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# EQUATOR

RESOURCES LIMITED

**2014 ANNUAL REPORT**

## **CORPORATE DIRECTORY**

### **Equator Resources Limited**

ACN 127 411 796

#### **Directors**

Jason Bontempo      (Non-Executive Director)  
Shannon Robinson   (Non-Executive Director)  
Michael Naylor       (Non-Executive Director)

#### **Company Secretary**

Michael Naylor

#### **Registered Office**

Level 1, 35 Richardson Street  
West Perth WA 6005  
Australia

#### **Bankers**

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

#### **Share Registry**

Advance Share Registry Pty Ltd  
110 Stirling Highway  
Nedlands WA 6009

#### **Stock Exchange Listing**

The Company is listed on the Australian Securities Exchange  
ASX Code: EQU

#### **Website**

[www.equatorresources.com.au](http://www.equatorresources.com.au)

#### **Auditors**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008  
Australia

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## **DIRECTORS' REPORT**

The Directors of Equator Resources Limited and its controlled entities ("Equator Resources" or "the Group") present their Annual Report for the year ending to 30 June 2014 ("the Reporting Date").

### **DIRECTORS**

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

#### **Jason Bontempo**

**Non-Executive Director**, Appointed 11 November 2015

Jason Bontempo has 18 years' experience in public company management, corporate advisory, investment banking and public company accounting, qualifying as a chartered accountant with Ernst & Young. Mr Bontempo has worked primarily in Australia and the UK providing corporate advice and the financing of resource companies on both the ASX and AIM markets including resource asset acquisitions and divestments. Mr Bontempo has also served on the board and the executive management of minerals and resources public companies focusing on advancing and developing mineral resource assets and business development.

Mr Bontempo is also currently a director of ASX listed companies Red Emperor Resources and Orca Energy Ltd and in the past three years was a director of Glory Resources Limited (resigned August 2015), Matrix Metals Limited (Resigned February 2014) and Chameleon Mining NL (resigned March 2012).

#### **Shannon Robinson**

**Non-Executive Director**, Appointed 11 November 2015

Shannon Robinson (LLB, B.Com, AAICD, GIA(cert)) is a former corporate lawyer specialising in providing corporate and strategic advice in relation to acquisitions and mergers, capital raisings, listing of companies on stock exchanges (ASX & AIM), due diligence reviews and legal compliance.

Shannon is currently a director of Spookfish Limited (ASX: SFI), Fastbrick Robotics Limited (ASX: FBR) and Southern Crown Resources Limited (ASX: SWR) and in the past three years was a director of Black Mountain Resources Limited (resigned July 2014) and Kaboko Mining Limited (Resigned June 2014).

#### **Michael Naylor**

**Non-Executive Director**, Appointed 15 February 2016.

Michael Naylor has 20 years' experience in corporate advisory and public company management since commencing his career and qualifying as a chartered accountant with Ernst & Young.

Michael has been involved in the management of mineral and resources focused public companies serving on the board and in the executive management team focusing on advancing and developing mineral resource assets and business development.

Michael is also a member of the Chartered Secretaries Australia.

In the past three years, Mr Naylor has been a Director of Dragon Mining Limited (Resigned 27 April 2012), Coventry Resources Inc. (Resigned 28 April 2013) and is currently a Director of Tawana Resources NL (Appointed 1 January 2015).

#### **Nile Helmboldt**

**Non-Executive Director**, Appointed 10 June 2011, Resigned 6 August 2015

#### **Daniel Arnold**

**Non-Executive Director**, Appointed 19 December 2012, Resigned 12 July 2013

#### **Charles Waterman**

**Non-Executive Director**, Appointed 19 December 2012, Resigned 6 August 2015

**Michael Roberts**

**Non-Executive Director**, Appointed 15 July 2013, Resigned 10 November 2015

**Neville Cridge**

**Non-Executive Director**, Appointed 2 May 2013, Resigned 1 October 2015

**Robert Marusco**

**Non-Executive Director**, Appointed 19 December 2012, Resigned 15 February 2016.

**Company Secretary**

**Michael Naylor**

Appointed 15 February 2016.

See full description for Mr Naylor above.

**Robert Marusco**

Appointed 19 December 2012, Resigned 12 February 2016.

**Eryn Kestel**

Appointed 20 December 2012, Resigned 11 November 2015

**Interests in the shares and options of the Group**

At the date of this report, the interests of the Directors, including those nominally held, in the shares and options of Equator Resources Limited were:

<b>Name</b>	<b>Position</b>	<b>Ordinary Shares</b>	<b>Options</b>
Jason Bontempo (appointed 11 Nov 2015)	Non-Executive Director	0	0
Shannon Robinson (appointed 11 Nov 2015)	Non-Executive Director	0	0
Michael Naylor (appointed 12 February 2016)	Non-Executive Director	0	0
<b>Total</b>		<b>0</b>	<b>0</b>

**CORPORATE INFORMATION**

**Corporate Structure**

Equator Resources Limited is a Company limited by shares that is incorporated and domiciled in Australia. Equator Resources has a fully owned subsidiary Acacia Minerals Pty Ltd. On 24 June 2015 shareholders of the Company approved the disposal of all the issued capital of its wholly owned subsidiaries Bukon Jedeh Holdings Ltd and Bukon Jedeh Resources Inc. The Group has prepared a consolidated financial report incorporating the entities that it controlled during as at the date of this Annual Report.

**Principal Activities**

The principal activities of the Group throughout the year have comprised the following:

- Exploration of mining tenements;
- Investing cash assets in interest bearing bank accounts;
- The general administration of the Group.

**LOSS PER SHARE**

	<b>2014</b>	<b>2013</b>
Basic loss per share (cents)	(1.04)	(7.95)
Diluted loss per share (cents)	(1.04)	(7.95)

**DIVIDENDS**

No dividends in respect of the current financial year have been paid, declared or recommended for payment.

## **EXPLORATION REVIEW**

### **Activities – Liberia**

The Company acquired Bukon Jedeh Holdings and its gold projects in Liberia, West Africa in June 2011 and had, up to May 2013, focused its exploration activities on the 1,536 sq km of highly prospective ground in the south east of the country. No significant money was spent on the tenement during the year ended 30 June 2014.

On the 27 September 2013 the Company requested and was granted voluntary suspension by the ASX. Since that time the Company was unable to raise any significant funding which would allow it to come out of suspension.

On the 24 June 2015 the shareholders of Equator approved of the disposal of all the share capital of the Company's wholly owned subsidiary Bukon Jedeh Holdings Pty Ltd which in turn held all of the Liberia exploration assets. This brought to an end the Company's involvement in exploration in Liberia.

### **Activities – Northern Territory**

Acacia – Frazer

The ASX listed TUC Resources purchased a 100% interest in the Company's Acacia-Frazer project area, with Equator Resources retaining an option to buy back into the project. The tenements were ultimately transferred back to Equator in 2014 and remain as assets of the Company.

## **OPERATING AND FINANCIAL REVIEW**

### ***Operating Results for the Year***

The operating loss for the Group after income tax was \$1,348,280 (2013: \$10,101,095). The Group has continued to focus on development of its mining tenements during the year. As a result the operating costs incurred during the year comprised mainly of costs associated with the general administration of the Group, compliance expenses incurred during the year and the impairment of exploration expenditure.

### ***Review of Financial Condition***

During the financial year, the Group utilised funds in the following manner:

- Exploration expenditure incurred on mining tenements;
- Funds for the administration of the Group.

### ***Review of Financial Position***

The Group has cash reserves of \$47,215 (2013: \$70,415) and net liabilities of \$(2,637,796) (2013: (\$1,292,125)). The Group is currently working on a plan to recapitalise, deal with outstanding creditors and refocus on its Northern Territory exploration assets. The first stage of the recapitalisation program commenced on 11 November 2015 when the Group announced to the ASX completion of debt funding of \$250,000 in the form of Convertible Loans.

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. As in the prior years, the Group's auditor, BDO Audit (WA) Pty Ltd, has included a disclaimer of opinion in the audit report relating to the incomplete records.

### ***Incomplete Records***

The Annual Report for the year ended 30 June 2014 has been prepared without the benefit of complete information being available to the Equator Resources Limited and its subsidiaries. To prepare the financial report, the Directors have constructed the financial records of Equator and its subsidiaries using data extracted from the Group's accounting system for the financial year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

This Annual Report may not contain all the required information or disclosures in relation to transactions undertaken by Equator and its subsidiaries, and the disclosures regarding its business, environmental and health, safety and CSR, as this information is not fully available.

Consequently, although the Directors have prepared the Annual Report to the best of their knowledge based on the information made to them, they are of the opinion that it is not possible to state that this Annual Report has been prepared in accordance with the Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor is it possible to state that this Annual Report gives a true and fair view of the Group's financial position as at 30 June 2014 and the year then ended.

### **Cash Flows**

The cash flows of the Group consisted of:

- Interest income from interest bearing bank accounts;
- Payments in relation to exploration costs;
- Payments for and proceeds from available-for-sale financial assets;
- Payments to Directors, consultants and suppliers; and
- Payments for plant and equipment.

### **Risk Management**

The Board takes a pro-active approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a recurring agenda item at meetings of the Board.

### **Share Issues**

During the year no (2013: Nil) shares were issued on the exercise of options.

### **Grant of Options**

No options were granted during the year ended 30 June 2014.

### **Summary of Shares and Options on Issue at Reporting Date**

The Group has the following securities on issue at the date of this report.

<b>Security Description</b>	<b>Number of Securities</b>
Fully paid shares	130,098,286

### **Shares issued as a result of the exercise of Options**

No shares were issued during the year on the exercise of options.

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the Group that occurred during the year under review.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of the state of affairs of the Company for the year ended 30 June 2014.

### **SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

- On 24 June 2015, the Equator's shareholders approved the disposal of the Company's wholly owned subsidiaries Bukon Jedeh Holdings Ltd, Bukon Jedeh Resources Inc. These subsidiaries held Equators' Liberian exploration assets.
- On 11 November 2015 the following changes to the Board and a recapitalisation proposal included:
  - Raising up to \$250,000 via Convertible Loans from sophisticated and professional investors;
  - The conversion of approximately \$800,000 of existing creditors to shares in the Company;
  - Raising a further \$1.75m at \$0.01 pursuant to a rights issues and placement to sophisticated investors under a prospectus subject to shareholder approval; and
  - Jason Bontempo and Shannon Robinson joined the Board.
- On the 3 December 2015 the Company announced the completion of the Convertible Loan debt raise of \$250,000.
- All options outstanding expired.
- Michael Naylor was appointed to the Board on 15 February 2016.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

At a minimum however the Directors foresee that the focus will be on:

- holding its Northern Territory assets in good standing as set out in the Operations Report;
- identifying and pursuing new investment opportunities; and
- seeking out new capital and funding arrangements with a view to bringing the Company out of suspension as announced to the ASX on the 11 November 2015 and noted above.

## ENVIRONMENTAL REGULATION

The consolidated entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Directors have considered the National Greenhouse and Energy Reporting Act 2007 ('the NGER Act') and at the current stage of development and based on the locations of the Company's operations, the Directors have determined that the NGER Act will have no effect on the Group for the current or subsequent financial year. The Directors will reassess this position as and when the need arises. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2014.

## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and executive remuneration arrangements of Equator Resources Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

### Names and positions held of Key Management Personnel in office at any time during the financial year

#### Directors

Robert Marusco	Non-Executive Director – appointed 19 December 2012 – resigned 12 February 2016.
Niles Helmboldt	Non-Executive Director – appointed 10 June 2010 – resigned 6 August 2015.
Charles Waterman	Non-Executive Director – appointed 19 December 2012 – resigned 6 August 2015.
Daniel Arnold	Non-Executive Director – appointed 19 December 2012 – resigned 12 July 2013.
Duncan McBain	Non-Executive Director – appointed 14 January 2013 – resigned 1 May 2013.
Neville Cridge	Non-Executive Director – appointed 2 May 2013 – resigned 1 October 2015.

#### KMP

Lyndon Hopkins	Chief Executive Officer – appointed 13 July 2011 – resigned 15 November 2012
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All Directors and KMP held their positions for the entire financial year and up to the date of this report unless otherwise stated.

## Remuneration Governance

The Board of Directors of Equator Resources Limited is currently responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring goal congruence between Directors, executives and shareholders from the retention of a high quality Board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Group places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Group.



## **Overview of Remuneration Framework**

The objective of the Group's remuneration policy for Directors and other Key Management Personnel is to ensure that:

- Remuneration packages properly reflect the duties and responsibilities of the person concerned; and
- Remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration framework has regard to shareholders' interests by:

- Focusing on sustained growth in share price, as well as focusing the executive on key non-financial drivers of value; and
- Attracting and retaining high calibre executives.

The remuneration framework has regard to executives' interests by:

- Rewarding capability and experience,
- Providing a clear structure for earning rewards,
- Providing recognition for contribution.

## **Remuneration Mix**

To link executive remuneration with the Company's performance, the Company's policy is to endeavour to provide an appropriate portion of each executive's total remuneration as "at risk". However, fees and salaries were kept to a minimum and only fixed remuneration was received in the year ended 30 June 2014.

## **Use of remuneration consultants**

No remuneration consultants were used by the Group during the 2014 year.

## **Voting at the Group's 2013 Annual General Meeting**

A 2013 Annual General Meeting was not held and therefore the results of the 2013 Remuneration Report was not tabled.

## **Non-Executive Director Remuneration**

### ***Objective***

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

### ***Structure***

The Constitution specifies that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The aggregate remuneration to non-executive directors will not exceed the maximum approved amount of \$300,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Group. Directors who are called upon to perform extra services beyond the Director's ordinary duties may be paid additional fees for those services.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Group. It is considered good governance for Directors to have a stake in the Group on whose Board he or she sits. The Group considers the granting of options as a long-term variable component of the remuneration of Key Management Personnel as it provides a direct relationship as to increases in shareholders wealth via an increasing share price and the remuneration of individuals. During the year 2014 no cash bonus was paid to Directors (2013: Nil).

The remuneration of Non-Executive Directors for the year ending 30 June 2014 is detailed in the table on page 11 of this report.

## Senior Executive Remuneration

### Objective

The Group aims to reward executives and executive Directors with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for business unit and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals of the Group; and
- Ensure total remuneration is competitive by market standards.

### Structure

In determining the level and make-up of executive remuneration, the Board determines appropriate remuneration levels for executive roles based on available information.

### Fixed Remuneration

Executives receive a fixed base cash salary and other associated benefits. All executives also receive a superannuation guarantee contribution required by Australian legislation which was 9.5%. No executives receive any retirement benefits.

### Variable Remuneration – Short Term Incentives

#### Objective

Short Term incentives are used to recognise directors and executives for the achievement of short term goals and successes. At this stage of the Group's life, there are currently no set Key Performance Indicators by which short term incentives are measured, and therefore any payments are at the sole discretion of the board. No short term incentives of variable remuneration were paid to Key Management Personnel for 2014 and 2013.

The Group does not currently have a policy for limiting the level of at risk (incentive) remuneration.

### Variable Remuneration – Long Term Incentives

#### Objective

The objectives of long term incentives are to:

- Recognise the ability and efforts of the Directors, employees and consultants of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- Provide an incentive to the Directors, employees and consultants to achieve the long term objectives of the Group and improve the performance of the Group; and
- Attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its Directors, employees and consultants

#### Structure

Long term incentives granted to senior executives has and will be delivered in the form of options issued under an Employee Share Option Plan adopted during prior financial years.

### Group Performance

It is not possible at this time to evaluate the Group's financial performance using generally accepted measures such as profitability, total shareholder return or peer Group comparison as the Group is at a very early stage in the implementation of the corporate strategy. Shareholder wealth is the only evaluation at this stage. This assessment will be developed over the next few years.

	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$
Revenue	34,192	15,794	78,245	162,262	9,360	556
Net Loss	(30,740)	(928,231)	(2,070,933)	(3,306,978)	(10,101,095)	(1,348,280)
(Loss) per share (cents)	(0.00)	(0.03)	(5.54)	(2.89)	(7.95)	(1.04)

### **Relationship of Reward and Performance**

The value of options will represent a significant portion of an executive's salary package. The ultimate value to the executives of the options depends on the share price of Equator Resources Limited. The share price is the key performance criteria for long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

### **Short Term Incentive to Performance**

The objective of the shorter term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

### **Long Term Incentive to Performance**

The objective of the long term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

Long term incentives are delivered in the form of options. The strike price of options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

The Group has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

### **Employment Contracts**

As at the date of the report there are no employment contracts in place.

### **Non-Executives**

There is no specific employment contract or service agreement for the Non-Executive Directors. Upon appointment Non-Executive Directors sign a letter which acknowledges that the Director will discharge their duties in accordance with the Corporations Act 2001.

### **Remuneration of Key Management Personnel**

Remuneration for the year ended 30 June 2014

	Short Term		Post-Employment	Termination	Share Based	Total	Fixed	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
<b>Former Non-Executive Directors<sup>1</sup></b>								
R Marusco	54,502	-	-	-	-	54,502	100	-
N Helmboldt	99,017	-	-	-	-	99,017	100	-
C Waterman	49,958	-	-	-	-	49,958	100	-
D Arnold	-	-	-	-	-	-	-	-
M Roberts	-	-	-	-	-	-	-	-
N Cridge	55,865	-	-	-	-	55,865	100	-
<b>Total</b>	<b>259,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,342</b>		

<sup>1</sup> For appointment and resignation dates, refer to page 4 of the Directors' Report.

## Remuneration for the year ended 30 June 2013

	Short Term		Post-Employment	Termination	Share Based	Total	Fixed	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>								
R Marusco	27,250	-	-	-	-	27,250	100	-
<b>Former Non-Executive Directors<sup>1</sup></b>								
N Helmboldt	109,216	-	-	-	-	109,216	100	-
C Waterman	27,418	-	-	-	-	27,418	100	-
D Arnold	-	-	-	-	-	-	-	-
D McBain	15,442	-	-	-	-	15,442	100	-
N Cridge	9,084	-	-	-	-	9,084	100	-
R Grivas	70,333	-	5,250	-	-	75,583	100	-
R Kestel	25,000	-	2,250	-	-	27,250	100	-
<b>Executives</b>								
L Hopkins	107,812	-	8,601	-	-	116,413	100	-
<b>Total</b>	<b>391,555</b>	<b>-</b>	<b>16,101</b>	<b>-</b>	<b>-</b>	<b>407,656</b>		

<sup>1</sup>. For appointment and resignation dates, refer to page 4 of the Directors' Report.

No equity based compensation was given to Directors or Executives in the 2014 Financial Year. There are no equity based compensation incentives that effected remuneration in the current or future reporting periods.

### Equity Based Compensation

No equity based compensation was given to Directors or Executives in the 2013 or 2014 Financial Years. There are no equity based compensation incentives that effected remuneration in the current or future reporting periods.

### Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each director of Equator Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance 01 Jul 13	Granted as Remuneration	On Exercise of Options	Held at Date of Appointment	Held at Date of Resignation	Balance 30 Jun 14
<b>30 June 2014</b>						
<b>Former Directors<sup>1</sup></b>						
R Marusco	60,000	-	-	-	-	60,000
N Helmboldt	1,571,532	-	-	-	-	1,571,532
C Waterman	3,719,856	-	-	-	-	3,719,856
D Arnold	7,769,452	-	-	-	(7,769,452)	-
N Cridge	86,000	-	-	-	-	86,000
	<u>13,206,840</u>				<u>(7,769,452)</u>	<u>5,437,388</u>

For appointment and resignation dates refer to page 4 of the Directors' Report.

The Directors and KMP not mentioned above did not hold shares during the year. No shares were issued as part of remuneration.

### Option Holdings of Key Management Personnel

The number of options over ordinary shares in the Company held during the financial year by each director of Equator Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2014	Balance 01 Jul 13	Granted as Remuneration	Exercised	Disposed/Lapsed	Held at Date of Appointment	Held at Date of Resignation	Balance 30 Jun 14
<b>Former Directors</b>							
R Marusco	-	-	-	-	-	-	-
N Helmboldt	500,000	-	-	-	-	-	500,000
C Waterman	-	-	-	-	-	-	-
D Arnold	-	-	-	-	-	-	-
N Cridge	-	-	-	-	-	-	-
	500,000	-	-	-	-	-	500,000

Other than as detailed above, no key management personnel were issued options or had options outstanding in the financial year ended 30 June 2014.

### Related Party Transactions

The Company has adopted a policy to contract services of certain Director Related entities to retain access to relevant expertise. The policy provides that Equator will only enter into a transaction with a Director Related entity in the following circumstances:

1. Any proposed transaction is at arm's length and on normal commercial terms; and
2. Where it is believed that the Director Related entity is best equipped to undertake the work after taking into account experience, expertise, knowledge of the Group, and value for money.

### End of Audited Remuneration Report

### MEETINGS OF DIRECTORS

The number of meetings of the Directors (including the Audit and Compliance Committee) held during the year and the number of meetings attended by each Director was as follows:

	Board of Directors	
	Number of Directors' Meetings Attended	Number of Directors' Meetings Eligible to Attend
<b>Former Directors</b>		
R Marusco	7	8
N Helmboldt	8	8
C Waterman	7	8
D Arnold	-	-
M Roberts	5	8
N Cridge	8	8

### Committee membership

As at the date of this report the current Board has not established an Audit and Risk Management Committee and the full Board attends to matters that would normally be completed by the Committee. As the Group is small scale, has limited resources and does not have an operating business the establishment of an Audit and Risk Management Committee is not warranted

The details of the functions and membership of the Audit and Risk Management Committee are included in the Statement of Corporate Governance Practices.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and officers liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

## **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Equator Resources Limited adhere to strict principles of corporate governance. The Group's corporate governance statement is included in the Corporate Governance section of the Company's website.

## **NON-AUDIT SERVICES**

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No fees for non-audit services were paid to the external auditors during the year ended 30 June 2013 or 2014.

## **AUDITOR INDEPENDENCE**

The Directors received the declaration included on page 15 of this annual report from the auditor of Equator Resources Limited.

Signed in accordance with a resolution of the Directors



**Jason Bontempo**  
**Director**  
Perth, Western Australia  
3<sup>rd</sup> day of March 2016

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF EQUATOR RESOURCES LIMITED

As lead auditor of Equator Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 3 March 2016

## **Financial Statements**

**FOR THE YEAR ENDED 30 JUNE 2014**



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	47,215	70,415
Trade and other receivables	13	5,100	13,988
<b>Total Current Assets</b>		<b>52,315</b>	<b>84,403</b>
<b>Non-current Assets</b>			
Exploration and evaluation expenditure	14	-	-
Plant and equipment	15	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>52,315</b>	<b>84,403</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	1,823,703	549,353
Provisions	17	-	-
Borrowings – Convertible Notes	18	740,483	701,250
Advance Share Proceeds	19	125,925	125,925
<b>Total Current Liabilities</b>		<b>2,690,111</b>	<b>1,376,528</b>
<b>TOTAL LIABILITIES</b>		<b>2,690,111</b>	<b>1,376,528</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(2,637,796)</b>	<b>(1,292,125)</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders</b>			
Contributed equity	20	13,231,831	13,231,831
Reserves	21	1,939,329	1,936,720
Accumulated losses		(17,808,956)	(16,460,676)
<b>TOTAL EQUITY/(DEFICIENCY IN EQUITY)</b>		<b>(2,637,796)</b>	<b>(1,292,125)</b>

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
Revenue from continuing operations	7a	556	9,360
Tenement Impairment		-	(7,980,219)
Director and employee benefit expense	8(b)	(259,342)	(487,815)
Compliance costs		(69,185)	(445,662)
Share based payments		-	(132,328)
Consultants fees		(1,118)	(31,206)
Depreciation expense	8(a)	-	(150,914)
Impairment of property, plant and equipment		-	(306,505)
Exploration and evaluation		(964,292)	(35,501)
Insurance expenses		(6,256)	(38,621)
Interest on Convertible Loan		(39,233)	(52,225)
Foreign exchange loss		-	(3,933)
Other administration expenses		(9,410)	(445,526)
<b>Loss before income tax</b>		<b>(1,348,280)</b>	<b>(10,101,095)</b>
Income tax benefit	9	-	-
<b>Loss for the year after tax</b>		<b>(1,348,280)</b>	<b>(10,101,095)</b>
<b>Other comprehensive loss</b>			
Items that will be transferred to profit or loss:			
Exchange differences on translation of foreign operations		2,609	399,215
<b>Total comprehensive loss for the year attributable to owners of Equator Resources Ltd</b>		<b>(1,345,671)</b>	<b>(9,701,880)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Group:</b>			
Basic loss per Share (cents per share)	11(b)	(1.04)	(7.95)
Diluted loss per Share (cents per share)	11(b)	(1.04)	(7.95)

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Notes	Attributable to Owners of Equator Resources Limited					Total \$
		Contributed Equity \$	Reserves \$	Convertible Loans	Foreign Currency Translation Reserve	Accumulated Losses	
				\$	\$	\$	
<b>Balance at 1 July 2012</b>		12,197,347	1,321,615	-	(7,896)	(6,359,581)	7,151,485
Loss for the year				-	-	(10,101,095)	(10,101,095)
Exchange differences arising on translation of foreign operations		-	-	-	399,215	-	399,215
<b>Total comprehensive loss</b>		-	-	-	399,215	(10,101,095)	(9,701,880)
<b>Transactions with owners in their capacity as owners</b>							
Contributions of equity	20	1,034,484	-	-	-	-	1,034,484
Transaction costs	20	-	-	-	-	-	-
Equity component of convertible loans	21	-	-	91,458	-	-	91,458
Share based payments		-	132,328	-	-	-	132,328
<b>Balance at 30 June 2013</b>		<b>13,231,831</b>	<b>1,453,943</b>	<b>91,458</b>	<b>391,319</b>	<b>(16,460,676)</b>	<b>(1,292,125)</b>
<b>Balance at 1 July 2013</b>		13,231,831	1,453,943	91,458	391,319	(16,460,676)	(1,292,125)
Loss for the year				-	-	(1,348,280)	(1,348,280)
Exchange differences arising on translation of foreign operations		-	-	-	2,609	-	2,609
<b>Total comprehensive loss</b>		-	-	-	2,609	(1,348,280)	(1,345,671)
<b>Transactions with owners in their capacity as owners</b>							
Contributions of equity	20	-	-	-	-	-	-
Transaction costs	20	-	-	-	-	-	-
Share based payments		-	-	-	-	-	-
<b>Balance at 30 June 2014</b>		<b>13,231,831</b>	<b>1,453,943</b>	<b>91,458</b>	<b>393,928</b>	<b>(17,808,956)</b>	<b>(2,637,796)</b>

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

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(23,756)	(1,893,109)
Interest received		556	9,360
<b>Net cash used in operating activities</b>	22	(23,200)	(1,883,749)
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		-	(726,172)
Proceeds from security deposits		-	90,000
<b>Net cash used in investing activities</b>		-	(636,172)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	75,000
Proceeds from advanced share placement		-	125,925
Proceeds from Convertible Notes		-	740,483
<b>Net cash from financing activities</b>		-	941,408
Net decrease in cash and cash equivalents		(23,200)	(1,578,513)
Cash and cash equivalents at beginning of financial year		70,415	1,648,928
<b>Cash and cash equivalents at end of financial year</b>	12	47,215	70,415

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

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### 1 CORPORATE INFORMATION

The financial statements of Equator Resources Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 3 March 2016.

Equator Resources Limited is a Group limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited. The financial statements include Acacia Minerals Pty Ltd, Bukon Jedeh Holdings Limited and Bukon Jedeh Resources Inc its subsidiaries (the Group) for 30 June 2014. The nature of the operations and principal activities of the Group are described in the Directors' Report.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Equator Resources Limited and its subsidiaries that it controlled at any time during the year.

#### (a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

#### (i) Compliance with IFRS

The consolidated financial statements of the Equator Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year ended 30 June 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The Group has not early adopted any new accounting standards.

#### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### (iv) Incomplete Records

The Annual Report for the year ended 30 June 2014 has been prepared without the benefit of complete information being available to the Equator Resources Limited and its subsidiaries. To prepare the financial report, the Directors have constructed the financial records of Equator and its subsidiaries using data extracted from the Group's accounting system for the financial year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

This Annual Report may not contain all the required information or disclosures in relation to transactions undertaken by Equator and its subsidiaries, and the disclosures regarding its business, environmental and health, safety and CSR, as this information is not fully available.

Consequently, although the Directors have prepared the Annual Report to the best of their knowledge based on the information made to them, they are of the opinion that it is not possible to state that this Annual Report has been prepared in accordance with the Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor is it possible to state that this Annual Report gives a true and fair view of the Group's financial position as at 30 June 2014 and the year then ended.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(v) Going concern*

The financial statements have been prepared on the going concern basis of accounting which assumes that the consolidated entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. In arriving at this position, the Directors recognise the consolidated entity is dependent on various funding alternatives to meet these commitments mainly via share placements.

The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will be able to raise sufficient funds to meet its obligations as and when they fall due.

In the event that the Group does not achieve the matters set out above, there is significant uncertainty whether the consolidated entity will continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

Other than the impairment assessments undertaken, the financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

#### **(b) Principles of Consolidation**

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Equator Resources Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Equator Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(j)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

##### *(ii) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Equator Resources Limited.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

#### (d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (e) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an on-going basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

#### (f) Investments and other financial assets

##### Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to settle within 12 months otherwise they are classified as non-current.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(ii) 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 are included in current assets except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets comprising principally marketable securities are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### **(f) Investments and other financial assets (continued)**

##### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/ (losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

##### **Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### *(i) Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. If a loan or held-to-maturity has a variable interest rate, the discount rate for measuring



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(f) Investments and other financial assets (continued)**

##### *Impairment (continued)*

any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

##### *(ii) Assets classified as available-for-sale*

If there is objective evidence of impairment 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 profit or loss - is removed from the equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increase in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

#### **(g) Exploration and evaluation expenditure**

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either;

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

##### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income and are disclosed in note 14, exploration and evaluation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Plant and equipment

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 part 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.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

- Plant and equipment – 5 to 8 years
- Furniture and fittings – 5 to 10 years
- Motor Vehicles – 8 years

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

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

Any gain or loss arising on unrecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

#### (i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### *Company as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as an expense in the statement of profit or loss and other comprehensive income.

Capitalised leases assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

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### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(j) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts have been reviewed the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### **(k) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and values in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or Group of assets (Cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### **(l) Trade and other payables**

Trade payables and other payables are carried at amortised costs. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Employee Leave benefits

##### *(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

##### *(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### (n) Share-based payment transactions

##### *(i) Equity settled transactions:*

The Group provides benefits to its employees (including Key Management Personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

In prior years the Group has adopted an Employee Share Option Plan to provide these benefits to Directors, executives, employees and consultants.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the market price of the shares of Equator Resources Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of (i) the grant date of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions

being met; and (iii) the expired portion of the vesting period.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

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### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(n) Share-based payment transactions (continued)**

The charge to the statement of profit or loss and other comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vested than were originally expected to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangements, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### **(o) Contributed Equity**

Ordinary shares are classified as equity. 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.

#### **(p) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *(i) Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through life of the financial asset to the net carrying amount of the financial asset.

#### **(q) Income tax and other taxes**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based in the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Reporting Date.

Deferred income tax is provided on all temporary differences at the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint venture, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Income tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 Reporting 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Reporting Date.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### (t) Convertible Notes

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Interest on the liability component of the convertible note is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

##### *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

##### *AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

##### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

##### *AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### *AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

#### *Annual Improvements to IFRSs 2010-2012 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

#### *Annual Improvements to IFRSs 2011-2013 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 3 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, short-term deposits and convertible notes. The Group has various other financial assets and liabilities such as equity investments, trade receivables and trade payables.

The main risks from the Group's financial instruments are interest rate, foreign currency, credit and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

#### Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from expenditure in currencies other than the Group's measurement currency.

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States Dollar. The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

The Group's material exposures to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	Held in USD
30 June 2014	A\$
Cash & cash equivalents	9,933
Trade & other payables	(91,174)
	<u>(81,241)</u>
	Held in USD
30 June 2013	A\$
Cash & cash equivalents	10,252
Trade & other payables	(94,099)
	<u>(83,847)</u>

#### Sensitivity

The Group's main foreign exchange risk arises from cash and cash equivalents held in foreign currency denominated bank accounts, and trade and other payable amounts denominated in currencies other than the Group's functional currency. Based on the financial instruments held at 30 June 2014, had the Australian dollar strengthened/weakened by 10% against the United States dollar with all other variables held constant, the Group's post-tax profit for the period would have been \$8,607 higher/\$7,824 lower (2013: \$9,263 higher/\$8,421 lower).

#### Interest Rate Risk

The Group's main interest rate risk arises from cash held on deposit by Australian financial institutions. Cash held is subject to prevailing variable interest rates and expose the Group to cash flow interest rate risk. As at the end of the reporting period, the Group had \$47,215 (2013: \$70,415) on deposit in operating bank accounts earning a weighted average interest rate of 0.1% (2013: 1.1%).

#### Sensitivity

At 30 June 2014, if interest rates had increased/decreased by 80 basis points from the year end rates, with all other variables held constant, post-tax profit for the period would have been \$378 higher/lower (2013: \$563 higher/lower), mainly as a result of higher/lower interest income earned from cash and cash equivalents.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of primarily dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. All cash equivalents are held with financial institutions with a credit rating of A1+ or above with the exception of \$9,933 (2013: \$10,252) held with financial institutions which are not rated.

All trade and other receivables amounts are not rated. Note all credit ratings have been resourced from Moody's Investor Service.

### Sensitivity

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the end of the reporting period. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

### Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and financial assets are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to convertible notes and trade and other payables as disclosed in the Consolidated Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of reporting date.

The following table details the Group's non-derivative financial instruments according to their contractual maturities.

<b>Consolidated 30 June 2014</b>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Non-interest bearing						
Trade and other payables	1,823,703	1,823,703	-	-	-	-
Provisions	-	-	-	-	-	-
Convertible notes	740,483	740,483				
	<b>2,564,186</b>	<b>2,564,186</b>		-	-	-
<b>Consolidated 30 June 2013</b>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Non-interest bearing						
Trade and other payables	549,353	549,353	-	-	-	-
Provisions	-	-	-	-	-	-
Convertible Notes	701,250	740,483				
	<b>1,250,603</b>	<b>1,289,836</b>	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates, estimates and makes assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by management in the preparation of these financial statements are outlined below:

#### ***Significant accounting estimates and assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

##### ***(a) Impairment of capitalised exploration and evaluation expenditure***

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

The Group follows the guidance of AASB 6 *Exploration for and Evaluation of Mineral Resources* to determine when capitalised exploration and evaluation expenditure is impaired. At the end of the reporting period the Group assessed that expenditure relating to tenements in the Liberian and Acacia-Frazer projects should be written off. As a result exploration costs of \$964,292 (2013: \$7,980,219) have been written off or expensed during the year.

This is further supported by the fact that on 24 June 2015 the Company's shareholders approved the disposal of its subsidiary Bukon Jehed Holdings Pty Ltd to the 17 original vendors of Bukon Jehed Holdings Pty Ltd known as Bukon Jehed Original Investor Group (BJO Investors) by selling back to the BJO Investors all of the shares in Bukon Jehed Holdings Pty Ltd. Bukon Jehed Holdings Pty Ltd held the Company's Liberian gold project.

The key features of the agreement, which was approved by shareholders, are:

- Cancellation of all of the BJO Investor Shares held by the BJO Investors in Equator being 40,208,440 shares and one B Performance Share as outlined in the Notice of Meeting held on the 24 June 2015.
- Assumption by the BJO Investors of the agreed approved creditors relating to the BJR Exploration Licences and Liberian in-country costs (estimated at \$1,248,940 as at 30 June 2014).
- Furthermore, pursuant to various agreements signed in February 2015 with the BJO Investors, the convertible notes (BJO Notes) totalling \$446,610 owing to various BJO Investors by Equator will be cancelled and no longer payable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

#### *(b) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes model, with the assumptions detailed in note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### *(c) Recognition of deferred tax assets*

The group has not recognised a deferred tax asset for tax losses as the group does not believe it probable to be recovered by future taxable income in the short-term future.

### 5 SEGMENT INFORMATION

The Group operates in one business segment and one geographical segment, namely the mineral exploration industry in Australia only as operations in Liberia were discontinued. AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds and as such do not have to be reported separately. The Group has therefore decided to aggregate all its reporting segments into one reportable operating segment.

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.

### 6 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy noted in Note 2 (b)(i).

Name of Entity	Country of Incorporation	Class of Shares	Equity holding	
			2014 %	2013 %
Acacia Minerals Pty Ltd	Australia	Ordinary	100	100
Bukon Jedeh Holdings Ltd <sup>1</sup>	Isle of Man	Ordinary	100	100
Bukon Jedeh Resources Inc <sup>1 &amp; 2</sup>	Liberia	Ordinary	100	100

<sup>1</sup> Bukon Jedeh Holdings Ltd & Bukon Jedeh Resources Inc were disposed of following shareholder approval on the 24 June 2015.

<sup>2</sup> Bukon Jedeh Resources Inc is a wholly owned subsidiary of Bukon Jedeh Holdings Ltd.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>7 REVENUE FROM CONTINUING OPERATINGS</b>		
<b>(a) Revenue</b>		
Interest revenue	<b>556</b>	9,360
<b>8 EXPENSES</b>		
<b>(a) Depreciation</b>		
Depreciation	-	150,914
	-	150,914
<b>(b) Director and Employee benefit expense</b>		
Wages and fees	<b>259,342</b>	471,714
Superannuation costs	-	16,101
	<b>259,342</b>	487,815
<b>9 INCOME TAX</b>		
<b>(a) The components of tax benefit comprise:</b>		
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-
<b>(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Loss from continuing operations before income tax expense	<b>(1,348,280)</b>	<b>(10,101,095)</b>
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	<b>(404,484)</b>	<b>(3,030,329)</b>
Add tax effect of:		
Non-deductible entertainment	<b>39,233</b>	<b>52,225</b>
Non-deductible share based payments	-	132,328
Tax losses and timing differences not brought to account	<b>365,251</b>	<b>2,845,776</b>
Income tax benefit	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>9 INCOME TAX (continued)</b>		
(c) Deferred income tax at 30 June relates to the following		
<b>Deferred tax liabilities:</b>		
Temporary differences for which deferred tax liabilities have not been recognised:	39,233	80,480
	<u>39,233</u>	<u>80,480</u>
<b>Deferred tax assets:</b>		
Deferred tax assets have not been recognised in the statements of financial position for the following items:		
Unused Tax losses	(1,524,053)	(1,366,099)
Deductible temporary difference	(8,477)	(8,477)
	<u>(1,532,530)</u>	<u>(1,374,576)</u>
<b>Total deferred tax assets not recognised</b>	<u>(1,493,297)</u>	<u>(1,294,096)</u>

## 10 DIVIDENDS PAID AND PROPOSED

No dividends in respect of the current financial year have been paid, declared or recommended for payment.

	2014 \$	2013 \$
<b>11 LOSS PER SHARE</b>		

### (a) Loss used in calculating loss per share

For basic and diluted loss per share:

<i>Loss attributable to owners of Equator Resources Limited</i>	<u>(1,348,280)</u>	<u>(10,101,095)</u>
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Given the operating losses, the outstanding options are not considered dilutive. As a result, diluted loss per share equals basic loss per share.

### (b) Weighted average number of shares

	2014 Number	2013 Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share.	130,098,286	127,062,776
Basic and diluted loss per share (cents per share)	<u>(1.04)</u>	<u>(7.95)</u>

### (c) Information on the classification of securities

#### (i) Options

9,000,000 options (2013: 14,000,000) issued are considered to be potential ordinary shares but have not been included in the calculation of earnings per share as they are not dilutive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>12 CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	47,215	70,415
	<b>47,215</b>	<b>70,415</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	2014 \$	2014 \$
<b>13 TRADE &amp; OTHER RECEIVABLES</b>		
GST receivable	5,100	8,804
Prepayments	-	5,184
	<b>5,100</b>	<b>13,988</b>

(a) Allowance for Impairment Loss

Trade and other receivables are non-interest bearing and are generally paid on 30 day settlement terms. Trade and other receivables are neither past due nor impaired at 30 June 2014.

(b) Fair value

The receivables and GST are incurred in the normal course of business and no allowance has been made for non-recovery. The receivables and GST are of short-term nature. It is expected that these balances will be received when due. Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above. Further information relating to credit risk and interest rate risk can be found at Note 3.

## 14 EXPLORATION & EVALUATION

Balance at beginning of the year	-	6,378,518
Expenditure incurred	-	1,601,701
Expenditure written off	-	(7,980,219)
At 30 June	-	-

The ultimate recoverability of the Group's areas of interest is dependent on the successful discovery and commercialisation of the project.

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources to determine when capitalised exploration and evaluation expenditure is impaired. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas. Expenditure written off represents tenements relinquished and under review with no immediate plans for ongoing exploration. As a result exploration costs of nil (2013: \$7,980,219) have been written off during the year.

Refer to note 4(a) for further details.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>15 PLANT AND EQUIPMENT</b>		
Total Plant & Equipment	<b>591,987</b>	591,987
Impairment of assets	<b>(306,505)</b>	(306,505)
Accumulated depreciation	<b>(285,482)</b>	(285,482)
Net carrying amount	<b>-</b>	-
At July 1, net of accumulated depreciation	-	457,419
Additions	-	-
Depreciation charge for the year	-	(150,914)
Impairment of assets	-	(306,505)
As at 30 June, net of accumulated depreciation	<b>-</b>	-
<b>16 TRADE AND OTHER PAYABLES</b>		
Trade payables (a)	<b>172,180</b>	179,707
Other payables (b)	<b>1,651,523</b>	369,646
	<b>1,823,703</b>	549,353
(a) Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms.		
(b) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.		
Information relating to the Group's exposure to foreign exchange risk is provided in Note 3.		
<b>17 CURRENT PROVISIONS</b>		
Employee Entitlements	<b>-</b>	-
<b>18 CONVERTIBLE NOTES</b>		
Carrying amount of liability at beginning of period	<b>701,250</b>	-
Proceeds received for convertible loans	-	740,483
Amount classified as equity component	-	(91,458)
Interest expense	<b>39,233</b>	52,225
Carrying amount of liability at end of period	<b>740,483</b>	701,250

As announced on 4 December 2012 loan funds received from the Lenders will be convertible into fully paid ordinary shares in the Company at a price of \$0.05 per share. Up to 62% of each loan is convertible into shares without shareholder approval, for which the Lender will also receive two free options (exercisable at \$0.06 within 18 months from the date of issue and \$0.07 within 30 months from the date of issue) for each share issued on conversion. Conversion of the balance of each loan shall be subject to the receipt of shareholder approval at a general meeting of the Company.

Should the loans not be converted into shares, either as a result of shareholders not providing the requisite approval or the Lenders electing not to convert the loans, each loan shall attract interest at a rate of 1% per annum and be repayable on 31 December 2013.

The effective interest is at a rate of 15% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**FOR THE YEAR ENDED 30 JUNE 2014**

### 19 ADVANCE SHARE PROCEEDS

Advance Share Proceeds

Carrying amount of liability at beginning of period

Advance share proceeds received from directors

Carrying amount of advance share proceeds liability at end of period

2014 \$	2013 \$
<b>125,925</b>	-
-	125,925
<b>125,925</b>	125,925

On the 7 June 2013 the Company announced that it had raised \$200,925 by way of a placement from professional and sophisticated investors. Of this amount \$125,925 was placed with directors of the Company. No shares could be allotted to the directors without shareholder approval and as such the cash proceeds received from directors are reflected in the Advance Share Proceeds.

### 20 CONTRIBUTED EQUITY

*Ordinary shares*

Issued and fully paid

2014 Shares	2013 Shares
<b>130,098,286</b>	130,098,286

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

*Movement in ordinary shares on issue*

At 1 July 2013

10 July 2012 Shares issued in lieu of drilling services

11 July 2012 Shares issued in lieu of drilling services

7 June 2013 Shares issued to professional investors

At 30 June 2013

Shares	\$
119,102,590	12,197,347
<b>5,991,392</b>	718,968
<b>2,004,304</b>	240,516
<b>3,000,000</b>	75,000
<b>130,098,286</b>	13,231,831
<b>130,098,286</b>	13,231,831

At 30 June 2014

No share were issued in the 30 June 2014 financial year.

*Movement in Options on Issue*

*Movement in options on issue*

At 1 July 2012

10 July 2012 Options issued in lieu of drilling services

7 June 2013 Options issued to professional investors

Lapse of options on 30 June 2013

At 30 June 2013

Lapse of options on 25 May 2014

Lapse of options on 30 June 2014

At 30 June 2014

Options	\$
37,411,906	-
1,500,000	-
3,000,000	-
(27,911,906)	-
14,000,000	-
(3,000,000)	-
(2,000,000)	-
9,000,000	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 20 CONTRIBUTED EQUITY (continued)

#### Options (continued)

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 30 June 2014:

- 1,500,000 options exercisable at \$0.25 each and expiring on 11 July 2015.
- 1,000,000 options exercisable at \$0.20 each and expiring on 10 January 2015.
- 5,000,000 options exercisable at \$0.20 each and expiring on 31 December 2014.
- 1,500,000 options exercisable at \$0.20 each and expiring on 7 December 2014.
- 1 Performance Share Class B

#### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### Equity incentives

Information relating to equity incentives including details of equity incentives exercised and lapsed during the financial year and equity incentives outstanding at the end of the financial year, is set out in note 25.

#### Performance shares

During the year ended 30 June 2011, two (2) Performance Shares were issued by the Company which, on reaching certain milestones will each convert to 2,500,000 fully paid ordinary shares as follows. The performance shares were issued as part of the acquisition of Bukon Jedeh Holdings Limited.

The Class A Performance Share converted to 2,500,000 fully paid Ordinary Shares in February 2012 following achievement of the weighted average price of the Company's shares being not less than \$A0.20 over a period of twenty (20) consecutive days the Company Shares were traded.

The Ordinary Shares were allotted to the former Shareholders of Bukon Jedeh Holdings Limited as part of the consideration for the acquisition of all of the issued capital.

The issue of the Class A Performance Shares and subsequent issue of Ordinary Shares was approved by Shareholders at the 9 June 2011 General Meeting.

The Class B Performance Share will convert after the Company reports a JORC resource in respect of the Bukon Jedeh Concession of greater than one (1) million ounces of gold.

#### Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefit other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>21 RESERVES</b>		
Share based payment reserve	1,453,943	1,453,943
Convertible loan reserve	91,458	91,458
Foreign exchange reserve	393,928	391,319
Total reserves	1,939,329	1,936,720

### (a) Share Based Payments Reserve

At 1 July	1,453,943	1,321,615
Acquisition value related to issue of options	-	132,328
At 30 June	1,453,943	1,453,943

The equity incentive reserve records items recognised on valuation of director, employee and contractor equity incentives. Information relating to details of equity incentives issued, exercised and lapsed during the financial year and equity incentives outstanding at the end of the financial year, is set out in note 25.

### (b) Convertible Note Premium Reserve

At 1 July	91,458	-
Amount classified as equity component	-	91,458
At 30 June	91,458	91,458

The convertible note premium reserve is used to record the equity component of the convertible notes.

### (c) Foreign Currency Translation Reserve

At 1 July	391,319	(7,896)
Translation of foreign entities statement of financial position's	2,609	399,215
At 30 June	393,928	391,319

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 22 CASH FLOW RECONCILIATION

### (a) Reconciliation of net loss after tax to net cash flows from operations

Net loss	(1,348,280)	(10,101,095)
<i>Adjustments for:</i>		
Depreciation	-	150,914
Impairment of exploration assets	-	7,980,219
Impairment of property, plant and equipment	-	306,505
Share based payments expense	-	132,328
Foreign exchange gain	-	(3,933)
Interest on convertible notes	39,233	52,225
<i>Changes in assets and liabilities</i>		
Decrease in trade and other receivables	8,880	13,250
Increase/(Decrease) in trade and other payables	1,276,967	(414,162)
Net cash from operating activities	(23,200)	(1,883,749)

### (b) Non-cash investing and financing activities

Equity settled payment for exploration and evaluation assets	-	(959,483)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**23 KEY MANAGEMENT PERSONNEL**

**(a) Details of Key Management Personnel**

*(i) Directors*

Mr Jason Bontempo	Non-Executive Director, Appointed 11 Nov 2015
Mrs Shannon Robinson	Non-Executive Director, Appointed 11 Nov 2015
Mr Michael Naylor	Non-Executive Director, Appointed 15 February 2016
Mr Niles Helmboldt	Non-Executive Director, Appointed 10 Jun 2011, resigned 6 Aug 2015
Mr Daniel Arnold	Non- Executive Director, Appointed 19 Dec 2012, resigned 12 Jul 2013
Mr Charles Waterman	Non-Executive Director, Appointed 19 Dec 2012, resigned 6 Aug 2015
Mr Michael Roberts	Non- Executive Director, Appointed 15 Jul 2013, resigned 10 Nov 2015
Mr Neville Cridge	Non- Executive Director, Appointed 2 May 2013, resigned 1 Oct 2015
Mr Robert Marusco	Non-Executive Director, Appointed 19 Dec 2012, resigned 15 February 2016

**(b) Compensation of Key Management Personnel**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>259,342</b>	391,555
Post-employment benefits	-	16,101
Share based payments	-	-
	<b>259,342</b>	<b>407,656</b>

**(c) Other transactions and balances with Key Management Personnel and their related Parties**

Lyndon Hopkins resigned as CEO of Equator Resources Limited with effect from 15 November 2012.

There were no other changes to transactions with key management personnel during the period.

*Mr R Marusco*

Salary and superannuation totalling \$54,502 (2013: \$27,250) remained payable at year end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### Remuneration for the year ended 30 June 2014

	Short Term		Post-Employment	Termination	Share Based	Total	Fixed	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
<b>Former Non-Executive Directors<sup>1</sup></b>								
R Marusco	54,502	-	-	-	-	54,502	100	-
N Helmboldt	99,017	-	-	-	-	99,017	100	-
C Waterman	49,958	-	-	-	-	49,958	100	-
D Arnold	-	-	-	-	-	-	-	-
M Roberts	55,865	-	-	-	-	55,865	100	-
N Cridge	-	-	-	-	-	-	-	-
<b>Total</b>	<b>259,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,342</b>		

<sup>1</sup> For appointment and resignation dates, refer to page 45.

### Remuneration for the year ended 30 June 2013

	Short Term		Post-Employment	Termination	Share Based	Total	Fixed	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>								
R Marusco	27,250	-	-	-	-	27,250	100	-
<b>Former Non-Executive Directors<sup>1</sup></b>								
N Helmboldt	109,216	-	-	-	-	109,216	100	-
C Waterman	27,418	-	-	-	-	27,418	100	-
D Arnold	-	-	-	-	-	-	-	-
D McBain	15,442	-	-	-	-	15,442	100	-
N Cridge	9,084	-	-	-	-	9,084	100	-
R Grivas	70,333	-	5,250	-	-	75,583	100	-
R Kestel	25,000	-	2,250	-	-	27,250	100	-
<b>Executives</b>								
L Hopkins	107,812	-	8,601	-	-	116,413	100	-
<b>Total</b>	<b>391,555</b>	<b>-</b>	<b>16,101</b>	<b>-</b>	<b>-</b>	<b>407,656</b>		

<sup>1</sup> For appointment and resignation dates, refer to page 45.

### Equity Based Compensation

No equity based compensation was given to Directors or Executives in the 2013 or 2014 Financial Year. There are no equity based compensation incentives that effected remuneration in the current or future reporting periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each director of Equator Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2014	<i>Balance 01 Jul 13</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Held at Date of Appointment</i>	<i>Held at Date of Resignation</i>	<i>Balance 30 Jun 14</i>
<b>Former Directors<sup>1</sup></b>						
R Marusco	60,000	-	-	-	-	60,000
N Helmboldt	1,571,532	-	-	-	-	1,571,532
C Waterman	3,719,856	-	-	-	-	3,719,856
D Arnold	7,769,452	-	-	-	(7,769,452)	-
N Cridge	86,000	-	-	-	-	86,000
	<u>13,206,840</u>				<u>(7,769,452)</u>	<u>5,437,388</u>

For appointment and resignation dates refer to page 45.

The Directors and KMP not mentioned above did not hold shares during the year. No shares were issued as part of remuneration.

#### Option Holdings of Key Management Personnel

The number of options over ordinary shares in the Company held during the financial year by each director of Equator Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2014	<i>Balance 01 Jul 13</i>	<i>Granted as Remuneration</i>	<i>Exercised</i>	<i>Disposed/Lapsed</i>	<i>Held at Date of Appointment</i>	<i>Held at Date of Resignation</i>	<i>Balance 30 Jun 14</i>
<b>Former Directors</b>							
R Marusco	-	-	-	-	-	-	-
N Helmboldt	500,000	-	-	-	-	-	500,000
C Waterman	-	-	-	-	-	-	-
D Arnold	-	-	-	-	-	-	-
N Cridge	-	-	-	-	-	-	-
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>

Other than as detailed above, no key management personnel were issued options or had options outstanding in the financial year ended 30 June 2014.

#### Related Party Transactions

The Company has adopted a policy to contract services of certain Director Related entities to retain access to relevant expertise. The policy provides that Equator will only enter into a transaction with a Director Related entity in the following circumstances:

1. Any proposed transaction is at arm's length and on normal commercial terms; and
2. Where it is believed that the Director Related entity is best equipped to undertake the work after taking into account experience, expertise, knowledge of the Group, and value for money.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 24 RELATED PARTY DISCLOSURES

#### (a) Parent entities

Equator Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

#### (b) Subsidiaries

Interest in subsidiaries are set out in note 6.

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Transactions with Directors and their Director related entities are detailed in the Remuneration Report.

### 25 SHARE BASED PAYMENT PLANS

#### (a) Recognised share based payment expenses

The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to share based payments is disclosed in Note 4 to the Statement of Profit or Loss and Other Comprehensive Income.

#### (b) Summary of options granted

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year and the prior period:

	30 June 2014 No.	30 June 2014 Weighted average exercise price	30 June 2013 No.	30 June 2013 Weighted average exercise price
Outstanding at the beginning of the period	14,000,000	\$0.17	9,500,000	\$0.20
Granted during the period	-	-	4,500,000	\$0.11
Expired during the period	(5,000,000)	\$0.10	-	-
Outstanding at the end of the period	9,000,000	\$0.21	14,000,000	\$0.17
Exercisable at the end of the period	9,000,000	\$0.21	14,000,000	\$0.17

#### (c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 0.47 years (2013: 1.35 years).

#### (d) Option Pricing Model

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black Scholes option pricing model that takes into account the exercise price, term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

The fair value of the equity-settled share options issued during the year ended 30 June 2013 are as follows:

Issue Date	Quantity	Grant Date	Expiry Date	Exercise Price	Fair Value per option	Total Fair Value
10 July 2012	1,500,000	10 July 2012	11 July 2015	\$0.25	8.8 cents	\$132,328

The following table lists the inputs to the model used for the years ended:

	30 June 2014	30 June 2013
Options Issued	-	1,500,000
Volatility	-	100%
Risk-free interest rate	-	4.41%
Historic share price previous to grant date	-	\$0.16
Expected life of option	-	3 years
Exercise price	-	\$0.25
Grant dates	-	10 Jul 12

For the year ended 30 June 2014 Share Based Payments expenses of nil (2013: \$132,328) has been included in the Statement of profit or loss and other comprehensive income.

## 26 COMMITMENTS AND CONTINGENCIES

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments.

There are no minimum commitments currently being undertaken by the Company for the Liberian tenements.

## 27 EVENTS AFTER THE REPORTING DATE

- On 24 June 2015, the Equator's shareholders approved the disposal of the Company's wholly owned subsidiaries Bukon Jedeh Holdings Ltd, Bukon Jedeh Resources Inc. These subsidiaries held Equators Liberian exploration assets.
- On 11 November 2015 the following changes to the Board and a recapitalisation proposal included:
  - Raising up to \$250,000 via Convertible Loans from sophisticated and professional investors;
  - The conversion of approximately \$800,000 of existing creditors to shares in the Company;
  - Raising a further \$1.75m at \$0.01 pursuant to a rights issues and placement to sophisticated investors under a prospectus subject to shareholder approval; and
  - Jason Bontempo and Shannon Robinson joined the Board.
- On the 3 December 2015 the Company announced the completion of the Convertible Loan debt raise of \$250,000.
- The Company's interest in the Acacia-Frazer project (which was under an option agreement) were transferred back to Equator in 2014 and remain as assets of the Company.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 28 AUDITOR'S REMUNERATION

	2014 \$	2013 \$
Amounts received or due and receivable for:		
An audit and review of the financial report of the Group by BDO Audit (WA) Pty Ltd	12,000	20,000
Total Remuneration of Auditors	12,000	20,000

#### 29 PARENT ENTITY DISCLOSURES

The following details information related to the entity, Equator Resources Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented

	2014 \$	2013 \$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	34,609	65,969
Non-current assets	-	-
Total Assets	34,609	65,969
<b>Liabilities</b>		
Current liabilities	1,640,097	1,282,428
Non-current liabilities	-	-
Total Liabilities	1,640,097	1,282,428
<b>Equity</b>		
Issued capital	13,231,831	13,231,831
Accumulated Losses	(16,776,648)	(15,993,691)
Reserve	1,939,329	1,545,401
Total equity/(deficiency in equity)	(1,605,488)	(1,216,459)
<b>Financial Performance</b>		
Loss for the year	(782,957)	(9,626,214)
Other comprehensive loss		
Total comprehensive loss	(782,957)	(1,099,985)

There are no guarantees or contingent liabilities in the Parent Entity.

## **DIRECTORS' DECLARATION**

In the Director's opinion:

1. As detailed in note 2, although the Directors have prepared the attached financial statements and notes thereto to the best of their knowledge based on the information available to them, they are of the opinion that it is not possible to state that the financial statements and notes thereto are in accordance with the Corporations Regulations 2001, including:
  - 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
  - complying with Accounting Standards (including Australian Accounting Interpretation) and Corporation Regulation 2001;
2. Subject to the matters set out in note 2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporation Act 2011 for the financial year ended 30 June 2014.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Jason Bontempo**  
**Non-Executive Director**

Perth, Western Australia  
3<sup>rd</sup> day of March 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Equator Resources Limited

### Report on the Financial Report

We were engaged to audit the accompanying financial report of Equator Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Independence

In conducting our audit, 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 report.

#### Basis for Disclaimer of Opinion

##### *Investment in Subsidiary*

During the year ended 30 June 2014 and comparative year ended 30 June 2013, Equator Resources Limited held a 100% interest in Bukon Jedeh Holdings Limited and its subsidiary Bukon Jedeh Resources Inc (BJH Group).



The BJH Group represents over 3% of the entity's net liabilities as at 30 June 2014 and 6% at 30 June 2013. We were not able to access management and the books and financial records of BJH Group. As a result, we were unable to determine whether any adjustments were necessary in respect of BJH Group's assets, liabilities and income and expenses for the year, and the elements making up the statement of changes in equity and the statement of cash flows.

#### *Liabilities*

The Directors of the company do not have access to written financial records that correctly record and explain the liabilities reflected in the consolidated statement of financial position as the directors were not appointed to office during the financial years ended 30 June 2014 and 30 June 2013.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the liabilities.

#### *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial report.

### **Report on the Remuneration Report**

We were engaged to audit the Remuneration Report included in 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.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### *Basis for Disclaimer of Opinion*

The Directors of the company do not have access to written financial records that correctly record and explain the transactions included in the Remuneration Report for the year ended 30 June 2014 and 30 June 2013 as the directors were not appointed to office during the financial year ended 30 June 2014.



#### Disclaimer of Opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, light blue BDO logo watermark.

Dean Just

Director

Perth, 3 March 2016

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 26 February 2016.

### DISTRIBUTION OF EQUITY HOLDINGS

	Class of Equity Security	
	Number of Holders	Fully Paid Ordinary Shares
1 – 1,000	15	657
1,001 – 5,000	26	102,620
5,001 – 10,000	77	705,232
10,001 – 100,000	248	9,844,856
100,001 and over	102	96,173,464
	468	106,826,829

There were 243 Shareholders holding less than a marketable parcel based on the last traded price of EQU of \$0.015.

### TWENTY LARGEST SHAREHOLDERS

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Ore Search Drilling Ltd	12,000,000	11.23
Treecity Pty Ltd <Stanley Superfund A/C>	8,150,000	7.63
Mr Terry Graham Stanley	8,000,000	7.49
Silverwood Ventures Ltd	7,576,270	7.09
Mr Ross Stanley	6,000,000	5.62
Australian Heritage Group Pty Ltd <Australian Heritage A/C>	5,708,698	5.34
Macquarie Bank Ltd <Metals & Energy Cap Div A/C>	2,254,238	2.11
Mutual Investments Pty Ltd <The Mitchell Family A/C>	1,800,000	1.68
Rollason Pty Ltd <Giorgetta Super Plan A/C>	1,800,000	1.68
Mr Lyndon George Hopkins	1,400,000	1.31
Mr Peter James Johnson & Mrs Sandra Ruth Johnson <Sanpet Super A/C>	1,347,424	1.26
Simore Pty Ltd <Simore Superfund A/C>	1,300,000	1.22
Mr Lyndon George Hopkins	1,209,000	1.13
Tireni Pty Ltd	1,200,000	1.12
Custodial Services Ltd <Beneficiaries Holding A/C>	1,025,000	0.96
Jodi Scott Pty Ltd <Lin Phillips Family A/C>	1,000,000	0.94
CR Investments Pty Ltd	1,000,000	0.94
Mrs Julie Anne Cridge <The Cridge Family A/C>	1,000,000	0.94
Dominic Harold Byrne	1,000,000	0.94
MBM Investments Pty Ltd <Brett McKeon Family A/C>	963,130	0.90
<b>Total</b>	<b>65,733,760</b>	<b>61.53</b>

## ASX ADDITIONAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Group in accordance with section 671B of the Corporations Act 2001 are:

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Ore Search Drilling Ltd	12,000,000	11.23
Treecity Pty Ltd <Stanley Superfund A/C>	8,150,000	7.63
Mr Terry Graham Stanley	8,000,000	7.49
Silverwood Ventures Ltd	7,576,270	7.09
Mr Ross Stanley	6,000,000	5.62
Australian Heritage Group Pty Ltd <Australian Heritage A/C>	5,708,698	5.34

### VOTING RIGHTS

All shares carry one vote per share without restriction.



**Mineral Tenements Held at 26 February 2016:**

Northern Territory (Acacia 100%)		
Tenement	Status	Tenement Area (km <sup>2</sup> )
EL 25027	Granted	4
EL 26777	Granted	4
EL27282	Granted	31
EL27349	Granted	6
EL27747	Granted	62