

EQUATOR

RESOURCES LIMITED

ACN 127 411 796

Half-Year Financial Report

For the half-year ended

31 December 2015

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Corporate Directory

ASX Code : EQU

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

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
Email: info@equatorresources.com.au

BANKERS

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

SHARE REGISTER

Advance Share Registry Pty Ltd
110 Stirling Highway
Nedlands WA 6009

AUDITORS

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

INTERNET ADDRESS

www.equatorresources.com.au

ACN 127 411 796

Directors' Report

The directors submit their report for Equator Resources Limited ("Equator Resources" or "the Company") and its controlled entities for the half-year ended 31 December 2015.

DIRECTORS

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

Jason Bontempo	Non-Executive Director (Appointed 11 November 2015)
Shannon Robinson	Non-Executive Director (Appointed 11 November 2015)
Michael Naylor	Non-Executive Director (Appointed 15 February 2016)
Michael Roberts	Non-Executive Director (Appointed 15 July 2013, resigned 10 November 2015)
Neville Cridge	Non-Executive Director (Appointed 2 May 2013, resigned 5 October 2015)
Niles Helmboldt	Non-Executive Director (Appointed 10 June 2011, resigned 11 August 2015)
Charles Waterman	Non-Executive Director (Appointed 19 December 2012, resigned 11 August 2015)
Robert Marusco	Non-Executive Director (Appointed 19 December 2012, resigned 12 February 2016)

COMPANY SECRETARY

Michael Naylor	(Appointed 15 February 2016)
Robert Marusco	(Appointed 11 November 2015, resigned 12 February 2016)
Eryn Kestel	(Resigned 11 November 2015)

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the entities within the Group during the half-year were focusing on reviewing and exploration of tenements in the Northern Territory.

The consolidated entity recorded an operating profit after income tax of \$561,182 for the half year ended 31 December 2015 (2014: \$84,922 Loss). There was no dividend declared or paid during the half year.

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

REVIEW OF OPERATIONS

LIBERIAN OPERATIONS

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.

AUSTRALIAN OPERATIONS

The Company holds the Acacia-Frazer project. Limited exploration was conducted during the half year. The Company intends on commencing an exploration program on these tenements in 2016.

CORPORATE

On 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.

The Company has been focussed on recapitalising the Company and obtain funding to evaluate its existing assets in the Northern Territory, for administrative and working capital purposes in order to reinstating quotation of the Company's securities on Australian Securities Exchange.

Equator has appointed 708 Capital Pty Ltd as its corporate advisor to assist the Company in the restructure process and raise new capital.

Directors' Report

The material terms on the restructure and recapitalisation proposal are as follows:

- Raising up to \$250,000 via Convertible Loans from sophisticated and professional investors (completed in December 2015). The convertible loans convert at the same price as the anticipated capital raising and is subject to shareholder approval;
- The conversion of the majority of the existing creditors to shares in the Company; and
- Raising a further \$1.75m at \$0.01 pursuant to a placement to sophisticated investors under a prospectus subject to shareholder approval.

In conjunction with this, the Board was restructured as follows:

- On 11 August 2015, both Mr Niles Helmboldt and Mr Charles Waterman resigned the Board as non-executive directors.
- On 5 October 2015, Mr Neville Cridge resigned as non-executive director.
- On 11 November 2015, Mr Michael Roberts resigned as non-executive director and both Jason Bontempo and Shannon Robinson joined the Board as non-executive directors.

SUBSEQUENT EVENTS

On 15 February 2016, Michael Naylor was appointed Director and Company Secretary.

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

AUDITOR INDEPENDENCE

Section 370C of the Corporation Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the consolidated financial report. This Independence Declaration is disclosed on page 6 of this report and forms part of this directors' report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the directors



Jason Bontempo
Non-Executive Director

1 April 2016

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

As lead auditor for the review of Equator Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 1 April 2016

Consolidated Statement of Profit or Loss and Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated	
		2015	2014
	Notes	\$	\$
Interest	2	239	101
Gain on creditor settlement	11	774,798	-
Directors' and Employee benefit expenses			
- Wages and salaries		-	(18,167)
Consultants expenses		(32,500)	(8,513)
Compliance costs		(142,881)	(51,352)
Insurance costs		(1,633)	-
Exploration expenses		(11,286)	-
Other expenses		(25,555)	(6,991)
Profit/(Loss) before income tax expense		561,182	(84,922)
Income tax benefit/(expense)		-	-
Net profit/(loss) for the period		561,182	(84,922)
Other comprehensive loss			
Items that will be transferred to profit or loss:			
Exchange differences on translation of foreign operations		-	(12,423)
Other comprehensive profit/(loss) for the half year net of tax		-	(12,423)
Total comprehensive profit/(loss) attributable to members of Equator Resources Ltd		561,182	(97,345)
Profit/(Loss) per share for the half year attributable to members of Equator Resources Ltd			
Basic profit/(loss) per share (cents)	4	0.53	(0.06)
Diluted profit/(loss) per share (cents)	4	0.38	(0.06)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

		Consolidated	
		31 December 2015	30 June 2015
	Notes	\$	\$
Assets			
Current Assets			
Cash and cash equivalents		172,838	18,266
Trade and other receivables		24,024	22,084
Prepayments		6,327	-
Total Current Assets		203,189	40,350
Total Assets		203,189	40,350
Liabilities			
Current Liabilities			
Trade and other payables		264,190	674,533
Loans and borrowings	7	372,000	360,000
Total Current Liabilities		636,190	1,034,533
Total Liabilities		636,190	1,034,533
Net Liabilities		(433,001)	(994,183)
Equity			
Issued capital	5	13,577,338	13,577,338
Reserves		-	1,453,943
Accumulated losses		(14,010,339)	(16,025,464)
Deficiency in Equity		(433,001)	(994,183)

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	2015	2014
	\$	\$
Cash Flows from Operating Activities		
Interest received	238	101
Payments to suppliers and employees	(116,380)	(11,996)
Net cash used in operating activities	(116,142)	(11,895)
Cash Flows from Investing Activities		
Payments for exploration activities	(11,286)	-
Net cash used in investing activities	(11,286)	-
Cash Flows from Financing Activities		
Proceeds from convertible notes	282,000	-
Net cash used in financing activities	282,000	-
Decrease in cash and cash equivalents	154,572	(11,895)
Cash and cash equivalents at beginning of half-year	18,266	47,215
Effect of exchange rate fluctuations on cash held	-	-
Cash and Cash Equivalents at end of half-year	172,838	35,320

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Convertible Loans	(Accumulated losses)	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	13,231,831	1,453,943	393,928	91,458	(17,808,956)	(2,637,796)
Comprehensive loss						
Loss for the period	-	-	-	-	(84,922)	(84,922)
Exchange differences arising on translation of foreign operations	-	-	(12,423)	-	-	(12,423)
Total comprehensive loss	-	-	(12,423)	-	(84,922)	(97,345)
Transactions with equity holders in their capacity as equity holders						
Issue of share capital	-	-	-	-	-	-
Equity component of convertible loans	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
Balance at 31 December 2014	13,231,831	1,453,943	381,505	91,458	(17,893,878)	(2,735,141)
Balance at 1 July 2015	13,577,338	1,453,943	-	-	(16,025,464)	(994,183)
Comprehensive loss						
Profit for the period	-	-	-	-	561,182	561,182
Total comprehensive loss	-	-	-	-	561,182	561,182
Transactions with equity holders in their capacity as equity holders	-	(1,453,943)	-	-	1,453,943	-
Balance at 31 December 2015	13,577,338	-	-	-	(14,010,339)	(433,001)

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

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

a) Basis of Preparation

This general purpose financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

The half-year financial report should be read in conjunction with the most recent annual financial report for the period ended 30 June 2015.

It is also recommended that the half-year financial report be considered together with any public announcements made by Equator Resources and its controlled entities during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

For comparative purposes, the Half Year Report for the six months ended 31 December 2014 and the financial statements for the year ended 30 June 2015 were prepared without the benefit of complete information being available to the Equator Resources Limited and its subsidiaries. Therefore for the comparative numbers for the six months ended 31 December 2014 and the year ended 30 June 2015, 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 these comparative numbers.

Consequently, although the Directors have prepared the comparative numbers for the six months ended 31 December 2014 and the year ended 30 June 2015 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 these comparative numbers have 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 the comparative numbers gives a true and fair view of the Group's financial position as at 31 December 2014 and 30 June 2015.

The half-year financial report was authorised for issue by the directors on 1 April 2016.

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

(b) Significant accounting judgements and key estimates

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

Except as described below, in preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

Going concern basis

The interim 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 material uncertainty that may cast significant doubt as to 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 interim financial report.

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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.

(c) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

	Consolidated	
	2015	2014
	\$	\$
2. REVENUE		
Interest revenue	239	101

3. SEGMENT INFORMATION

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

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.

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
4. PROFIT/LOSS PER SHARE		
Profit/Loss used in the calculation of basic and diluted earnings per share	561,182	(84,922)
Weighted average number of ordinary shares for the purposes of basic earnings per share.	106,826,819	130,098,286
Weighted average notional shares outstanding during the period used in the calculation of diluted EPS.	42,750,350	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share.	149,577,169	-

Other than listed above there have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
5. ISSUED CAPITAL		
b) Issue and Paid Up		
Issued and fully paid	13,577,338	13,577,338
Total	13,577,338	13,577,338

	31 December 2015		31 December 2014	
	Number of Shares	Amount Paid \$	Number of Shares	Amount Paid \$
b) Movement in shares on issue				
At 1 July	106,826,829	13,577,338	130,098,286	13,231,831
At 31 December	106,826,829	13,577,338	130,098,286	13,231,831

	31 December 2015	
	Number of Options	
c) Movement in share options on issue		
At 1 July		1,500,000
Lapsed during the period		(1,500,000)
At 31 December		-

6. COMMITMENTS & CONTINGENCIES

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

7. LOANS AND BORROWINGS

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Carrying amount of liability at beginning of period	360,000	740,483
Issue of convertible note ²	282,000	60,000
Write down of convertible note per settlement deed	(270,000)	-
Settlement of convertible note ¹	-	(440,483)
Carrying amount of liability at end of period	372,000	360,000

¹ 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.

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 were cancelled and no longer payable following shareholder approval on the 24 June 2015.

The balance of Convertible Notes are also to be restructured as announced on 11 November 2015. Upon completion of this restructure and the effect of the disposal of the Company's subsidiary Bukon Jedeh Holdings Pty Ltd, the total of Convertible Loans will reduce to \$60,000 excluding any new Convertible Loans of up to \$250,000 noted in that same announcement.

² These convertible notes will be convertible into fully paid ordinary shares in the Company at a price of \$0.01 (or the same price as pending in the next capital raising) and are repayable by the end of 30 June 2016.

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8. RELATED PARTY TRANSACTIONS

The Company has agreed that Mr Jason Bontempo will be paid Director's fees of \$60,000 per annum commencing on successful restatement to trading on ASX. In addition Mr Bontempo will be paid \$25,000 as a corporate advisory fee for services provided from the period of appointment (and prior) to the restatement to trading on ASX (also only paid on successful restatement of trading on ASX).

The Company has agreed that Ms Shannon Robinson will be paid Director's fees of \$30,000 per annum commencing on successful restatement to trading on ASX. In addition Ms Robinson will be paid \$25,000 as a corporate advisory fee for services provided from the period of appointment (and prior) to the restatement to trading on ASX (also only paid on successful restatement of trading on ASX).

There were no other related party transactions that occurred during the reporting period.

9. EVENTS AFTER THE REPORTING DATE

On 15 February 2016, Michael Naylor was appointed Director and Company Secretary.

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

10. DIVIDENDS

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

11. GAIN ON CREDITOR SETTLEMENT

	Consolidated	
	2015	2014
	\$	\$
Gain on creditor settlement	774,798	-

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

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – a valuation technique is used which takes into account inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), and
- Level 3 – a valuation technique is used which takes into account inputs that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Half-year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Valuation techniques used to derive level 3 fair values

The amount due in respect of convertible debentures per note 7 is classified as a liability. The fair value of convertible notes not traded in an active market is determined using an internally prepared valuation utilising a combination of inputs such as the current share price and unobservable inputs to calculate the present value of estimated future cash flows. The Group has determined that there is a relationship between the unobservable inputs (discount rate) and the fair value but do not consider it to be material unless there is a change in the terms and conditions of the convertible note. The liability is classified as level 3 in the fair value hierarchy due to the use of unobservable inputs.

Transfers

During the half-year period to 31 December 2015, there were no transfers of financial instruments between level 1 and 2 of the fair value hierarchy. There were also no transfers into or out of level 3 during the period.

Fair value of financial instruments not measured at fair value.

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

Directors' Declaration

In the Director's opinion:

- (a) The consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view, noting the matters documented in Note 1(a), of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date, and
- (b) Subject to the matters set out in Note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Jason Bontempo
Director

1 April 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Equator Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Equator Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Equator Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Basis for Qualified Conclusion

Comparatives

Attention is drawn to the comparative figures in the consolidated statement of financial position at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the half-year ending 31 December 2014. At 31 December 2014, Equator Resources Limited held a 100% interest in Bukon Jedeh Holdings Ltd and its subsidiary Bukon Jedeh Resources Inc (BJH Group) which were disposed of on 24 June 2015. However, we were not able to access management and the financial records of the BJH Group and, as a result, this caused us to disclaim our audit opinion/review conclusion on the financial reports for the year ended 30 June 2015 and half-year ended 31 December 2014 respectively. Our conclusion on the current period's half year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Current half-year ending 31 December 2015

Attention is also drawn to the discount of settlement of creditors of \$774,798 (note 11) recognised in the statement of profit or loss and other comprehensive income for the half-year ending 31 December 2015. As a result of the matters outlined in the comparatives paragraph above, we have not been able to obtain sufficient appropriate evidence to satisfy ourselves as to the completeness of this amount. Our review conclusion has been modified accordingly.

Qualified Conclusion

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

- (a) giving a true and fair view of Equator Resources Limited's financial position at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Emphasis of matter

Without further modifying our conclusion, we draw attention to Note 1(b) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This condition, along with other matters as set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

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

Dean Just
Director

Perth, 1 April 2016