Peter Woodman	-	-	-	-	-	**-**	-
Other Key Management							
Mr Brad Farrington	700,000	-	-	-	-	**700,000**	-
Mr Mark Glassock	250,000	-	-	(150,000)	-	**100,000**[1]	-
Mr Hugo Schumann	650,000	350,000	-	(500,000)	-	**500,000**	-

Notes:
1. *As at date of resignation.*

Shareholdings of Key Management Personnel

	Held at 1 July 2013	Vested Share Rights	Other Purchases	Exercise of Options	Net Change Other	Held at 30 June 2014
Directors						
Mr Ian Middlemas	5,210,000	-	-	-	-	**5,210,000**
Mr John Welborn	4,500,000	-	-	-	-	**4,500,000**
Mr Mark Pearce	1,050,000	-	-	-	-	**1,050,000**
Mr Peter Woodman	350,000	-	-	-	-	**350,000**
Other Key Management						
Mr Brad Farrington	230,000	-	-	-	-	**230,000**
Mr Mark Glassock	25,000	-	-	-	-	**25,000**[1]
Mr Hugo Schumann	-	-	-	-	-	**-**

Notes:
1. *As at date of resignation.*

Loans involving Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2014 (2013: Nil).

Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a director and beneficial shareholder, was paid $132,000 (2013: $132,000) for the provision of administration services. The amount is based on a monthly retainer due and payable in arrears, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income. As at 30 June 2014, $11,000 (2013: $11,000) has been included as a Current Liability in the Statement of Financial Position.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Employment Contracts with Directors and KMP

Mr John Welborn - Managing Director

Mr Welborn, Managing Director and Chief Executive Officer, has a contract with the Company for an initial fixed period of two years which commenced with effect from 6 August 2010. Upon completion of the initial fixed period the contract has a rolling annual term. The Company must give notice to Mr Welborn not less than 3 months prior to the end of each annual term if it does not wish to renew his employment period for a further term of one year. After completion of the initial fixed period, if the Company gives notice to terminate the contract earlier than 3 months prior to the end of any annual period, Mr Welborn will be entitled to normal salary and other entitlements up to the end of that annual period provided that the amount does not exceed 6 month's pay. Mr Welborn currently receives a fixed remuneration component, excluding superannuation entitlements, of $400,000 per annum and a discretionary annual bonus of up to $150,000 per annum to be paid upon Mr Welborn achieving key performance indicators, as agreed with the Board.

Mr Brad Farrington - Chief Financial Officer

Mr Farrington, Chief Financial Officer, is employed under a contract of employment which commenced 28 March 2013 and will terminate on 31 October 2014. Reacting to adverse market conditions, and as part of the continuing focus to reduce expenditure, the Company has made the position of Chief Financial Officer redundant. Mr Farrington's contract had a rolling annual term and the Company was required to provide notice of termination to Mr Farrington of not less than 3 months. Notice was provided to Mr Farrington on 1 August 2014 and Mr Farrington will be entitled to normal salary and other entitlements up to the date of termination being 31 October 2014. Mr Farrington received a fixed remuneration component, including superannuation entitlements, of $300,000 per annum and a discretionary bonus of up to $90,000 per annum to be paid upon Mr Farrington achieving key performance indicators, as agreed by the Board.

Mr Hugo Schumann - Group Executive – Business Development

Mr Schumann, Group Executive – Business Development, has consulting agreements with the Company dated 2 August 2013. The agreements specify the duties and obligations to be fulfilled by the Group Executive – Business Development. The agreements may be terminated by the Company by giving 3 months' notice. No amount is payable in the event of termination for gross negligence or incompetence in regard to the performance of duties. Mr Schumann receives a fixed remuneration component of GBP 50,000 per annum and a discretionary annual bonus of up to GBP 16,000 per annum to be paid upon Mr Schumann achieving key performance indicators, as agreed with by the Board.

End of Remuneration Report.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each director were as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	3	3
Mr John Welborn	3	3
Mr Mark Pearce	3	3
Mr Peter Woodman	3	2

There were no Board committees during the financial year.

NON-AUDIT SERVICES

During the year, Ernst & Young (Australia), the Company's auditor, did not receive and are not due to receive any amounts (2013: $42,749) for the provision of non-audit services consisting of tax compliance and advisory services provided to the Company and any other entities in the consolidated group.

Ernst & Young (Republic of Congo), a related party of the Company's auditor, Ernst & Young (Australia), received or are due to receive approximately $20,276, (2013: $17,352) for the provision of non-audit services consisting of tax compliance and advisory services provided to the Company's subsidiary, Congo Mining Ltd SARL.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided (tax compliance and advisory services) means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 22 of the Directors' Report.

Signed in accordance with a resolution of the Directors.

JPWelborn

JOHN WELBORN
Managing Director

Perth, 26 September 2014

EQUATORIAL RESOURCES LTD

AUDITOR'S INDEPENDENCE DECLARATION

EY
Building a better working world

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

In relation to our audit of the financial report of Equatorial Resources Limited for the financial year ended 30 June 2014, 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

Ernst & Young

Peter McIver
Partner
26 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Operations			
Revenue	2	**1,728,396**	3,059,857
Other income	2	**13,470**	-
Exploration and evaluation expenses		**(8,775,927)**	(25,640,486)
Feasibility expenses		**(1,879,716)**	(2,668,524)
Corporate expenses		**(2,123,656)**	(2,981,318)
Administrative expenses		**(1,453,760)**	(1,400,186)
Share based payments	3	**(343,297)**	(2,629,198)
Business development expenses		**(230,547)**	(382,911)
Other expenses	3	**-**	(64,503)
Loss before income tax		**(13,065,037)**	(32,707,269)
Income tax expense	4	**-**	(50,416)
Loss for the period		**(13,065,037)**	(32,757,685)
Loss attributable to members of Equatorial Resources Limited		**(13,065,037)**	(32,757,685)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		**70,270**	785,700
Other comprehensive income for the period, net of tax		**70,270**	785,700
Total comprehensive loss for the period		**(12,994,767)**	(31,971,985)
Total comprehensive loss attributable to members of Equatorial Resources Limited		**(12,994,767)**	(31,971,985)
Earnings per share			
Basic and diluted loss per share (cents per share)		**(10.70)**	(27.71)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**40,463,179**	51,878,445
Trade and other receivables	7	**1,032,598**	1,142,998
Prepayments		**117,845**	229,685
Total Current Assets		**41,613,622**	53,251,128
Non-current Assets			
Property, plant and equipment	8	**2,790,900**	4,932,050
Exploration and evaluation assets	9	**7,148,473**	7,148,319
Intangible assets	10	**83,120**	120,931
Total Non-current Assets		**10,022,493**	12,201,300
TOTAL ASSETS		**51,636,115**	65,452,428
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**1,462,932**	2,463,161
Provisions	12	**69,533**	410,996
Income tax payable		**622,130**	622,130
Total Current Liabilities		**2,154,595**	3,496,287
		2,154,595	3,496,287
NET ASSETS		**49,481,520**	61,956,141
EQUITY			
Contributed equity	13	**175,086,000**	174,817,051
Reserves	14	**4,430,743**	5,641,826
Accumulated losses	15	**(130,035,223)**	(118,502,736)
TOTAL EQUITY		**49,481,520**	61,956,141

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Shares	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2013	**174,817,051**	**4,949,564**	**692,262**	**(118,502,736)**	**61,956,141**
Net loss for the year	**-**	**-**	**-**	**(13,065,037)**	**(13,065,037)**
Other comprehensive income:					
Exchange differences on translation of foreign operations	**-**	**-**	**70,270**	**-**	**70,270**
Total comprehensive loss for the period	**-**	**-**	**70,270**	**(13,065,037)**	**(12,994,767)**
Transactions with owners recorded directly in equity					
Share issue costs	**(3,151)**	**-**	**-**	**-**	**(3,151)**
Vesting of Performance Rights	**-**	**-**	**-**	**-**	**-**
Exercise of options	**272,100**	**(92,100)**	**-**	**-**	**180,000**
Share based payments	**-**	**343,297**	**-**	**-**	**343,297**
Expiry of options transferred to Accumulated Losses	**-**	**(1,532,550)**	**-**	**1,532,550**	**-**
Balance at 30 June 2014	**175,086,000**	**3,668,211**	**762,532**	**(130,035,223)**	**49,481,520**
Balance at 1 July 2012	172,276,851	4,428,516	(93,438)	(86,158,151)	90,453,778
Net loss for the year	-	-	-	(32,757,685)	(32,757,685)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	785,700	-	785,700
Total comprehensive loss for the period	-	-	785,700	(32,757,685)	(31,971,985)
Transactions with owners recorded directly in equity					
Share issue costs	(14,850)	-	-	-	(14,850)
Vesting of Performance Rights	1,096,100	(1,096,100)	-	-	-
Exercise of options	1,458,950	(598,950)	-	-	860,000
Share based payments	-	2,629,198	-	-	2,629,198
Expiry of options transferred to Accumulated Losses	-	(413,100)	-	413,100	-
Balance at 30 June 2013	174,817,051	4,949,564	692,262	(118,502,736)	61,956,141

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
		$	$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers, employees and others		**(13,595,622)**	(31,275,260)
Income tax paid		**-**	(1,191,519)
Interest paid		**-**	-
Interest received		**2,010,210**	3,738,341
Net Cash flows used in Operating Activities	16(a)	**(11,585,412)**	(28,728,438)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**1,025**	-
Payments for property, plant and equipment		**(7,728)**	(207,244)
Net Cash flows used in Investing Activities		**(6,703)**	(207,244)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**180,000**	860,000
Payments for share issue costs		**(3,151)**	(14,850)
Net Cash flows from Financing Activities		**176,849**	845,150
Net decrease in cash and cash equivalents		**(11,415,266)**	(28,090,532)
Net foreign exchange differences		**-**	5,064
Cash and cash equivalents at beginning of period		**51,878,445**	79,963,913
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**40,463,179**	51,878,445

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Equatorial Resources Limited ("Equatorial" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2014 are stated to assist in a general understanding of the financial report.

Equatorial is a for profit company limited by shares and is incorporated and domiciled in Australia. Equatorial's shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 25 September 2014.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

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

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards ("Standards") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

(i) AASB 10 Consolidated Financial Statements;
(ii) AASB 12 Disclosure of Interests in Other Entities;
(iii) AASB 13 Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and
(iv) 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.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2014. These are outlined in the table below and overleaf:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 January 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: ► clarify that AASB 1053 relates only to general purpose financial statements; ► make AASB 1053 consistent with the availability of the AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards; ► clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and ► specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2014

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2016
AASB 9/IFRS 9	Financial Instruments	On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary.
- De-recognises the carrying amount of any non-controlling interests.
- De-recognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Foreign Currencies

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in statement of profit or loss and other comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(g) Investments and Other Financial Assets

Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through statement of profit or loss and other comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through statement of profit or loss and other comprehensive income, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through statement of profit or loss and other comprehensive income are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through statement of profit or loss and other comprehensive income ' category are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available for sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the statement of profit or loss and other comprehensive income as gains and losses on disposal of investment securities.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss and other comprehensive income – is transferred from equity to the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as held for sale are not reversed through the statement of profit or loss and other comprehensive income.

(h) Property, Plant and Equipment

Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of profit or loss and other comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, Plant and Equipment (Continued)

Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2014	2013
Major depreciation and amortisation periods are:		
Leasehold Land:	Lesser of Leasehold life and Life of mine	Lesser of Leasehold life and Life of mine
Buildings:	5 - 20 years	5 - 20 years
Plant and equipment:	2 -10 years	2 -10 years
Work in Progress:	-	-

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Intangible Assets

Intangible Assets acquired by the Group, such as Telecommunications Access Rights, have a finite useful life and are recorded at cost less accumulated amortisation and less any accumulated impairment loss.

Amortisation is charged over the useful life of the finite asset according to consumption benefits.

Major amortisation periods are:	
Telecommunications Access Rights:	5 years

(j) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Revenue Recognition

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") payable to the taxation authority.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(n) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Equatorial Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered into a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(o) Employee Entitlements

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(p) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the net profit attributable to members of the company, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(s) Business Combinations

Acquisitions of subsidiaries that are regarded as carrying on a business are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the statement of profit or loss and other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of profit or loss and other comprehensive income, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(t) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(u) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(w) Issued and Unissued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 21.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(y) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Impairment of assets (Note 8 and Note 9); and
- Share-Based Payments (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. REVENUE AND OTHER INCOME

	2014	2013
	$	$
Revenue		
Interest income	**1,728,396**	3,059,857
Other Income		
Net unrealised and realised foreign exchange gains	**13,470**	-

3. EXPENSES

	2014	2013
	$	$
Depreciation and amortisation included in statement of comprehensive income		
Depreciation of plant and equipment	**2,273,873**	2,019,760
Amortisation of intangible assets	**40,733**	34,858
	2,314,606	2,054,618
Employee benefits expense		
Wages and salaries	**3,971,366**	6,490,787
Superannuation costs	**108,302**	129,965
Share-based payments expense	**343,297**	2,629,198
Other employee benefits	**183,818**	610,381
	4,606,783	9,860,331
Other expenses		
Impairment of plant and equipment	-	23,787
Net unrealised and realised foreign exchange losses	-	40,716
	-	64,503

4. INCOME TAX

	2014	2013
	$	$
Recognised in the statement of comprehensive income		
Current income tax		
Current income tax (benefit)/expense in respect of the current year	**(1,137,884)**	(1,160,103)
Adjustments in respect of current income tax of previous years	-	350,416
Deferred income tax		
Relating to origination and reversal of temporary differences	**(2,502,755)**	(8,553,264)
Adjustments in respect of deferred income tax of previous years	**1,201,004**	(539,861)
Deferred tax assets not brought to account	**2,439,635**	9,953,228
Income tax reported in the statement of comprehensive income	-	50,416

(a) Reconciliation Between Tax Expense and Accounting Profit/(Loss) Before Income Tax

	2014	2013
	$	$
Accounting loss before income tax	**(13,065,037)**	(32,707,269)
At the domestic income tax rate of 30% (2014: 30%)	**(3,919,511)**	(9,812,181)
Foreign Expenditure not brought into account	**168,235**	187,316
Effect of tax rate in foreign jurisdictions	**(249,743)**	(1,011,699)
Expenditure not allowable for income tax purposes	**176,275**	923,197
Adjustments in respect of current income tax of previous years	**-**	350,416
Adjustments in respect of deferred income tax of previous years	**1,201,004**	(539,861)
Foreign exchange differences of deferred income tax of current year	**184,105**	-
Deferred tax assets not brought to account	**2,439,635**	9,953,228
Income tax expense attributable to profit/(loss)	**-**	50,416

(b) Deferred Tax Assets and Liabilities

Deferred income tax at balance date relates to the following:

	2014	2013
	$	$
Deferred Tax Assets		
Accrued expenditure	**87,487**	79,132
Capital allowances	**22,402,688**	20,585,562
Provisions	**21,103**	138,009
Other Financial Liabilities	**-**	13,036
Tax losses available to offset against future taxable income	**2,224,804**	1,489,985
DTA used to offset DTL	**(106,346)**	(115,624)
Deferred tax assets not brought to account	**(24,629,736)**	(22,190,100)
	-	-
Deferred Tax Liabilities		
Accrued interest	**103,889**	115,624
Other Financial Assets	**2,457**	-
DTA used to offset DTL	**(106,346)**	(115,624)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(c) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Equatorial Resources Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2014 (2013: Nil).

	2014	2013
	$	$
Franking Credit Balance		
Franking credits available to shareholders of Equatorial Resources Limited for subsequent financial years	-	-

6. CASH AND CASH EQUIVALENTS

	2014	2013
	$	$
Cash on Hand	**671,023**	1,756,289
Deposits at Call	**39,792,156**	50,122,156
	40,463,179	51,878,445

7. TRADE AND OTHER RECEIVABLES

	2014	2013
	$	$
Refundable deposits	**167,356**	249,895
Accrued Interest	**346,296**	385,415
GST/VAT receivable	**135,548**	173,900
Sundry Debtors	**383,398**	333,788
Trade and Other Receivables	**1,032,598**	1,142,998

8. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	$	$
Leasehold Land		
At cost	**66,310**	65,151
Buildings		
At cost	**702,136**	689,862
Accumulated depreciation and impairment	**(378,908)**	(231,387)
Net carrying amount	**323,228**	458,475
Plant and Equipment		
At cost	**7,666,956**	7,493,982
Accumulated depreciation and impairment	**(5,607,861)**	(3,459,832)
Net carrying amount	**2,059,095**	4,034,150
Work in Progress		
At cost	**342,267**	374,274
Total Property, Plant and Equipment	**2,790,900**	4,932,050

(a) Reconciliation of Property, Plant and Equipment:

	Leasehold Land	Buildings	Plant & Equipment	Work in Progress	Total
	$	$	$	$	$
2014					
Carrying amount at 1 July 2013	**65,151**	**458,475**	**4,034,150**	**374,274**	**4,932,050**
Additions	**-**	**-**	**7,728**	**-**	**7,728**
Transfers	**-**	**-**	**39,138**	**(39,138)**	**-**
Disposals	**-**	**-**	**(1,025)**	**-**	**(1,025)**
Depreciation	**-**	**(146,165)**	**(2,127,707)**	**-**	**(2,273,872)**
Foreign Exchange Movement	**1,159**	**10,918**	**106,811**	**7,131**	**126,019**
Carrying amount at 30 June 2014	**66,310**	**323,228**	**2,059,095**	**342,267**	**2,790,900**
2013					
Carrying amount at 1 July 2012	57,058	544,337	4,702,541	799,896	6,103,832
Additions	-	-	187,359	19,885	207,244
Transfers	-	-	496,779	(496,779)	-
Depreciation	-	(125,084)	(1,894,676)	-	(2,019,760)
Impairment	-	(23,787)	-	-	(23,787)
Foreign Exchange Movement	8,093	63,009	542,147	51,272	664,521
Carrying amount at 30 June 2013	65,151	458,475	4,034,150	374,274	4,932,050

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

9. EXPLORATION AND EVALUATION ASSETS

	2014	2013
	$	$
Areas of Interest		
Mayoko-Moussondji Iron Project	**5,002,163**	5,002,086
Badondo Iron Project	**2,146,310**	2,146,233
Carrying amount at end of year [1]	**7,148,473**	7,148,319

(a) Reconciliation of Movements in Carrying Amount:

	Note	2014	2013
	Note	$	$
Carrying amount at beginning		**7,148,319**	7,147,240
Foreign exchange movement [2]		**154**	1,079
Carrying amount at end of year [1]		**7,148,473**	7,148,319

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 Groups assumption that the exploration licenses will be renewed when required, subject to the company meeting its agreed budgets and work programs. No impairment indicators have been identified by management and the exploration program continues on each area of interest.*
2. *Foreign exchange movement results from translation from functional currency to presentation currency at reporting date.*

10. INTANGIBLE ASSETS

	2014	2013
	$	$
Telecommunications Access Rights		
At cost	**199,816**	196,322
Accumulated amortisation	**(116,696)**	(75,391)
Net carrying amount	**83,120**	120,931

(a) Reconciliation of Movements in Carrying Amount:

	2014	2013
	$	$
Carrying amount at beginning	**120,931**	140,296
Additions	**-**	-
Amortisation	**(40,733)**	(34,858)
Foreign exchange movement	**2,922**	15,493
Carrying amount at end of year	**83,120**	120,931

11. TRADE AND OTHER PAYABLES

	2014	2013
	$	$
Trade creditors	**1,058,344**	1,546,002
Accrued expenses	**343,113**	826,767
Other payables	**61,475**	90,392
	1,462,932	2,463,161

12. PROVISIONS

	2014	2013
	$	$
Employee Annual Leave Entitlements	**69,533**	50,996
Provision for Drilling Demobilisation	**-**	360,000
	69,533	410,996

13. CONTRIBUTED EQUITY

	2014	2013
	$	$
Issued and Unissued Capital		
Fully paid ordinary shares: 122,185,353 (2013: 121,885,353)	**175,086,000**	174,817,051

(a) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Number of Ordinary Shares	$
01 Jul 13	**Opening balance**	121,885,353	174,817,051
	Exercise of options	300,000	180,000
	Transfers from share based payment reserve	-	92,100
	Share issue expenses	-	(3,151)
30 June 14	**Closing Balance**	**122,185,353**	**175,086,000**
01 Jul 12	Opening balance	117,235,353	171,396,851
15 Feb 13	Issue of Milestone Shares	2,000,000	880,000
15 Feb 13	Issue of Shares upon vesting of performance rights	500,000	1,096,100
	Exercise of options	2,150,000	860,000
	Transfers from share based payment reserve	-	598,950
	Share issue expenses	-	(14,850)
30 June 13	Closing Balance	121,885,353	174,817,051

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

13. CONTRIBUTED EQUITY (CONTINUED)

(b) Rights Attaching to Ordinary Shares:

The rights attaching to fully paid Ordinary Shares ("**Ordinary Shares**") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Options in accordance with Note 14(c) and issued following the vesting of Performance Rights in accordance with Note 14(d) will rank equally in all respects with the Company's existing Ordinary Shares. Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 shareholders. The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution, must be given.

Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

14. RESERVES

		2014	2013
	Note	$	$
Share based payments reserve	14(b)	**3,668,211**	4,949,564
Foreign currency translation reserve	14(e)	**762,532**	692,262
		4,430,743	5,641,826

(a) Nature and Purpose of Reserves

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is transferred to statement of profit or loss and other comprehensive income when the net investment is disposed of.

Share based payments reserve

The share based payments reserve is used to record the fair value of options and performance rights issued by the Group.

(b) Movements in Share Based Payments Reserve During the Past Two Years Were as Follows:

Date	Details	Number of Unlisted Options	Number of Performance Rights	$
01 Jul 13	**Opening Balance**	3,600,000	3,425,000	4,949,564
	Grant of Incentive Options	2,000,000	-	-
	Grant of Performance Rights	-	2,000,000	-
	Lapse of Rights	-	(310,000)	-
	Exercise of options	(300,000)	-	(92,100)
	Expiry of options	(3,300,000)	-	(1,532,550)
	Share based payment expense	-	-	343,297
30 June 14	**Closing Balance**	**2,000,000**	**5,115,000**	**3,668,211**
01 Jul 12	Opening Balance	7,050,000	3,780,000	4,428,516
15 Feb 13	Vesting of Performance Rights	-	(500,000)	(1,096,100)
	Grant of Performance Rights	-	1,390,000	-
	Lapse of Rights	-	(1,245,000)	-
	Exercise of options	(2,150,000)	-	(598,950)
	Expiry of options	(1,300,000)	-	(413,100)
	Share based payment expense	-	-	2,629,198
30 June 13	Closing Balance	3,600,000	3,425,000	4,949,564

(c) Terms and Conditions of Unlisted Options

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder to subscribe for one Ordinary Share upon exercise of each Unlisted Option;
- The Unlisted Options have the following exercise prices and expiry dates:
  - 2,000,000 options exercisable on or before 16 December 2015 at an exercise price of $0.46.
- Subject to any vesting conditions, the Unlisted Options are exercisable at any time prior to the Expiry Date;
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Unlisted Options will be made by the Company.

(d) Terms and Conditions of Performance Rights

The Performance Rights are granted based upon the following terms and conditions:

- Each Performance Right entitles the holder to subscribe for one Ordinary Share upon the vesting performance milestone being achieved by the Company;
- The Performance Rights have the following exercise prices and expiry dates:
  - 2,260,000 performance rights expiring on 30 June 2015 at no exercise price; and
  - 2,855,000 performance rights expiring on 31 December 2016 at no exercise price.
- Ordinary Shares issued on exercise of the Performance Rights rank equally with the Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Performance Rights will be made by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

14. RESERVES (CONTINUED)

(e) Movements in Foreign Currency Translation Reserve During the Past Two Years Were as Follows:

	2014	2013
	$	$
Foreign Currency Translation Reserve		
Balance at 1 July	**692,262**	(93,438)
Exchange differences	**70,270**	785,700
Balance at 30 June	**762,532**	692,262

15. ACCUMULATED LOSSES

	2014	2013
	$	$
Balance at 1 July	**(118,502,736)**	(86,158,151)
Net loss for the year	**(13,065,037)**	(32,757,685)
Expiry of options transferred to Accumulated Losses	**1,532,550**	413,100
Balance at 30 June	**(130,035,223)**	(118,502,736)

16. CASH FLOW STATEMENT

(a) Reconciliation of the Net Loss after Tax to the Net Cash Flows from Operations

	2014	2013
	$	$
Loss for the year attributable to members of the parent	**(13,065,037)**	(32,757,685)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	**2,314,606**	2,054,618
Provision for employee entitlements	**18,403**	(10,452)
Share based payment expense	**343,297**	2,629,198
Impairment of plant and equipment	**-**	23,787
Net foreign exchange loss/(gain)	**(59,492)**	298,015
Income Tax Expense	**-**	50,416
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables and prepayments	**(53,651)**	1,310,983
Increase/(Decrease) in operating trade and other payables	**(1,083,538)**	(2,327,318)
Net cash outflow from operating activities	**(11,585,412)**	(28,728,438)
Reconciliation of Cash		
Cash at bank and on hand	**40,463,179**	51,878,445
	40,463,179	51,878,445

17. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic earnings per share.

	2014 $	2013 $
Basic Earnings:		
Net (loss) used in calculating basic earnings per share:	**(13,065,037)**	(32,757,685)

	Number of Ordinary Shares 2014	Number of Ordinary Shares 2013
Weighted average number of Ordinary Shares	**122,058,367**	118,209,737

(a) Non-Dilutive Securities

As at balance date, 2,000,000 Unlisted Options and 5,115,000 Performance Rights (which represent 7,115,000 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2014

There have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

18. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest 2014	2013
		%	%
Equatorial (Africa) Pty Ltd	Australia	100	100
Equatorial Resources Pte. Ltd	Singapore	100	100
Titan Resources Pte. Ltd	Singapore	100	100
PT Krypton Mining	Indonesia	51	51
PT Mustang Mining	Indonesia	70	70
Congo Mining Ltd SARL	Republic of Congo	100	100
Equatorial Exploration Pty Ltd	Australia	100	100
Equatorial (ROC) Pty Ltd	Australia	100	100
EEPL Holdings	Mauritius	100	100
Congo Mining Exploration Ltd SARL	Republic of Congo	100	100
Equatorial (Gabon) Limited	Gabon	100	100

(b) Ultimate Parent

Equatorial Resources Limited is the ultimate parent of the Group.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid and equity holdings are included in the Remuneration Report.

(d) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

19. PARENT ENTITY DISCLOSURES

	2014	2013
	$	$
Financial Position		
Assets		
Current Assets	**41,541,637**	53,045,467
Non-Current Assets	**77,760,630**	70,425,281
Total Assets	**119,302,267**	123,470,478
Liabilities		
Current Liabilities	**1,634,421**	1,614,147
Total Liabilities	**1,634,421**	1,614,147
Equity		
Contributed equity	**175,086,000**	174,817,051
Accumulated losses	**(61,086,365)**	(57,910,014)
Share based payments reserve	**3,668,211**	4,949,564
Total Equity	**117,667,846**	121,856,601
Financial Performance		
Profit/(Loss) for the year	**(4,708,902)**	(7,425,542)
Other comprehensive income	**-**	-
Total comprehensive income	**(4,708,902)**	(7,425,542)

(a) Other Information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 24 for details of contingent assets and liabilities.

20. SHARE-BASED PAYMENTS

(a) Recognised Share-Based Payment Expense

From time to time, the Group provides Unlisted Options or Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2014	2013
	$	$
Expense arising from equity-settled share-based payment transactions	**343,297**	2,629,198

(b) Summary of Unlisted Options and Performance Rights Granted as Share-Based Payments

The following unlisted options and performance rights were granted as share-based payments during the last two years:

2014 Series	Issuing Entity	Security Type	Number	Grant Date	Expiry Date	Exercise Price	Grant Date Fair Value
Series 1	Equatorial Resources Ltd	Rights[1]	700,000	18 Jun 14	30 Jun 15	Nil	$0.36
Series 2	Equatorial Resources Ltd	Rights[1]	410,000	18 Jun 14	30 Jun 15	Nil	$0.36
Series 3	Equatorial Resources Ltd	Options	2,000,000	18 Jun 14	16 Dec15	$0.46	$0.08
Series 4	Equatorial Resources Ltd	Rights[1]	300,000	17 Jun 14	31 Dec 16	Nil	$0.39
Series 5	Equatorial Resources Ltd	Rights[1]	590,000	17 Jun 14	31 Dec 16	Nil	$0.39

Notes:

1. *For detailed information relating to the Performance Rights Plan and Performance Milestone conditions please refer to the Long Term Incentive section contained within the Remuneration Report.*

2013 Series	Issuing Entity	Security Type	Number	Grant Date	Expiry Date	Exercise Price	Grant Date Fair Value
Series 1	Equatorial Resources Ltd	Rights	85,000	25 Sep 12	30 Jun 13	Nil	$1.97
Series 2	Equatorial Resources Ltd	Rights	170,000	25 Sep 12	30 Sep 14	Nil	$1.97
Series 3	Equatorial Resources Ltd	Rights	255,000	25 Sep 12	31 Dec 15	Nil	$1.97
Series 4	Equatorial Resources Ltd	Rights	30,000	8 Feb 13	30 Jun 13	Nil	$1.48
Series 5	Equatorial Resources Ltd	Rights	60,000	8 Feb 13	30 Sep 14	Nil	$1.48
Series 6	Equatorial Resources Ltd	Rights	90,000	8 Feb 13	31 Dec 15	Nil	$1.48
Series 7	Equatorial Resources Ltd	Rights	200,000	20 Jun 13	30 Sep 14	Nil	$0.48
Series 8	Equatorial Resources Ltd	Rights	500,000	20 Jun 13	31 Dec 15	Nil	$0.48

The following table illustrates the number and weighted average exercise prices (WAEP) of Unlisted Options and Performance Rights granted as share-based payments at the beginning and end of the financial year:

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at beginning of year	**7,025,000**	**$0.45**	10,830,000	$0.44
Granted by the Company during the year	**4,000,000**	**$0.23**	1,390,000	-
Expired/cancelled during the year	**(3,610,000)**	**$0.82**	(2,545,000)	$0.30
Exercised/vested during the year	**(300,000)**	**$0.60**	(2,650,000)	$0.32
Outstanding at end of year	**7,115,000**	**$0.13**	7,025,000	$0.45

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

20. SHARE-BASED PAYMENTS (CONTINUED)

(c) Weighted Average Remaining Contractual Life

At 30 June 2014, the weighted average remaining contractual life of Unlisted Options and Performance Rights on issue that had been granted as share-based payments was 1.73 years (2013: 1.24 years).

(d) Range of Exercise Prices

At 30 June 2014, the range of exercise prices of Unlisted Options and Performance Rights on issue that had been granted as share-based payments was Nil to $0.46 (2013: Nil to $4.00).

(e) Weighted Average Fair Value

The weighted average fair value of Unlisted Options and Performance Rights granted as share-based payments by the Group during the year ended 30 June 2014 was $0.23 (2013: $1.16).

(f) Option and Rights Pricing Model

The fair values of the equity-settled Unlisted Options and Performance Rights granted are estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted. No share options have been granted by the Group during the year ended 30 June 2014.

The table below lists the inputs to the valuation model used for unlisted options and performance rights granted by the Group during the last two years:

2014 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5
Security Type	Right	Right	Options	Right	Right
Exercise price	Nil	Nil	Nil	Nil	Nil
Grant date share price	$0.36	$0.36	$0.36	$0.36	$0.36
Dividend yield [1]	-	-	-	-	-
Volatility [2]	N/A	N/A	60%	N/A	N/A
Risk-free interest rate	N/A	N/A	2.63%	N/A	N/A
Grant date	18 Jun 14	18 Jun 14	18 Jun 14	17 Jun 14	17 Jun 14
Expiry date	30 Jun 15	30 Jun 15	16 Dec 15	31 Dec 16	31 Dec 16
Expected life of right[3]	1.03 years	1.03 years	1.50 years	2.54 years	2.54 years
Fair value at grant date	$0.36	$0.36	$0.08	$0.39	$0.39

Notes:

1. *The dividend yield reflects the assumption that the current dividend payout will remain unchanged.*
2. *The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.*
3. *The expected life of the right is based the expiry date of the right as the date milestones may be achieved is not able to be determined.*

2013 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8
Security Type	Right	Right	Right	Right	Right	Right	Right	Right
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grant date share price	$1.93	$1.93	$1.93	$1.49	$1.49	$1.49	$0.48	$0.48
Dividend yield [1]	-	-	-	-	-	-	-	-
Volatility [2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grant date	25 Sep 12	25 Sep 12	25 Sep 12	8 Feb 13	8 Feb 13	8 Feb 13	20 Jun 13	20 Jun 13
Expiry date	30 Jun 13	30 Sep 14	31 Dec 15	30 Jun 13	30 Sep 14	31 Dec 15	30 Sep 14	31 Dec 15
Expected life of right[3]	0.76 years	2.01 years	3.27 years	0.39 years	1.64 years	2.89 years	1.28 years	2.53 years
Fair value at grant date	$1.97	$1.97	$1.97	$1.48	$1.48	$1.48	$0.48	$0.48

Notes:

1. *The dividend yield reflects the assumption that the current dividend payout will remain unchanged.*
2. *The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.*
3. *The expected life of the right is based the expiry date of the right as the date milestones may be achieved is not able to be determined.*

21. AUDITORS' REMUNERATION

The auditor of Equatorial Resources Limited is Ernst & Young.

	2014	2013
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the Company and any other entity in the consolidated group	**42,772**	56,566
• taxation and advisory services provided to the Company and any other entity in the consolidated group	**-**	42,749
Amounts received or due and receivable by Ernst & Young (Republic of Congo) for:		
• an audit or review of Congo Mining Ltd SARL and Congo Mining Exploration Ltd SARL, subsidiaries of Equatorial Resources Ltd	**31,540**	32,776
• taxation and advisory services provided to Congo Mining Ltd SARL and Congo Mining Exploration Ltd SARL, subsidiaries of Equatorial Resources Ltd	**20,276**	17,352
	94,588	149,443

22. SEGMENT INFORMATION

AASB 8 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.

(a) Reconciliation of Non-Current Assets by Geographical Location

	2014	2013
	$	$
Australia	**95,308**	173,449
Republic of Congo	**9,927,185**	12,027,851
	10,022,493	12,201,300

Non-Current Assets for this purpose consist of property, plant and equipment, exploration and evaluation assets and intangible assets.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2014	2013
	$	$
Cash and cash equivalents	**40,463,179**	51,878,445
Trade and other receivables	**1,032,598**	1,142,998
	41,495,777	53,021,443

With respect to credit risk arising from cash and cash equivalents and trade and other receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2014 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments for the Group, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months	6-12 Months	1-5 Years	≥5 Years	Total
	$	$	$	$	$
2014					
Financial Assets					
Cash and cash equivalents	**40,463,179**	**-**	-	-	**40,463,179**
Trade and other receivables	**1,032,598**	**-**	-	-	**1,032,598**
	41,495,777	**-**	**-**	**-**	**41,495,777**
Financial Liabilities					
Trade and other payables	**1,462,932**	**-**	-	-	**1,462,932**
Income tax payable	**622,130**	**-**	-	-	**622,130**
	2,085,062	**-**	**-**	**-**	**2,085,062**
2013					
Financial Assets					
Cash and cash equivalents	51,878,445	-	-	-	51,878,445
Trade and other receivables	1,142,998	-	-	-	1,142,998
	53,021,443	-	-	-	53,021,443
Financial Liabilities					
Trade and other payables	2,463,161	-	-	-	2,463,161
Income tax payable	622,130	-	-	-	622,130
	3,085,291	-	-	-	3,085,291

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2014	2013
	$	$
Interest-bearing financial instruments		
Cash at bank and on hand	**40,463,179**	51,878,445
	40,463,179	51,878,445

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.63% (2013: 4.13%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in 2013.

	Effect on Profit or loss		Effect on Equity	
	+ 100 basis	- 100 basis points	+ 100 basis	- 100 basis points
2014				
Cash and cash equivalents	**404,717**	**(404,083)**	**404,717**	**(404,083)**
2013				
Cash and cash equivalents	518,603	(518,603)	518,603	(518,603)

(e) Foreign Currency Risk

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the Company.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current year primarily arose from controlled entities of the Company whose functional currency is the Central African CFA franc (XAF). The Central African Franc is fixed against the Euro (EUR). Foreign currency risk arises on translation of the net assets of these controlled entities to Australian dollars and on intercompany account balances. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

At the reporting date, the exposure to foreign currency in relation to Financial Assets and Financial Liabilities is demonstrated in the table overleaf.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign Currency Risk (Continued)

At the reporting date, the exposure to foreign currency risk in relation to Financial Assets and Financial Liabilities was:

Foreign Currency : XAF	2014 AUD equivalent	2013 AUD equivalent
Financial Assets		
Cash and cash equivalents	**(9,013)**	9,947
Trade and other receivables	**66,752**	162,129
	57,739	172,076
Financial Liabilities		
Trade and other payables	**512,075**	1,514,399
Net Exposure	**(454,336)**	(1,342,323)

The Group does not have any material exposure to financial instruments denominated in foreign currencies.

Foreign currency sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the Central African CFA franc as illustrated in the table below, equity and profit and loss would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Effect on Profit or loss		Effect on Equity	
	10% increase	10% decrease	10% increase	10% decrease
2014				
AUD to XAF	**41,303**	**(45,434)**	**41,303**	**(45,434)**
2013				
AUD to XAF	122,029	(134,232)	122,029	(134,232)

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being $49,481,520 for the year ended 30 June 2014 (2013: $61,956,141). The Group manages its Capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, including searching for a strategic partner.

(h) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value.

24. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2014 financial year.

(b) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2014 financial year.

25. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2014;

	Note	Payable within 1 year	Payable after 1 year less than 5 years	Total
2014				
Operating Commitments		**1,426,135**	**530,898**	**1,957,033**
2013				
Operating Commitments		1,700,799	1,676,937	3,467,736

(a) Operating Commitments

Operating commitments include contracts for the provision of serviced offices, accommodation facilities in the Republic of Congo and minimum operational supply agreements. The disclosed amounts are based on the current terms of agreements and based on current levels of operating activities. Agreements entered into by the Group generally provide early termination clauses for the cancellation of agreements allowing the Group to modify the ongoing level of expenditure at an amount significantly less than the disclosed commitments above.

26. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2014, of the Consolidated Entity.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
      (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
      (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company and consolidated group); 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.

2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the Board

JPWelborn

JOHN WELBORN
Managing Director

Perth, 26 September 2014

INDEPENDENT AUDITOR'S REPORT

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Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of Equatorial Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

EY
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Opinion

In our opinion:

a. the financial report of Equatorial Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Equatorial Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Peter McIver
Partner
Perth
26 September 2014

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources for Mayoko-Moussondji was extracted from the Company's ASX announcement dated 4 December 2013 entitled "Resource Upgrade at Mayoko-Moussondji" and is available to view on the Company's website at www.equatorialresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented in this presentation have not been materially modified from the original ASX announcement.

The information in this report that relates to Production Targets for Mayoko-Moussondji was extracted from the Company's ASX announcement dated 10 March 2014 entitled "Half Year Accounts" which in turn was a summary of the material assumptions included in the Company's ASX Announcement dated 16 July 2013 entitled "Scoping Study for Mayoko-Moussondji" and both are available to view on the Company's website at www.equatorialresources.com.au. The Company confirms that all material assumptions underpinning the Production Target, and forecast financial information derived from the Production Target, in the original ASX announcements continue to apply and have not materially changed.

The information in this report that relates to Exploration Targets for Badondo 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 this report that relates to Exploration Results for Badondo is based on, and fairly represents, information compiled by Ms Marlene Kelly, a Competent Person who is a Member of the Australasian Institute of Geoscientists. Ms Marlene Kelly is a consultant who is engaged by the Company to provide geological consulting services. Ms Kelly has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which she is undertaking 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'. Ms Kelly consents to the inclusion in this presentation of the statements based on her information in the form and context in which it appears.

The information in this report that relates to Exploration Targets for Badondo is based on, and fairly represents, 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 the Company to provide geophysical consulting services. Mr Cooper has sufficient experience that is relevant to the style of mineralisation 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'. Mr Cooper consents to the inclusion in this presentation of the statements based on his information in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Equatorial Resources Limited is responsible for its corporate governance, that is, the system by which the Group is managed.

1. Board of Directors

1.1. Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2. Composition of the Board and New Appointments

The Company currently has the following Board members:

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

Details of the Directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification for a Director.

The Board has assessed the independence status of the Directors and has determined that there are three independent Directors, being Messrs Middlemas, Woodman and Pearce.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the Directors which define an independent Director to be a Director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a Director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual Director's net worth is considered material for these purposes.

Apollo Group Pty Ltd, a company associated with Mr. Pearce, is paid a monthly retainer to provide administrative services, company secretarial services and accounting services to the Company. The Board considers that this relationship is not material or significant enough to impact the independent judgment of Mr. Pearce.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than managing Director, and only one managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3. Committees of the Board

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4. Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned will not receive the relevant board papers and will not be present at the meeting whilst the item is considered.

1.5. Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1. Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a Director.
- A Director must not take improper advantage of the position of Director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

These principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined overleaf.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2.2. Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and Directors are expected to:

- respect the law and to act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3. Dealings in Company Securities

The Group's share trading policy imposes trading restrictions on all employees of the Group with 'inside information', and additional trading restrictions on the Directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

These restrictions have been developed having regard to the current nature of the Company's activities, being exploration and development rather than production. Should the Company move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of operating results.

2.4. Interests of Other Stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. Disclosure of Information

3.1. Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
b) The information is confidential; or
c) One of the following applies:
    i. It would breach a law or regulation to disclose the information;
    ii. The information concerns an incomplete proposal or negotiation;
    iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
    iv. The information is generated for internal management purposes;
    v. The information is a trade secret;
    vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information; or
    vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2. Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. Risk Management and Internal Control

4.1. Approach to Risk Management and Internal Control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- Exploration properties may never be brought into production;
- Fluctuations in commodity prices;
- Equity and debt markets are historically highly volatile which may adversely affect the Company's ability to raise finance;
- Global financial conditions may adversely affect the Company's growth and profitability;
- Sovereign risk relating to the Company's operations in the Republic of Congo;
- Regulation requirements in the Republic of Congo may impact the maintaining or obtaining of renewals, or attainment and grant of title interests; and
- Competitor risk with other mining companies in the Republic of Congo.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. These risks have been detailed further in the Directors' Report and they are not necessarily an exhaustive list.

CORPORATE GOVERNANCE STATEMENT *(CONTINUED)*

4.2. Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that management has developed and implemented a sound system of risk management and internal control.

4.3. Integrity of Financial Reporting

The Board also receives a written assurance from the Chief Executive Officer or equivalent ("CEO") and the Chief Financial Officer or equivalent ("CFO") that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4. Role of External Auditor

The Group's practice is to invite the auditor (who now must attend) to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

6. Remuneration Arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant persons duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide all key management personnel with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry. The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2014 financial year, the Group complied with the ASX Principles and Recommendations for Corporate Governance other than those outlined below;

Recommendation Reference	Notification of Departure	Explanation for Departure
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Group is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.2, 3.3, 3.4	A policy concerning diversity has not been established	The Board's policy is to employ the best candidate for a specific position, regardless of gender, and considers that the Company is not currently of a size to justify a policy regarding diversity and objectives regarding gender diversity. At the date of this report the Company has no female senior executives or Directors.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed.	The Board considers that the Group is not of a size, nor is its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1, 8.2	A separate Remuneration Committee has not been formed.	The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2014.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders are listed below:

	Name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOMINEES LIMITED	12,457,233	10.20
2	HSBC CUSTODY NOMINEES <AUSTRALIA>	12,058,481	9.87
3	AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	8,816,303	7.22
4	NEFCO NOMINEES PTY LTD	8,483,058	6.94
5	ARREDO PTY LTD	5,210,000	4.26
6	MR JOHN PAUL WELBORN + MS CAROLINE ANNE WELBORN <WELBORN FAMILY A/C>	4,500,000	3.68
7	KLIP PTY LTD <BEIRNE SUPER FUND A/C>	3,989,348	3.26
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,888,141	3.18
9	RJP FAMILY PTY LTD <ROBERT J PULLAR FAMILY A/C>	2,500,000	2.05
10	DR SUPERANNUATION FUND PTY LTD <DENBY ROBERTS S/FUND A/C>	2,250,000	1.84
11	CITICORP NOMINEES PTY LIMITED	1,737,177	1.42
12	MR FLORENT DECKOUS KOUKOUMINA	1,590,000	1.30
13	MR ERNEST SARONGA MASSAWE	1,501,998	1.23
14	BOUCHI PTY LTD	1,450,000	1.19
15	MR TERRY PATRICK COFFEY + HAWKES BAY NOMINEES LIMITED <WILLIAMS FAMILY NO 2 A/C>	1,061,000	0.87
16	JETOSEA PTY LIMITED	1,016,381	0.83
17	BNP PARIBAS NOMS PTY LTD <DRP>	1,003,650	0.82
18	THE ALPINE BARK HUT PTY LTD <THE ALPINE INVESTMENT A/C>	1,000,000	0.82
19	CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	1,000,000	0.82
20	PIAT CORP PTY LTD	1,000,000	0.82
	Total Top 20	**76,512,770**	**62.62**
	Others	45,672,583	37.38
	Total Ordinary Shares on Issue	**122,185,353**	**100%**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Shares
1 - 1,000	900	222,174
1,001 - 5,000	259	740,316
5,001 - 10,000	168	1,340,584
10,001 - 100,000	330	13,409,043
More than 100,000	118	106,473,236
Totals	**1,775**	**122,185,353**

There were 843 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 13(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received from the following:

	Number of Shares
Blackrock Group (UK)	10,002,091

5. ON-MARKET BUY BACK

There are currently no on-market buy-back programs for any of Equatorial Resources Limited's listed securities.

6. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security as at 30 September 2014 are listed below:

	Unlisted Options exercisable at $0.60 each on or before 16 December 2014	Performance Rights expiring on 30 September 2015 at no exercise price	Performance Rights expiring on 31 December 2016 at no exercise price
Mr John Welborn	2,000,000	1,000,000	1,000,000
Others (holding less than 20%)	-	1,260,000	1,795,000
Total	**2,000,000**	**2,260,000**	**2,795,000**
Number of Holders	**1**	**21**	**17**

7. EXPLORATION INTERESTS

As at 30 September 2014, the Company has an interest in the following projects:

Project Name	Tenement Type	Permit/Lease Number	Percentage Interest	Status
Mayoko-Moussondji Iron Project	Mining Licence	Decree No. 2014-165	100%	Granted
Mayoko-Moussondji Iron Project[1]	Exploration Licence	Decree No. 2012-931	100%	Awaiting renewal
Badondo Iron Project	Exploration Licence	Decree No. 2012-937	100%	Awaiting renewal
Moussondji-fer Ouest	Exploration Licence	Decree No. 2013-284	100%	Granted
Moussondji-fer Est	Exploration Licence	Decree No. 2013-288	100%	Granted

Note:

1. *The Mayoko-Moussondji Exploration Licence covers the tenement area of the original exploration licence that is outside of the area covered by the Mayoko-Moussondji Mining Licence.*

ASX ADDITIONAL INFORMATION *(CONTINUED)*

8. MINERAL RESOURCES STATEMENT

Summary of Iron Ore Mineral Resources

The Company's Mineral Resources Estimate ("MRE") as at 30 June 2014 (reported in accordance with the 2012 Edition of the JORC Code) and 30 June 2013 (reported in accordance with the 2004 Edition of the JORC Code), are as follows:

Mayoko-Moussondji Iron Project
As at 30 June 2014

Resource Class	Material Type	Tonnage (Mt)	Fe grade (%)	SiO_2 grade (%)	Al_2O_3 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
	Total Indicated and Inferred	**917**	**31.4**	**43.4**	**4.9**	**0.057**	**1.3**	**0.12**

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

Mayoko-Moussondji Iron Project
As at 30 June 2013

Resource Class	Material Type	Tonnage (Mt)	Fe grade (%)	SiO_2 grade (%)	Al_2O_3 grade (%)	P grade (%)	LOI grade (%)	S grade (%)
Indicated	Colluvial Hematite	12.2	48.3	15.8	8.2	0.066	6.0	0.04
	Friable Hematite	7.3	42.7	33.5	2.7	0.067	2.1	0.02
	Hard Hematite	5.7	38.5	40.9	1.7	0.060	1.1	0.01
	Magnetite BIF	1.4	35.1	44.2	2.2	0.063	-0.7	0.06
	Sub-Total	26.6	44.0	27.5	5.0	0.065	3.5	0.03
Inferred	Colluvial Hematite	32.0	42.3	20.3	10.1	0.070	8.1	0.08
	Friable Hematite	32.9	37.7	35.2	5.9	0.066	4.4	0.05
	Hard Hematite	11.6	35.8	42.8	3.1	0.064	1.9	0.08
	Magnetite BIF	663.6	30.6	47.4	3.1	0.056	-0.3	0.15
	Sub-Total	740.2	31.5	45.6	3.6	0.057	0.3	0.14
Total Indicated + Inferred	Colluvial Hematite	44.2	43.9	19.0	9.6	0.069	7.5	0.07
	Friable Hematite	40.2	38.6	34.9	5.3	0.066	4.0	0.04
	Hard Hematite	17.4	36.7	42.2	2.6	0.063	1.6	0.06
	Hematite Sub-Total	101.8	40.6	29.2	6.7	0.067	5.1	0.06
	Magnetite BIF	665.0	30.6	47.4	3.1	0.056	-0.3	0.15
	Total Indicated and Inferred	**766.8**	**31.9**	**45.0**	**3.6**	**0.057**	**0.4**	**0.14**

***Note:** *Totals may not add up due to rounding. Hematite material is reported at a 32% Fe cut-off grade and Magnetite bearing BIF reported at a 15% Fe cut-off grade*

The maiden MRE as at 30 June 2013 (refer ASX Announcement 4 February 2013) was prepared based on data from 43,743 metres of drilling from 383 holes conducted during the period May 2011 to December 2012. The updated MRE model as at 30 June 2014 (refer ASX Announcement 4 December 2013) modelled data from 55,404 metres of drilling from 475 drill holes at the Makengui and Mbinda Prospects. This represents data from an additional 11,631 metres 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 MRE upgrade program. The trenching and pitting program was designed to verify the surface mineralisation and increase confidence in the resource classification.

Annual Review of Resources

During the year, the Company reported an upgrade to its MRE at the Mayoko-Moussondji Iron Project ("Mayoko-Moussondji") located in the southwest region of the Republic of Congo (refer ASX announcement dated 4 December 2013). As a result of the annual review of the Company's mineral resources required under the ASX Listing Rules, there has been no change to the MRE reported for the Mayoko-Moussondji on 4 December 2013.

Governance of Resources

The Company engages employees, external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its mineral resources. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the MRE are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

Where material changes occur during the year to a project, including the project's size, title, exploration results or other technical information, then previous MRE and market disclosures are reviewed for completeness.

The Company reviews its MRE as at 30 June each year. Where a material change has occurred in the assumptions or data used in previously reported mineral resources, then where possible a revised MRE will be prepared as part of the annual review process. However, there are circumstance where this may not be possible (e.g. an ongoing drilling programme), in which case a revised MRE will be prepared and reported as soon as practicable.

Competent Person Statement

The information in this Mineral Resources Statement as at 30 June 2014 that relates that to mineral resources for Mayoko-Moussondji is based on, and fairly represents, information compiled by Ms Marlene Kelly, a Competent Person who is a Member of the Australasian Institute of Geoscientists. Ms Marlene Kelly is a consultant who is engaged by the Company to provide geological consulting services. Ms Kelly has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which she is undertaking 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'. Ms Kelly approves and consents to the inclusion in the Mineral Resources Statement of the matters based on her information in the form and context in which it appears.

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