

EQUATOR

RESOURCES LIMITED

ACN 127 411 796

Half-Year Financial Report

For the half-year ended

31 December 2016

Contents

	Page
Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	7
Consolidated Statement of Profit or Loss and Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Cash Flows	10
Consolidated Statement of Changes in Equity	11
Notes to the Consolidated Half-year Financial Statements	12
Director's Declaration	16
Independent Review Report	17

Corporate Directory

ASX Code : EQU

Equator Resources Limited shares are listed on the Australian Securities Exchange (ASX)

DIRECTORS

Paul Matysek	(Non-Executive Chairman)
Alex Passmore	(Non-Executive Director)
Jason Bontempo	(Executive Director)
Nicholas Rowley	(Non-Executive Director)

COMPANY SECRETARY

Michael Naylor

REGISTERED OFFICE

Level 1, 35 Richardson Street
West Perth WA 6005
Email: info@equatorresources.com.au

BANKERS

Westpac Banking Corporation
Level 13, 109 St George's Terrace
Perth WA 6000

SHARE REGISTER

Advance Share Registry Pty Ltd
110 Stirling Highway
Nedlands WA 6009

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station St
Subiaco WA 6008

INTERNET ADDRESS

www.equatorresources.com.au

ACN 127 411 796

Directors' Report

The directors submit their report for Equator Resources Limited ("Equator Resources" or "the Company") and its controlled entities for the half-year ended 31 December 2016.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as follows. The directors were in office for the entire period unless otherwise stated.

Paul Matysek	Non-Executive Chairman (Appointed 14 February 2017)
Alex Passmore	Non-Executive Director (Appointed 20 September 2016)
Jason Bontempo	Executive Director (Appointed 11 November 2015)
Nicholas Rowley	Non-Executive Director (Appointed 20 September 2016)
Michael Naylor	Non-Executive Director (Appointed 15 February 2016, resigned 14 February 2017)
Shannon Robinson	Non-Executive Director (Appointed 11 November 2015, resigned 20 September 2016)

COMPANY SECRETARY

Michael Naylor (Appointed 15 February 2016)

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the entities within the Group during the half-year were focusing on exploration on the Company's tenements in the Northern Territory and identifying new resource projects.

The consolidated entity recorded an operating loss after income tax of \$962,974 for the half year ended 31 December 2016 (2015: \$561,182 Profit). There was no dividend declared or paid during the half year.

The consolidated financial statements have been prepared on a going concern basis as the Directors believe, amongst other things that they will continue to be successful in securing additional funds through share placements.

REVIEW OF OPERATIONS

ACACIA-FRAZER PROJECT, NORTHERN TERRITORY

The Company has continued exploration on the Acacia-Frazer project in the Northern Territory, located approximately 50km south of Darwin. The Company completed a reconnaissance mapping and surface sampling program assessing a number of target areas generated from desktop studies and a revised interpretation of historical results following integration of various datasets.

The reconnaissance program has affirmed structural interpretations, and identified a number of areas containing quartz veining associated with moderate hydrothermal alteration, including the Acacia North prospect. Mapping of veins on surface have demonstrated limited continuity and low density of quartz veining and results of surface sampling has not identified substantial metal anomalism associated with them. Surface rock chip sampling at the Q-02 Prospect evaluating favourable lithology and structure has returned no anomalous values.

Sampling of sedimentary targets identified for Uranium potential have returned low level anomalism, however no areas tested to date are of sufficient anomalism to justify follow-up exploration activity at this time.

A group a second tier targets remain for base metal potential with insufficient surface geochemistry to evaluate, which the company will review in context of recent results and define a plan for the Acacia Frazer project in 2017.

CORPORATE

Acquisition of Cobalt Camp, Canada

In November 2016, Equator Resources signed a Binding Term Sheet to acquire up to 100% of Ophiolite Consultants Pty Ltd (Ophiolite). Ophiolite holds the Cobalt Camp Project (the "Assets") a total claim area of 13,470 acres (~53km²) located near the town of Cobalt, Ontario Canada. The acquisition of Ophiolite will position Equator as the largest unpatented claim holder in the Cobalt region of Ontario targeting Cobalt and Silver.

The terms of the acquisition to acquire 80% immediately, and up to 100% of Ophiolite is set out below:

Directors' Report

- Provide up to \$500,000 as a loan facility to Ophiolite for the funding of agreed exploration activities on the Assets until settlement, on standard commercial terms for a term of up to 6 months;
- Issue 100,000,000 ordinary shares in Equator to the owner (or their nominee) of Ophiolite (these shares were issued on 9 February 2017).

The Company also issued the following to parties that assisted in the project acquisition:

- 25,000,000 Shares as a facilitation fee (Facilitation Shares). The Shares will vest on satisfaction of a performance milestone for the provision of ongoing services to the Company up to 31 December 2017.
- 5,000,000 options exercisable at \$0.03 exercisable within 3 years after grant. It is a condition of exercise that Equator has been provided by the vendor with a report on the Assets that is equivalent to and compliant as a NI 43-101 report on the Assets; and
- 5,000,000 options exercisable at \$0.06 cents within 3 years after grant. It is a condition of exercise that Equator has released a report in respect of the Project confirming a JORC and/ or NI 43-101 compliant resource or on any subsequent complementary mining asset acquired by Equator if it was introduced by the vendor group.

The vendor also granted Equator a call option to acquire the remaining 20% of Ophiolite. In consideration for this Equator issued the following to the Vendors:

- 20,000,000 options exercisable at \$0.03 exercisable within 3 years after grant. It is a condition of exercise that Equator has been provided by the vendor with a report on the Assets that is equivalent to and compliant as a NI 43-101 report on the Assets; and
- 20,000,000 options exercisable at \$0.06 cents within 3 years after grant. It is a condition of exercise that Equator has released a report in respect of the Project confirming a JORC and/ or NI 43-101 compliant resource or on any subsequent complementary mining asset acquired by Equator if it was introduced by the vendor group.

If both tranches of the call options vest then Equator has the option (but not obligation) to require the transfer of the remaining 20% in Ophiolite (resulting in Equator becoming a 100% shareholder).

If only one tranche of the options has vested then Equator has the option (but not obligation) to require the transfer of a 10% shareholding interest in the Company to Equator and the parties agree to enter into good faith discussions regarding the remaining 10% shareholding interest in Ophiolite by Equator at a price to be agreed between the parties.

Placement

Equator completed a placement raising \$1.2m at an issue price of \$0.02 per share to fund the planned work programs on the Assets and for working capital. The placement was completed under a section 708 (10) cleansing prospectus.

Board Appointments

On 20 September 2016, Mr Nicholas Rowley and Mr Alex Passmore were appointed to the board as Non-Executive Directors.

Mr Rowley holds a Bachelor of Commerce from the University Of Notre Dame Western Australia and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. Mr Rowley previously worked for Bell Potter Securities Ltd for 9 years where he gained widespread experience in corporate advisory, M&A transactions and equities markets, advising domestic and international Institutional sales and high net worth individuals. He also advised on the equity financings of numerous ASX and TSX listed companies predominantly in the mining and resources sector. Mr Rowley currently serves as Director of Corporate Development for ASX listed Galaxy Resources.

Directors' Report

Mr Passmore is an experienced corporate executive with a strong financial and technical background. He has managed the arrangement of debt and equity financing for many well-known resources companies and has a wealth of experience in project evaluation. Most recently he managed the WA Natural Resources Business of Commonwealth Bank of Australia (Institutional Banking and Markets) which comprised a substantial portfolio of loan, hedge, trade finance and working capital products to ASX listed and multinational resource company counterparties. Prior to this, Mr Passmore held senior roles at Patersons Securities including Director-Corporate Finance and Head of Research. Mr Passmore holds a BSc (Hons) in Geology from the University Of Western Australia and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia.

Ms Shannon Robinson (LLB, B.Com, AAICD, ACIS) resigned from the board effective 20 September 2016.

SUBSEQUENT EVENTS

In January 2017:

- 5,500,000 options were converted into fully paid ordinary shares

In February 2017:

- The Company completed the acquisition of 80% of Ophiolite Pty Ltd, which has a 100% interest in high grade, strategic Cobalt properties located in the Cobalt Town region of Ontario, Canada. All shares and options were issued.
- 2,500,000 shares were issued to a related party on Mr Nicolas Rowley (which were approved by shareholders)
- Paul Matysek was appointed Non-Executive Chairman and Michael Naylor resigned as Non-Executive Director. The Company agreed to grant Mr Matysek 15,000,000 unlisted options at \$0.08 per share subject to shareholder approval;
- The company issued 60m new shares from the full conversion of the May 2020 \$0.02 shareholder options, adding a further \$1.2m to cash reserves.
- Equator issued 34,735,294 shares at an issue price of \$0.085 raising \$3.0m in new capital to Canadian and Australian investors.
- 4,500,000 options were converted into fully paid ordinary shares; and
- 2,350,000 shares were issued to the lead manager for placement and conversion of 60,000,000 options.

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of Equator Resources, the results of those operations or the state of affairs of Equator Resources in subsequent years that is not otherwise disclosed in the consolidated financial statements.

AUDITOR INDEPENDENCE

Section 370C of the Corporation Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the consolidated financial report. This Independence Declaration is disclosed on page 7 of this report and forms part of this directors' report for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the directors



Jason Bontempo
Executive Director

14 March 2017

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF EQUATOR RESOURCES LIMITED

As lead auditor for the review of Equator Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Equator Resources Limited and the entity it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2017

Consolidated Statement of Profit or Loss and Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Interest	2	7,294	239
Gain on creditor settlement	10	-	774,798
Directors' and employee benefit expenses			
- Wages and salaries		(112,425)	-
Consultants expenses		(49,530)	(32,500)
Compliance costs		(85,278)	(142,881)
Insurance costs		(4,914)	(1,633)
Occupancy costs		(3,000)	-
Travel costs		(34,323)	-
Exploration expenses		(17,359)	(11,286)
Share based payments	11	(647,500)	-
Other expenses		(15,939)	(25,555)
Profit/(Loss) before income tax expense		(962,974)	561,182
Income tax benefit/(expense)		-	-
Total comprehensive profit/(loss) attributable to members of Equator Resources Ltd		(962,974)	561,182
Profit/(Loss) per share for the half year attributable to members of Equator Resources Ltd			
Basic profit/(loss) per share (cents)	4	(0.37)	26.27
Diluted profit/(loss) per share (cents)	4	N/A	18.76

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

		Consolidated	
		31 December	30 June
		2016	2016
	Notes	\$	\$
Assets			
Current Assets			
Cash and cash equivalents		2,637,973	1,863,444
Other receivables and prepayments		27,015	28,294
Total Current Assets		2,664,988	1,891,738
Non-Current Assets			
Loan to Ophiolite Pty Ltd	7	241,747	-
Total Non-Current Assets		241,747	-
Total Assets		2,906,735	1,891,738
Liabilities			
Current Liabilities			
Trade and other payables		226,311	85,913
Total Current Liabilities		226,311	85,913
Total Liabilities		226,311	85,913
Net Assets		2,680,424	1,805,825
Equity			
Issued capital	5	17,093,212	15,903,139
Reserves	5	2,009,500	1,362,000
Accumulated losses		(16,422,288)	(15,459,314)
Total Equity		2,680,424	1,805,825

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		2016	2015
		\$	\$
Cash Flows from Operating Activities			
Interest received		7,294	238
Payments to suppliers and employees		(317,409)	(116,380)
Net cash used in operating activities		(310,115)	(116,142)
Cash Flows from Investing Activities			
Payments for exploration activities		(23,814)	(11,286)
Loan to Ophiolite Pty Ltd	7	(83,365)	-
Net cash used in investing activities		(107,179)	(11,286)
Cash Flows from Financing Activities			
Proceeds from issue of shares	5	1,199,892	-
Share issue costs	5	(8,069)	-
Proceeds from convertible notes		-	282,000
Net cash used in financing activities		1,191,823	282,000
Increase in cash and cash equivalents		774,529	154,572
Cash and cash equivalents at beginning of half-year		1,863,444	18,266
Effect of exchange rate fluctuations on cash held		-	-
Cash and Cash Equivalents at end of half-year		2,637,973	172,838

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Convertible Loans	(Accumulated losses)	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	13,577,338	1,453,943	-	-	(16,025,464)	(994,183)
Comprehensive loss						
Profit for the period	-	-	-	-	561,182	561,182
Total comprehensive loss	-	-	-	-	561,182	561,182
Transfer of reserve to accumulated losses	-	(1,453,943)	-	-	1,453,943	-
Balance at 31 December 2015	13,577,338	-	-	-	(14,010,339)	(433,001)
Balance at 1 July 2016	15,903,139	1,362,000	-	-	(15,459,314)	1,805,825
Comprehensive loss						
Profit for the period	-	-	-	-	(962,974)	(962,974)
Total comprehensive loss	-	-	-	-	(962,974)	(962,974)
Contributions of equity	1,199,892	-	-	-	-	1,199,892
Transaction costs	(9,819)	-	-	-	-	(9,819)
Share options issued	-	647,500	-	-	-	647,500
Balance at 31 December 2016	17,093,212	2,009,500	-	-	(16,422,288)	2,680,424

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

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

a) Basis of Preparation

This general purpose financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the most recent annual financial report for the period ended 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by Equator Resources and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half-year financial report was authorised for issue by the directors on 14 March 2017.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements and corresponding interim period.

(b) Significant accounting judgements and key estimates

The preparation of half-year financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

(c) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

	Consolidated	
	2016	2015
	\$	\$
2. REVENUE		
Interest revenue	7,294	239

3. SEGMENT INFORMATION

The Group operates in one business segment and two geographical segments, namely the mineral exploration industry in Australia and Canada.

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group as a whole and are set out in the statement of financial position.

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
4. PROFIT/LOSS PER SHARE		
Profit/Loss used in the calculation of basic and diluted earnings per share	(962,974)	561,182
Weighted average number of ordinary shares for the purposes of basic earnings per share.	258,525,941	2,136,371 ¹
Weighted average notional shares outstanding during the period used in the calculation of diluted EPS.	79,234,973	855,007 ¹
Weighted average number of ordinary shares for the purposes of diluted earnings per share.	337,760,914	2,991,378 ¹

¹ The Company completed a one-for-fifty consolidation of its issued capital during the 30 June 2016 financial year; accordingly, the comparative has been adjusted.

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
5. ISSUED CAPITAL		
b) Issued and Paid Up		
Issued and fully paid	17,093,212	15,903,139
Total	17,093,212	15,903,139

	31 December 2016		31 December 2015	
	Number of Shares	Amount Paid \$	Number of Shares	Amount Paid \$
b) Movement in shares on issue				
At 1 July	249,974,711	15,903,139	106,826,829	13,577,338
Shares issued during the period	59,998,264	1,199,892	-	-
Share issue costs	-	(9,819)	-	-
At 31 December	309,972,975	17,093,212	106,826,829	13,577,338

	31 December 2016
	Number of Options
c) Movement in share options on issue	
At 1 July	1,362,000
Issued during the period	647,500
At 31 December	2,009,500

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6. COMMITMENTS & CONTINGENCIES

There were no significant changes to commitments and contingencies during the period.

7. LOAN TO OPHILIOTE PTY LTD

As part of the Binding Terms Sheet, Equator Resources agreed to provide funding to Ophiolite for up to \$500,000 as a loan facility to fund agreed exploration activities on the Cobalt assets in Canada until settlement (which occurred in February 2017) for a term of up to 6 months.

The loan facility is a nil interest loan facility and is unsecured. As at 31 December 2016, \$241,747 was advanced to Ophiolite.

8. EVENTS AFTER THE REPORTING DATE

In January 2017:

- 5,500,000 options were converted into fully paid ordinary shares

In February 2017:

- The Company completed the acquisition of 80% of Ophiolite Pty Ltd, which has a 100% interest in high grade, strategic Cobalt properties located in the Cobalt Town region of Ontario, Canada. All shares and options were issued.
- 2,500,000 shares were issued to a related party on Mr Nicolas Rowley (which were approved by shareholders)
- Paul Matysek was appointed Non-Executive Chairman and Michael Naylor resigned as Non-Executive Director. The Company agreed to grant Mr Matysek 15,000,000 unlisted options at \$0.08 per share subject to shareholder approval;
- The company issued 60m new shares from the full conversion of the May 2020 \$0.02 shareholder options, adding a further \$1.2m to cash reserves.
- Equator issued 34,735,294 shares at an issue price of \$0.085 raising \$3.0m in new capital to Canadian and Australian investors.
- 4,500,000 options were converted into fully paid ordinary shares; and
- 2,350,000 shares were issued to the lead manager for placement and conversion of 60,000,000 options.

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of Equator Resources, the results of those operations or the state of affairs of Equator Resources in subsequent years that is not otherwise disclosed in the consolidated financial statements.

9. DIVIDENDS

No dividends were paid or declared by the Company during the half-year.

10. GAIN ON CREDITOR SETTLEMENT

	Consolidated	
	2016	2015
	\$	\$
Gain on creditor settlement	-	774,798

In 2015, the Company reached agreement with a number of its outstanding creditors (excluding Government or quasi Government entities, ASX and ASIC) to accept a substantial reduction in the amount owing in exchange for equity and some cash. This resulted in the Company recognising a gain on creditor settlements as shown above.

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

11. SHARE BASED PAYMENTS

The Company makes share based payments to executives and employees, as well as selected consultants and contractors in the form of unlisted share options to subscriber for ordinary shares in the Company.

Outstanding unlisted options have the following expiry date and exercise prices:

Grant date	Date of expiry	Exercise price	Number under option
27 Apr 16	5 Apr 20	\$0.02	15,000,000
25 May 16	25 May 20	\$0.02	60,000,000
30 Jun 16	30 Jun 19	\$0.02	1,000,000
30 Nov 16	30 Nov 19	\$0.03	18,500,000

The total expenses arising from share-based payment transactions recognised during the period was \$647,500.

During the half-year, 18,500,000 options with an exercise price of \$0.03 and expiring on 3 November 2019 were issued to Directors after approval at the 2016 annual general meeting. These options vested on the date of issue. The fair value of these options was \$0.035 per option and this was calculated using the Black-Scholes European Option pricing Model applying the following inputs:

	<u>2016</u>
Exercise price (cents):	3
Life of options (years):	3
Underlying share price (cents):	4.8
Expected share price volatility:	105%
Risk free interest rate:	1.91%

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments not measured at fair value.

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to approximate their fair value.

Directors' Declaration

In the Director's opinion:

- (a) The consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view, noting the matters documented in Note 1(a), of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- (b) Subject to the matters set out in Note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Jason Bontempo
Director

14 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Equator Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Equator Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Equator Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Equator Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Basis for Qualified Conclusion

Attention is drawn to the comparative figures and the gain on settlement of creditors of \$774,798 recognised in the consolidated statement of profit or loss and other comprehensive income for the half-year ending 31 December 2015. Equator Resources Limited held a 100% interest in Bukon Jedeh Holdings Ltd and its subsidiary Bukon Jedeh Resources Inc (BJH) Group) which were disposed of on 24 June 2015, resulting in the gain on settlement of creditors of \$774,798. However, we were not able to access management and the financial records of the BJH Group and, as a result, we were not able to obtain sufficient appropriate evidence to satisfy ourselves as to the completeness of this amount. Our review report on the financial report for the half-year ending 31 December 2015 was modified accordingly. Our conclusion on the current period's half-year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Equator Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Neil Smith', is written over a faint, blue, stylized 'BDO' logo.

Neil Smith

Director

Perth, 14 March 2017