ASX: EQX

EQUATORIAL RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2018

CORPORATE DIRECTORY

Directors

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

Company Secretary

Greg Swan

Registered Office

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Share Registry

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Stock Exchange

Australian Securities Exchange (ASX)
Home Branch – Perth
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code

EQX – Fully paid ordinary shares

Bankers

Australia and New Zealand Banking Group Limited

Solicitors

DLA Piper Australia

Auditors

Ernst & Young

Website

www.equatorialresources.com.au

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Equatorial Resources Limited for the year ended 30 June 2018 and any public announcements made by Equatorial Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Directors of Equatorial Resources Limited present the consolidated financial report of Equatorial Resources Limited ("**Company**" or "**Equatorial**") and the entities it controlled during the half year ended 31 December 2018 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

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

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

Unless otherwise stated, all Directors held their office from 1 July 2018 until the date of this report.

OPERATING AND FINANCIAL REVIEW

Operations

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

Badondo Iron Project

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

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

In November 2016, the Company lodged a Mining Licence Application ("MLA") for Badondo. Under the terms of the ROC Mining Code, exploration licences are granted for an initial 3-year period and are then capable of being renewed, upon application, for two further periods of two years. The Badondo Exploration Licence was renewed for the second time by Government Decree dated 7 December 2015. According to the ROC Mining Code, if an exploration licence expires before a decision is made by the mining administration in regards to a MLA in respect of that exploration licence, then the validity of the exploration licence shall be extended. On 22 November 2016, Equatorial lodged the MLA for Badondo based on completed exploration work in order to position the Company with a 25 year right to mine at the project.

During the half year, Equatorial continued to work with the Government with the aim of securing the Badondo Mining Licence. Subsequent to the half year, Equatorial made further presentations to the ROC Government to assist the relevant authorities in progressing their review of the Company's MLA.

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

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

Other Projects

Equatorial retains a 2% royalty on all future production from Mayoko-Moussondji Iron Project, located in the southwest region of the Republic of Congo, calculated on the value of all sales of ore extracted, produced, sold or otherwise disposed of from the project.

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

OPERATING AND FINANCIAL REVIEW (continued)

Operating Results

The net profit of the Consolidated Entity for the half year ended 31 December 2018 was $185,015 (31 December 2017: loss of $118,060).

Financial Position

At 31 December 2018, the Company had cash reserves of $40,119,291 (30 June 2018: $39,847,619) and no debt, placing the Company in a strong financial position to conduct its current activities and to pursue new business development opportunities. At 31 December 2018, the Company had net assets of $42,414,616 (30 June 2018: $42,225,353).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report there are no matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2018, of the Consolidated Entity.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2018 has been received and can be found on page 4 of the Interim Financial Report.

Signed in accordance with a resolution of the directors.

MARK PEARCE
Director

8 March 2019

Building a better
working world

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

As lead auditor for the review of the half-year financial report of Equatorial Resources Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
8 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2018

	Notes	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Operations			
Interest income		**531,378**	515,042
Exploration and evaluation expenses		**(30,576)**	(88,332)
Corporate and administrative expenses		**(268,294)**	(252,234)
Business development expenses		**(42,614)**	(247,794)
Other expenses	3	**(4,879)**	(44,742)
Profit/(loss) before income tax		**185,015**	(118,060)
Income tax expense		**-**	-
Profit/(loss) for the period		**185,015**	(118,060)
Profit/(loss) attributable to members of Equatorial Resources Limited		**185,015**	(118,060)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		**(561)**	340
Other comprehensive income/(loss) for the period, net of tax		**(561)**	340
Total comprehensive income/(loss) for the period		**184,454**	(117,720)
Total comprehensive income/(loss) attributable to members of Equatorial Resources Limited		**184,454**	(117,720)
Earnings per share			
Basic and diluted earnings/(loss) per share (cents per share)		**0.15**	(0.09)

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

	Notes	31 Dec 2018 $	30 Jun 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**40,119,291**	39,847,619
Trade and other receivables		**252,925**	338,582
Total Current Assets		**40,372,216**	40,186,201
Non-current Assets			
Exploration and evaluation assets	5	**2,146,836**	2,146,696
Total Non-Current Assets		**2,146,836**	2,146,696
TOTAL ASSETS		**42,519,052**	42,332,897
LIABILITIES			
Current Liabilities			
Trade and other payables		**104,436**	107,544
Total Current Liabilities		**104,436**	107,544
TOTAL LIABILITIES		**104,436**	107,544
NET ASSETS		**42,414,616**	42,225,353
EQUITY			
Contributed equity	6	**177,682,852**	177,682,852
Reserves	7	**326,305**	322,057
Accumulated losses		**(135,594,541)**	(135,779,556)
TOTAL EQUITY		**42,414,616**	42,225,353

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

	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2018	**177,682,852**	**48,393**	**273,664**	**(135,779,556)**	**42,225,353**
Net profit for the period	**-**	**-**	**-**	**185,015**	**185,015**
Other comprehensive income					
Exchange differences on translation of foreign operations	**-**	**-**	**(561)**	**-**	**(561)**
Total comprehensive income/(loss) for the period	**-**	**-**	**(561)**	**185,015**	**184,454**
Transactions with owners, recorded directly in equity					
Share-based payments expense	**-**	**4,809**	**-**	**-**	**4,809**
Balance at 31 December 2018	**177,682,852**	**53,202**	**273,103**	**(135,594,541)**	**42,414,616**
Balance at 1 July 2017	177,682,852	-	289,711	(135,728,140)	42,244,423
Net loss for the period	-	-	-	(118,060)	(118,060)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	340	-	340
Total comprehensive income/(loss) for the period	-	-	340	(118,060)	(117,720)
Transactions with owners, recorded directly in equity					
Share-based payments expense	-	43,663	-	-	43,663
Balance at 31 December 2017	177,682,852	43,663	290,051	(135,846,200)	42,170,366

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

	Note	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers, employees and others		**(345,847)**	(472,619)
Interest received		**617,519**	394,276
Net cash flows from/(used in) operating activities		**271,672**	(78,343)
Net (decrease)/increase in cash and cash equivalents		**271,672**	(78,343)
Cash and cash equivalents at beginning of period		**39,847,619**	39,918,044
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	**40,119,291**	39,839,701

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equatorial Resources Limited ("Equatorial" or the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publically traded on the Australian Securities Exchange. The consolidated interim financial statements of the Company as at and for the period from 1 July 2018 to 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

The interim consolidated financial statements of the Group for the half year ended 31 December 2018 were authorised for issue in accordance with the resolution of the directors on 7 March 2019.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Equatorial for the year ended 30 June 2018 and any public announcements made by Equatorial and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Basis of Preparation of Half Year Financial Report

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

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

(b) Statement of Compliance

This general purpose financial report for the interim half year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2018, other than as detailed below.

In the current half 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:

- AASB 9 *Financial Instruments*, and relevant amending standards
- AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the aforementioned standards have resulted in an immaterial impact on interim financial statements of the Group as at 31 December 2018. A discussion on the impact of the adoption of AASB 9 is included in note 1(c). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2018, except for new standards, amendments to standards and interpretations effective 1 January 2018 as set out in note 1(b). The Group has set out below the main changes due to the adoption of AASB 9.

AASB 9 *Financial Instruments*

The Group has adopted AASB 9 from 1 July 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the Interim Financial Reports. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018 but recognised in the opening balance sheet as at 1 July 2018. As per the new impairment model introduced by AASB 9, the Group has not recognised a loss allowance on trade and other receivables.

Classification and Measurement

On 1 July 2018, the Group has assessed which business models apply to the financial instruments held by the Group and have classified them into the appropriate AASB 9 categories.

On adoption of AASB 9, the Group classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Group's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The Group does not currently enter into any hedge accounting and therefore there is no impact to the Group's Interim Financial Reports.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in Significant Accounting Policies (Continued)

Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Group to adopt an ECL position across the Group's financial assets at 1 July 2018. The Group's receivables balance consists of GST refunds from the Australian Tax Office and interest receivables from recognised Australian banking institutions. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, an impairment loss would be considered immaterial.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the Group's receivables are from the Australian Tax Office and recognised Australian banking institutions, the Group has assessed that the risk of default is minimal and as such, no impairment loss has been recognised against these receivables as at 31 December 2018.

(d) Issued standards and interpretations not early adopted

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 reporting period ended 31 December 2018. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Company
AASB 16 *Leases*	1 January 2019	1 July 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
AASB 2017-7 *Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures*	1 January 2019	1 July 2019
AASB 2018-1 *Amendments – Annual Improvements 2015-2017 Cycle*	1 January 2019	1 July 2019
AASB 2018-2 *Amendments – Plan Amendment, Curtailment or Settlement (AASB 119)*	1 January 2019	1 July 2019

AASB 16 *Leases*

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position.

Under AASB 16 Leases, the Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

The Group is in the process of assessing the impact of adopting the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward, however, the adoption of AASB 16 is expected to have an immaterial impact on the financial statements of the Group due to the minimal number, if any, of non-cancellable leases currently entered into by the Group which would not fall under a short-term or low value exception.

Transition

The Group will initially apply AASB 16 on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend however on future economic conditions, including the Group's borrowing rate, the composition of the Group's lease portfolio, the extent to which the Group elects to use practical expedients and recognition exemptions, and the new accounting policies, which are subject to change until the Group presents its first financial statements that include the date of initial application.

2. SEGMENT INFORMATION

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

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

3. OTHER EXPENSES

	Half Year ended 31 Dec 2018 $	Half Year ended 31 Dec 2017 $
Other expenses		
Share-based payments	**(4,809)**	(43,663)
Net foreign exchange losses	**(70)**	(1,079)
	(4,879)	(44,742)

4. CASH AND CASH EQUIVALENTS

	31 Dec 2018 $	30 Jun 2018 $
Cash on hand	**469,291**	197,619
Deposits at call	**39,650,000**	39,650,000
	40,119,291	39,847,619

5. EXPLORATION AND EVALUATION ASSETS

	31 Dec 2018 $	30 Jun 2018 $
Areas of Interest		
Badondo Iron Project [1]	**2,146,836**	2,146,696

Notes:

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

6. CONTRIBUTED EQUITY

	31 Dec 2018 $	30 Jun 2018 $
Issued capital		
Fully paid ordinary shares: 124,445,353 (30 June 2018: 124,445,353)	**177,682,852**	177,682,852

There were no movements in ordinary shares during the period.

7. RESERVES

	31 Dec 2018 $	30 Jun 2018 $
Share-based payments reserve	**53,202**	48,393
Foreign currency translation reserve	**273,103**	273,664
	326,305	322,057

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

Date	Details	Number of Incentive Options	$
1 Jul 18	Opening Balance	**500,000**	**48,393**
1 Jul 18 – 31 Dec 18	Share-based payment expense	**-**	**4,809**
31 Dec 18	Closing Balance	**500,000**	**53,202**

8. FINANCIAL INSTRUMENTS

(a) Fair Value Measurement

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. Due to the short-term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value. At 31 December 2018 and 30 June 2018 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

9. CONTINGENT ASSETS AND LIABILITIES

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

10. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividend has been paid or provided for during the half year (31 December 2017: Nil).

11. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 31 December 2018, of the Consolidated Entity.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

   (i) section 304 (compliance with accounting standards and the Corporations Regulations 2001) and;

   (ii) section 305 (giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the half year ended on that date); and

(b) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

MARK PEARCE
Director

8 March 2019

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Equatorial Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

T S Hammond
Partner
Perth
8 March 2019