EQUATOR RESOURCES LIMITED

2016 ANNUAL REPORT

CORPORATE DIRECTORY

Equator Resources Limited
ACN 127 411 796

Directors

Jason Bontempo	(Executive Director)	
Michael Naylor	(Non-Executive Director)	
Alexander Passmore	(Non-Executive Director)	(Appointed 20 September 2016)
Nicholas Rowley	(Non-Executive Director)	(Appointed 20 September 2016)
Shannon Robinson	(Non-Executive Director)	(Resigned 20 September 2016)

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
Advanced 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

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 2016 ("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
Executive Director, Appointed 11 November 2015

Jason Bontempo has 21 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 (ASX/AIM: RMP), Orca Energy Ltd (ASX: OGY) and Red Mountain Mining Limited (ASX:RMX) (appointed July 2016) and in the past three years was a director of Glory Resources Limited (resigned August 2015) and Matrix Metals Limited (resigned February 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.

Mr Naylor is currently a director of Tawana Resources NL (ASX: TAW) (Appointed 1 January 2015) and in the past three years was a Director of Coventry Resources Inc. (Resigned 28 April 2013).

Nicholas Rowley
Non-Executive Director, Appointed 20 September 2016.

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

Mr Rowley is currently a director of Minera Gold Limited (Appointed 9 August 2016) and has held no other listed directorships in the past three years.

Alex Passmore
Non-Executive Director, Appointed 20 September 2016.

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

Mr Passmore has held no listed directorships in the past three years.

Shannon Robinson
Non-Executive Director, Appointed 11 November 2015, Resigned 20 September 2016

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.

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

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

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

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

Neville Cridge
Non-Executive Director, Appointed 2 May 2013, Resigned 1 October 2015.

Company Secretary

Michael Naylor
Appointed 15 February 2016. See profile and experience for Mr Naylor above.

Robert Marusco
Appointed 19 December 2012, Resigned 15 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:

Name	Position	Ordinary Shares	Options
Jason Bontempo	Executive Director	5,000,000	8,500,000
Shannon Robinson	Non-Executive Director	0	4,000,000
Michael Naylor	Non-Executive Director	0	1,500,000
Mr Nicholas Rowley	Non-Executive Director	2,500,000	0
Mr Alex Passmore	Non-Executive Director	0	0
Total		**7,500,000**	**14,000,000**

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. The Group has prepared a consolidated financial report incorporating the entities that it controlled during the year and 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 tenements in Australia;
- Reviewing other potential mineral exploration projects;
- Investing cash assets in interest bearing bank accounts; and
- The general administration of the Group.

PROFIT/(LOSS) PER SHARE	2016	2015
Basic profit/(loss) per share (cents)	(3.79)	1.30
Diluted profit/(loss) per share (cents)	(3.79)	1.30

DIVIDENDS

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

EXPLORATION REVIEW

Activities – Northern Territory

Acacia – Frazer
The Acacia Frazer project located in the Northern Territory, approximately 50kms south of Darwin. The project area is situated within the northern part of the Pine Creek Orogen, which is host to several occurrences of gold, uranium and base metal mineralisation. The Company believes the Acacia Frazer Project area has potential to host an economically viable mineralisation with substantial benefit to both exploration and potential development with excellent infrastructure, proximity and availability of skilled labour within a favourable mining jurisdiction.

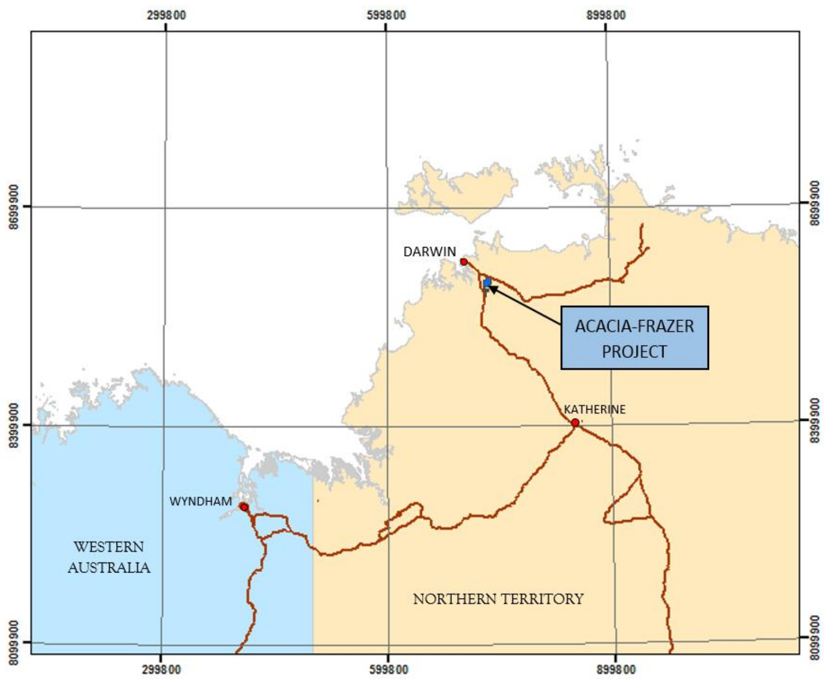

Figure 1- Location Map

The Company has commenced the evaluation of the Acacia Frazer Project including renewing exploration licences and engaging technical staff to re-evaluate and assess exploration potential.

The new management team has undertaken a number of desk top studies including interpretation of regolith and geomorphological mapping with satellite imagery and SRTM products. This work will be integrated with historical surface geochemistry and any newly acquired rock chip data as available in ongoing studies and proposed reconnaissance field activities.

In July and August 2016 the company intends to initiate reconnaissance mapping and surface sampling programs. Several areas of interest within the project area have been highlighted in ongoing desktop studies. The planned reconnaissance activities will assist in prioritising proposed follow-up work based on prospectivity defined from desktop study results and other historical data.

No field based exploration since November 2015 has been conducted on the project.

Activities – Other

The Company is also assessing a number of other projects in the mineral exploration space.

CORPORATE REVIEW

Recapitalisation Transactions

The Company held its 2013, 2014 and 2015 Annual General Meetings in April 2016. The Company received shareholder approval for the resolutions required for completion of the recapitalisation Transactions (as defined in the 2015 Notice of Annual General Meeting lodged with ASX 4 March 2016) at its 2015 Annual General Meeting. The Company completed a consolidation of its issued capital on a 50 for 1 basis following shareholder approval at the 2015 Annual General Meeting.

Converting Loans

In May 2016, the converting loan holders converted their loans into fully paid shares in the Company leaving the Company debt free.

Placement

In June 2016, the Company raised $2,050,000 (before costs) at an issue price of $0.01 per share via a prospectus dated 16 May 2016. The proceeds are intended to be allocated to exploration at the Acacia-Fraser project in the Northern Territory, business development opportunities, corporate administration and general working capital.

Reinstatement to ASX

Following the recapitalisation of the Company, the Company was successfully reinstated to the Australian Securities Exchange (ASX) on 21 June 2016.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss for the Group after income tax was $887,793 (2015: profit of $1,298,106). The Group has continued to focus on development of its mining tenements during the year. The majority of the profit was generated from gains on creditor settlement.

Operating costs incurred during the year mainly comprised of costs associated with share based payments, general administration of the Group and compliance expenses incurred during the year.

Review of Financial Condition

During the financial year, the Group utilised funds for administration and exploration at Acacia Frazer project.

Review of Financial Position

The Group has cash reserves of $1,863,444 (2015: $18,266) and net assets of $1,805,825 (2015: net liability of ($994,183)).

In May 2016, the converting loan holders converted their loans into fully paid shares in the Company leaving the Company debt free.

In June 2016, the Company raised $2,050,000 (before costs) at an issue price of $0.01 per share via a prospectus dated 16 May 2016. The proceeds are intended to be allocated to exploration at the Acacia-Fraser project in the Northern Territory, business development opportunities, corporate administration and general working capital.

The Group's auditor, BDO Audit (WA) Pty Ltd, has included a qualification in the audit report relating to the incomplete records in the prior period.

Incomplete Records for the Year Ended 30 June 2015
The comparative information the year ended 30 June 2015 was 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.

The comparative 30 June 2015 disclosures 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 30 June 2015 disclosures 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 2015 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 administration costs;
- Payments to Directors, consultants and suppliers; and
- Proceeds from loans

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 Options
As at the date of this report, there were 76,000,000 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

No shares were issued as a result of the exercise of options during the year or until the date of this report (30 June 2015: Nil).

Summary of Shares at Reporting Date
The Group has the following shares on issue at the date of this report.

Security Description	Number of Securities
Fully paid shares	249,978,380

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs occurred during the year:

- The Company held its 2013, 2014 and 2015 Annual General Meetings in April 2016. The Company received shareholder approval for the resolutions required for completion of the recapitalisation Transactions (as defined in the 2015 Notice of Annual General Meeting lodged with ASX 4 March 2016) at its 2015 Annual General Meeting. The Company completed a consolidation of its issued capital on a 50 for 1 basis following shareholder approval at the 2015 Annual General Meeting.
- In May 2016, the converting loan holders converted their loans into fully paid shares in the Company leaving the Company debt free.
- In June 2016, the Company raised $2,050,000 (before costs) at an issue price of $0.01 per share via a prospectus dated 16 May 2016. The proceeds are intended to be allocated to exploration at the Acacia-Fraser project in the Northern Territory, business development opportunities, corporate administration and general working capital.
- Following the recapitalisation of the Company, the Company was successfully reinstated to the Australian Securities Exchange (ASX) on 21 June 2016.

There were no other significant changes in the state of the state of affairs of the Company for the year ended 30 June 2016.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstance has arisen since 30 June 2016 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

The likely developments in the operations of the Group and the expected results of operations will be:

- holding its Northern Territory assets in good standing as set out in the Exploration Review; and
- identifying and pursuing new investment opportunities.

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 2016.

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

Jason Bontempo	Executive Director – appointed 11 November 2015.
Shannon Robertson	Non-Executive Director – appointed 11 November 2015 – resigned 20 September 2016.
Michael Naylor	Non-Executive Director – appointed 15 February 2016.
Robert Marusco	Non-Executive Director – appointed 19 December 2012 – resigned 15 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.
Neville Cridge	Non-Executive Director – appointed 2 May 2013 – resigned 1 October 2015.
Michael Roberts	Non-Executive Director – appointed 15 July 2013 – resigned 10 November 2015

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 2016.

Use of remuneration consultants

No remuneration consultants were used by the Group during the 2016 year.

Voting at the Group's 2015 Annual General Meeting

Equator received more than 94% of "yes" votes on its Remuneration Report for the financial year ending 30 June 2015. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

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 2016 no cash bonus was paid to Directors (2015: Nil).

The remuneration of Non-Executive Directors for the year ending 30 June 2016 is detailed in the table on page 13 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 2016 and 2015.

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.

	2012	**2013**	**2014**	**2015**	**2016**
	$	**$**	**$**	**$**	**$**
Revenue	162,262	9,360	556	107	777,650
Net Profit/(Loss)	(3,306,978)	(10,101,095)	(1,348,280)	1,692,034	(887,793)
Profit/(Loss) per share (cents)	(2.89)	(7.95)	(1.04)	1.30	(3.79)

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.

Directors

Name	Base Salary / Fee	Term of Agreement	Notice Period by Company	Notice Period from Executive
J Bontempo*	60,000	N/A	N/A	N/A
S Robinson*	30,000	N/A	N/A	N/A
Blue Leaf Corporate Pty Ltd**	60,000	Not specified	3 months	3 months

* A cash fee of $25,000 was payable on recommencement of trading of the Company on Australian Securities Exchange.
** Mr Naylor is a Director of Blue Leaf Corporate Pty Ltd. Included in this fee is directorship, company secretarial and financial accounting support.

There are no other 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 2016

	Short Term		Post-Employment	Termination Benefits	Share Based Payments	Total	Fixed Remuneration	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation					
	$	$	$	$	$	$	%	%
Executive Directors								
J Bontempo	25,000	-	-	-	164,613	189,613	13	87
Non-Executive Directors								
S Robinson	25,000	-	2,375	-	77,465	104,840	26	74
M Naylor	34,500	-	-	-	29,049	63,549	54	46
R Marusco	56,000	-	-	-	-	56,000	100	0
Total	**140,500**	**-**	**2,375**	**-**	**271,127**	**414,002**		

For the financial year 2016, no remuneration was paid to any other directors other than what is listed above.

Remuneration for the year ended 30 June 2015

	Short Term		Post-Employment	Termination Benefits	Share Based Payments	Total	Fixed Remuneration	At risk – LTI
	Salary & Fees	Non-Monetary Benefits	Superannuation					
	$	$	$	$	$	$	%	%
Former Non-Executive Directors[1]								
R Marusco	31,789	-	-	-	-	31,789	100	-
N Helmboldt	-	-	-	-	-	-	-	-
C Waterman	-	-	-	-	-	-	-	-
M Roberts	-	-	-	-	-	-	-	-
N Cridge	32,291	-	-	-	-	32,291	100	-
Total	**64,080**	**-**	**-**	**-**	**-**	**64,080**		

[1.] *For appointment and resignation dates, refer to pages 4 and 5 of the Directors' Report.*

For the financial year 2015, no remuneration was paid to any other directors other than what is listed above.

Equity Based Compensation
For the year ended 30 June 2016, the following options were issued to KMP:

Executive Directors	*Number of options over ordinary shares*
Mr J Bontempo	8,500,000
Non-Executive Directors	
Ms S Robinson	4,000,000
Mr M Naylor	1,500,000

All options issued to directors and KMP are issued for nil consideration.

All options issued carry no dividend or voting rights. When exercised, each option is converted into one ordinary share pari passu with existing ordinary shares.

No equity based compensation was given to Directors or Executives in the 2015 Financial Years. There are no equity based compensation incentives that effected remuneration in the current or future reporting periods.

Value of Options Awarded, Exercised and Lapsed During the Year

Name	*Financial Year*	*Value of Options Granted During the Year $*	*Grant Date*	*Fair Value Per Option*	*Exercise Price*	*Expiry Date*	*Value of Options Exercised during the year $**	*Value of Options Lapsed or Cancelled During the Year**	*Number of Options Lapsed or Cancelled During the Year**
Executive Directors									
Mr J Bontempo	2016	164,613	27 April 2016	$0.019	$0.02	5 April 2020	-	-	-
Non-Executive Directors									
Ms S Robinson	2016	77,465	27 April 2016	$0.019	$0.02	5 April 2020	-	-	-
Mr M Naylor	2016	29,049	27 April 2016	$0.019	$0.02	5 April 2020	-	-	-

* Value at grant date.

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 2016	*Balance 01 Jul 15*	*Granted as Remuneration*	*Purchases*	*Held at Date of Appointment*	*Held at Date of Resignation*	*Balance 30 Jun 16*
Executive Directors						
J Bontempo	-	-	5,000,000	-	-	5,000,000
Non-Executive Directors						
S Robinson	-	-	-	-	-	-
M Naylor	-	-	-	-	-	-
R Marusco	60,000	350,000	-	-	410,000	-
N Helmboldt	1,571,532	-	-	-	1,571,532	-
C Waterman	3,719,856	-	-	-	3,719,856	-
N Cridge	86,000	-	-	-	86,000	-
	5,437,388	350,000	5,000,000	-	5,787,388	5,000,000

For appointment and resignation dates refer to pages 4 and 5 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 2016	*Balance 01 Jul 15*	*Granted as Remuneration*	*Exercised*	*Disposed/Lapsed*	*Held at Date of Appointment*	*Held at Date of Resignation*	*Balance 30 Jun 16*
Executive Directors							
J Bontempo	-	8,500,000	-	-	-	-	8,500,000
Non-Executive Directors							
S Robinson	-	4,000,000	-	-	-	-	4,000,000
M Naylor	-	1,500,000	-	-	-	-	1,500,000
	-	14,000,000	-	-	-	-	14,000,000

Other than as detailed above, no key management personnel were issued options or had options outstanding in the financial year ended 30 June 2016.

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.

There are no loans or other transactions with KMP.

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**
Executive Directors		
Mr J Bontempo	3	3
Non-Executive Directors		
Ms S Robinson	3	3
Mr M Naylor	2	2
Former Directors		
R Marusco	1	1
N Helmboldt	-	-
C Waterman	-	-
D Arnold	-	-
N Cridge	-	-

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

Equator has reviewed its corporate governance practices and policies to ensure they are appropriate for the Company's current stage of development. This year, the review was made against the new ASX Corporate Governance Council's Principles and Recommendations (third edition) which became effective for financial years beginning on or after 1 July 2014.

The Company's Corporate Governance Statement for the year ended 30 June 2016 was approved by the Board on 30 September 2016 and is available on the Company's website at www.equatorresources.com.au. The directors of Equator Resources Limited believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

The Company has a corporate governance section on the website at www.equatorresources.com.au. The section includes details on the company's governance arrangements and copies of relevant policies and charters.

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 2015 or 2016.

AUDITOR'S INDEPENDENCE

The Directors received the declaration included on page 18 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
30th day of September 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Equator Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2016

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	***2016*** ***$***	***2015*** ***$***
ASSETS			
Current Assets			
Cash and cash equivalents	12	**1,863,444**	18,266
Other receivables and prepayments	13	**28,294**	22,084
Total Current Assets		**1,891,738**	40,350
Non-current Assets			
Plant and equipment	14	**-**	-
Total Non-current Assets		**-**	-
TOTAL ASSETS		**1,891,738**	40,350
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**85,913**	674,533
Borrowings – Convertible Notes	16	**-**	360,000
Advance Share Proceeds	17	**-**	-
Total Current Liabilities		**85,913**	1,034,533
TOTAL LIABILITIES		**85,913**	1,034,533
NET ASSETS		**1,805,825**	(994,183)
EQUITY			
Equity attributable to equity holders			
Contributed equity	18	**15,903,139**	13,577,338
Reserves	19	**1,362,000**	1,453,943
Accumulated losses		**(15,459,314)**	(16,025,464)
TOTAL EQUITY/(DEFICIENCY IN EQUITY)		**1,805,825**	(994,183)

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 2016

	Notes	***2016*** ***$***	***2015*** ***$***
Revenue from continuing operations	7(a)	**2,852**	107
Gain on sale of subsidiaries	28	**-**	2,077,335
Gain on creditor settlement	20	**774,798**	-
Director and employee benefit expense	8(a)	**(52,375)**	(118,081)
Compliance costs		**(126,624)**	(63,273)
Consultants fees		**(67,018)**	(11,161)
Exploration and evaluation		**(32,453)**	(169,637)
Insurance expenses		**(4,913)**	-
Share based payment	19	**(1,362,000)**	-
Other administration expenses		**(20,060)**	(23,256)
Profit/(Loss) before income tax		**(887,793)**	1,692,034
Income tax benefit	9	**-**	-
Profit/(Loss) for the year after tax		**(887,793)**	1,692,034
Other comprehensive loss			
Items that will be transferred to profit or loss:			
Exchange differences on translation of foreign operations		**-**	(393,928)
Total comprehensive profit/(loss) for the year attributable to owners of Equator Resources Ltd		**(887,793)**	1,298,106
Earnings/(Loss) per share for loss attributable to the ordinary equity holders of the Group:			
Basic earnings/(loss) per Share (cents per share)	11(b)	**(3.79)**	1.30
Diluted earnings/(loss) per Share (cents per share)	11(b)	**(3.79)**	1.30

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 2016

		Attributable to Owners of Equator Resources Limited					
	Notes	Contributed Equity	Reserves	Convertible Loans	Foreign Currency Translation Reserve	Accumulated Losses	Total
Consolidated		$	$	$	$	$	$
Balance at 1 July 2014		13,231,831	1,453,943	91,458	393,928	(17,808,956)	(2,637,796)
Profit/(Loss) for the year				-	-	1,692,034	1,692,034
Exchange differences arising on translation of foreign operations		-	-	-	(393,928)	-	(393,928)
Total comprehensive loss		-	-	-	(393,928)	1,692,034	1,298,106
Transactions with owners in their capacity as owners							
Contributions of equity	18	345,507	-	-	-	-	345,507
Transaction costs	18	-	-	-	-	-	-
Transfer of reserve to accumulates losses		-	-	(91,458)	-	91,458	-
Balance at 30 June 2015		13,577,338	1,453,943	-	-	(16,025,464)	(994,183)
Balance at 1 July 2015		13,577,338	1,453,943	-	-	(16,025,464)	(994,183)
Profit/(Loss) for the year		-	-	-	-	(887,793)	(887,793)
Total comprehensive loss		-	-	-	-	(887,793)	(887,793)
Transactions with owners in their capacity as owners							
Contributions of equity	18	2,478,381	-	-	-	-	2,478,381
Transaction costs	18	(152,580)	-	-	-	-	(152,580)
Share options issued	19	-	1,362,000	-	-	-	1,362,000
Transfer of reserve to accumulates losses	19	-	(1,453,943)	-	-	1,453,943	-
Balance at 30 June 2016		15,903,139	1,362,000	-	-	(15,459,314)	1,805,825

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 2016

	Notes	**2016** **$**	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		**(340,751)**	(89,056)
Interest received		**2,850**	107
Net cash used in operating activities	21	**(337,901)**	(88,949)
Cash flows from investing activities			
Net cash used in investing activities		**-**	-
Cash flows from financing activities			
Proceeds from issue of shares		**2,050,000**	-
Share issue costs		**(148,921)**	-
Proceeds from convertible notes		**282,000**	60,000
Net cash from financing activities		**2,183,079**	60,000
Net decrease in cash and cash equivalents		**1,845,178**	(28,949)
Cash and cash equivalents at beginning of financial year		**18,266**	47,215
Cash and cash equivalents at end of financial year	12	**1,863,444**	18,266

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 2016

1 CORPORATE INFORMATION

The financial statements of Equator Resources Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 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 as its subsidiary (the Group) for 30 June 2016. 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.

For comparative purposes, the annual report for the year ended 30 June 2015 was prepared without the benefit of complete information being available to the Equator Resources Limited and its subsidiaries. Therefore for the comparative numbers for 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 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 30 June 2015.

(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 2016 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. Refer to Note 2(u) for table of these 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2016 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(f) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets are 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.

(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 of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 though 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

Impairment (continued)

(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 though profit or loss.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure is expensed as incurred other than those incurred for the acquisition of mineral property licenses or rights to explore which are capitalised and carried forward as an asset in the statement of financial position. Where a project or an area of interest has been abandoned, the capitalised expenditure incurred thereon is written off in the year in which the decision is made.

Change in Accounting Policy

This financial report has been prepared on the basis of retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure.

The new accounting policy adopted by the Group on 1 July 2014 is to expense exploration and evaluation expenditure as incurred other than those incurred for the acquisition of mineral property licenses or rights to explore which continue to be capitalised. The previous accounting policy was to capitalise and carry forward exploration, evaluation and development expenditure in relation to separate areas of interest for which rights of tenure are current as an asset in the Consolidated Statement of Financial Position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

The directors have determined that the change in accounting policy will result in more relevant and no less reliable information as the policy is more transparent and less subjective. Recognition criteria of exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income. Furthermore, the change in policy aids in accountability of line management’s expenditures and the newly adopted policy is consistent with industry practice worldwide.

There has been no impact on the Consolidated Statement of Financial Position or Consolidated Statement of Profit or Loss and Other Comprehensive income in the 2015 and 2016 Financial Years as a result of the change in accounting policy for exploration and evaluation expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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 2016

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.

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.

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 not 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 2016

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.

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 2016

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 2016. 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.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.	The main changes are described below. *Financial assets* a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.

		recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. *Financial liabilities* Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime	

		expected losses on a more timely basis. Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.	
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.	At this stage, the group does not expect the new rules to have an impact on the group's financial statements. The group will make more detailed assessments of the impact ahead of mandatory adoption of the new standard.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
	The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.		

AASB 16 *Leases*	AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases,	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the group: 1 July 2019.

		and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	

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 2016

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 polices for managing each of these risks and they are summarised below:

Foreign Currency Risk
The Group is not exposed to fluctuations in foreign currencies.

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 $1,863,444 (2015: $18,266) on deposit in operating bank accounts earning a weighted average interest rate of 0.4% (2015: 0.3%).

Sensitivity
At 30 June 2016, 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 $14,908 (2015: $146 higher/lower), mainly as a result of higher/lower interest income earned from cash and cash equivalents.

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+.

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.

Consolidated 30 June 2016	**Carrying amount**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-interest bearing						
Trade and other payables	**85,913**	**85,913**	**-**	**-**	**-**	**-**
	85,913	**85,913**	**-**	**-**	**-**	**-**

Consolidated 30 June 2015	**Carrying amount**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-interest bearing						
Trade and other payables	674,533	674,533	-	-	-	-
Convertible Notes	360,000	360,000	-	-	-	-
	1,034,533	1,034,533	-	-	-	-

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) 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. 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.

(b) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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 and subsequently disposed of on 24 June 2015. 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 2016 %	Equity holding 2015 %
Acacia Minerals Pty Ltd	Australia	**Ordinary**	100	100

	2016 $	2015 $
7 REVENUE FROM CONTINUING OPERATINGS		
(a) Revenue		
Interest revenue	**2,852**	107
8 EXPENSES		
(a) Director and Employee benefit expense		
Wages and fees	**50,000**	118,081
Superannuation costs	**2,375**	-
	52,375	118,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

9 INCOME TAX

	2016 $	2015 $
(a) The components of tax benefit comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit from continuing operations before income tax expense	**(887,793)**	1,692,034
Prima facie tax expense/benefit on profit/loss from ordinary activities before income tax at 28.5% (2015: 30%)	**(253,021)**	507,610
Add tax effect of:		
Non-assessable income	-	-
Non-deductible exploration	-	100,916
Tax losses and timing differences not brought to account/used	**(253,021)**	(608,526)
Income tax benefit	-	-
(c) Deferred income tax at 30 June relates to the following		
Deferred tax liabilities:		
Temporary differences for which deferred tax liabilities have not been recognised:	-	336,387
	-	336,387
Deferred tax assets:		
Deferred tax assets have not been recognised in the statements of financial position for the following items:		
Unused Tax losses	**(697,455)**	(1,092,585)
Deductible temporary difference	**(17,768)**	(6,000)
	(715,223)	(1,098,585)
Total deferred tax assets not recognised	**(715,223)**	(762,198)

10 DIVIDENDS PAID AND PROPOSED

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

	2016 $	2015 $

11 PROFIT/(LOSS) PER SHARE

(a) Profit/(Loss) used in calculating loss per share
For basic and diluted profit/(loss) per share:

	2016 $	2015 $
Profit/(Loss) attributable to owners of Equator Resources Limited	**(887,793)**	1,692,034

(b) Weighted average number of shares

	2016 Number	2015 Number
Weighted average number of ordinary shares used in calculating basic profit/(loss) per share	**23,411,067**	129,715,742[1]
Basic profit/(loss) per share (cents per share)	**(3.79)**	1.30
Weighted average number of ordinary shares used in calculating diluted profit/(loss) per share	**23,411,067**	129,715,742[1]
Diluted profit/(loss) per share (cents per share)	**(3.79)**	1.30

[1]The Company completed a one-for-fifty consolidation of its issued capital during the year.

(c) Information on the classification of securities

(i) Options
76,000,000 options (2015: 1,500,000) 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.

12 CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and in hand	**1,863,444**	18,266
	1,863,444	18,266

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

	2016 $	2015 $
13 OTHER RECEIVABLES & PREPAYMENTS		
Prepayments	**2,472**	
GST Receivable	**25,822**	22,084
	28,294	22,084

(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 2016.

(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 PLANT AND EQUIPMENT

	2016	2015
Plant & Equipment at cost	**-**	591,987
Disposal of Assets	**-**	(556,708)
Impairment of assets	**-**	-
Accumulated depreciation	**-**	(35,278)
Net carrying amount	**-**	-
At July 1, net of accumulated depreciation	**-**	-
Additions	**-**	-
Depreciation charge for the year	**-**	-
Impairment of assets	**-**	-
As at 30 June, net of accumulated depreciation	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

	2016 $	2015 $

15 TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade payables (a)	**85,913**	674,533
	85,913	674,533

(a) Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms.

Information relating to the Group's exposure to foreign exchange risk is provided in Note 3.

16 CONVERTIBLE NOTES

	2016 $	2015 $
Carrying amount of liability at beginning of period[1]	**360,000**	740,483
Write down of convertible note per settlement deed	**(270,000)**	
Issue of convertible note	**282,000**	60,000
Settlement of convertible note[2]	**(372,000)**	(440,483)
Carrying amount of liability at end of period	**-**	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 bought 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 were converted into fully paid ordinary shares and options in the Company on 25 May 2016.

17 ADVANCE SHARE PROCEEDS

	2016 $	2015 $
Advance Share Proceeds		
Carrying amount of liability at beginning of period	**-**	125,925
Issue of shares to directors	**-**	(125,925)
Carrying amount of advance share proceeds liability at end of period	**-**	-

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. On 24 June 2015, shareholders approved the issue of these shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

		2016 Shares	2015 Shares
18	**CONTRIBUTED EQUITY**		
	Ordinary shares		
	Issued and fully paid	**249,974,711**	106,826,829

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

	Shares	***$***
Movement in ordinary shares on issue		
As at 1 July 2015	**106,825,829**	13,577,338
Share consolidation 50:1	**2,136,571**	13,577,338
Issue of shares 27 April 2016	**17,488,140**	174,881
Issue of shares 25 May 2016	**25,000,000**	250,000
Issue of shares 2 June 2016	**205,000,000**	2,050,000
Issue of shares 13 June 2016	**350,000**	3,500
Less share issue costs incurred	**-**	(152,580)
At 30 June 2016	**249,974,711**	15,903,139

Movement in ordinary shares on issue		
As at 1 July 2014	**130,098,286**	13,231,831
Issue of shares to previous Directors on 24 June 2015	**5,036,983**	125,925
Issue of shares to Ore Search drilling to settle debt	**12,000,000**	300,000
Cancellation of shares	**(40,308,440)**	(80,418)
At 30 June 2015	**106,826,829**	13,577,338

Movement in Options on Issue

	Options	***$***
Movement in options on issue		
At 1 July 2015	1,500,000	-
Lapse of options on 11 July 2015	(1,500,000)	-
Issue of Class A options on 27 April 2016	15,000,000	270,000
Issue of Class B options on 25 May 2016	60,000,000	1,080,000
Issue of Class B options on 30 June 2016	1,000,000	12,000
At 30 June 2016	76,000,000	1,362,000
As at 1 July 2014	9,000,000	
Lapse of options on 10 January 2015	(1,000,000)	**-**
Lapse of options on 31 December 2014	(5,000,000)	**-**
Lapse of options on 7 December 2014	(1,500,000)	**-**
At 30 June 2015	1,500,000	**-**

18 CONTRIBUTED EQUITY (continued)

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 30 June 2016:

	Class A	Class B	Class C
Quantity	15,000,000	60,000,000	1,000,000
Grant date	27 Apr 16	25 May 16	30 Jun 16
Expiry date	05 Apr 20	25 May 20	30 Jun 19
Exercise price	$0.02	$0.02	$0.02
Volatility	105%	105%	105%
Value per option	$0.018	$0.018	$0.012

The Class A options were issued to directors, Class B options were issued to convertible note holders and Class C options were issued to consultants of the company. All options vested immediately and were expensed during the year.

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.

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.

	2016	2015
	$	$
19 RESERVES		
Share based payment reserve	1,362,000	1,453,943
Total reserves	1,362,000	1,453,943

(a) Share Based Payments Reserve

At 1 July	**1,453,943**	1,453,943
Transfer of expired options to Accumulated Losses	**(1,453,943)**	-
Issue of options to employees & consultants	**1,362,000**	-
At 30 June	**1,362,000**	1,453,943

The equity incentive reserve records items recognised on valuation of director, employee and contractor equity incentives.

(b) Convertible Note Premium Reserve

At 1 July	**-**	91,458
Amount transferred to accumulated losses	**-**	(91,458)
At 30 June	**-**	-

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

(c) Foreign Currency Translation Reserve

At 1 July	**-**	393,928
Translation of foreign entities statement of financial position's/(reclassification)	**-**	(393,998)
At 30 June	**-**	-

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

20 GAIN ON CREDITOR SETTLEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

21 CASH FLOW RECONCILIATION

(a) Reconciliation of net loss after tax to net cash flows from operations		
Net profit/(loss)	**(887,793)**	1,692,034
Adjustments for:		
Gain on sale of subsidiaries	**-**	(2,077,335)
Gain on creditor settlement	**(774,798)**	-
Share based payments	**1,362,000**	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**6,210**	16,984
Increase/(Decrease) in trade and other payables	**(43,520)**	279,368
Net cash from operating activities	**(337,901)**	(88,949)
(b) Non-cash investing and financing activities		
Equity settled payment for exploration and evaluation assets	**-**	300,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 KEY MANAGEMENT PERSONNEL

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2016	*2015*
	$	*$*
Short-term employee benefits	**140,500**	64,080
Post-employment benefits	**2,375**	-
Share based payments	**271,127**	-
	414,002	64,080

Detailed remuneration disclosures are provided within the audited remuneration report which can be found on pages 9 to 15 of the Directors Report.

23 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 22.

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

24 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 Australian tenements.

25 EVENTS AFTER THE REPORTING DATE

On 20 September 2016, Nicholas Rowley and Alexander Passmore were appointed as Non-Executive Directors of the Company. On the same date Shannon Robinson resigned from her position as Non-Executive Director.

No other matters or circumstance have arisen since 30 June 2016 that have 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.

26 AUDITOR'S REMUNERATION

	2016	*2015*
	$	*$*
Amounts received or due and receivable for:		
An audit and review of the financial report of the Group by BDO Audit (WA) Pty Ltd	**22,000**	12,000
Total Remuneration of Auditors	**22,000**	12,000

27 PARENT ENTITY DISCLOSURES

The following details information related to the entity, Equator Resources Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented

	2016	*2015*
	$	*$*
Financial Position		
Assets		
Current assets	**1,865,917**	32,751
Total Assets	**1,865,917**	32,751
Liabilities		
Current liabilities	**60,092**	1,034,533
Total Liabilities	**60,091**	1,034,533
Equity		
Issued capital	**15,903,139**	13,577,338
Accumulated Losses	**(15,459,314)**	(16,124,521)
Reserve	**1,362,000**	1,545,401
Total equity/(deficiency in equity)	**1,805,825**	(1,001,782)
Financial Performance		
Profit/(Loss) for the year	**(906,339)**	1,131,356
Other comprehensive income/(loss)	**-**	166,750
Total comprehensive income/(loss)	**(906,339)**	1,298,106

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

28 DISPOSAL OF SUBSIDIARIES

During the previous financial year, Equator Resources Limited completed the sale of its wholly owned subsidiaries Bukon Jedeh Holdings Ltd & Bukon Jedeh Resources Inc following shareholder approval on 24 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

28 DISPOSAL OF SUBSIDIARIES (continued)

	2016	*2015*
	$	*$*
(a) Carrying amount of assets and liabilities		
Cash	-	12,143
Accounts payable	-	(1,255,067)
Net liabilities	-	1,242,924
(b) Details of sale		
Consideration received or receivable		
Forgiveness of debt – convertible notes	-	440,483
Total consideration	-	440,483
Carrying amount of net liabilities sold	-	1,242,924
Gain on sale before reclassification of foreign currency translation reserve	-	1,683,407
Foreign currency translation reserve	-	393,728
Gain on sale	-	2,077,135

29 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).

Valuation techniques used to derive level 3 fair values

The amount due in respect of convertible notes per note 18 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 such as the discount rate of 15% 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 year ended 30 June 2016 and 30 June 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 trade and other receivables and current trade and other payables is assumed to approximate their fair value.

DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
   - giving a true and fair view, noting the matters documented in Note 2(a), of the consolidated entity's financial position as at 30 June 2016 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. There are reasonable grounds to believe that the Company 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 2016.

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
30th day of September 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Equator Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Equator Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees

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 Qualified Opinion

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 changes in equity and the consolidated statement of cash flows for the year ending 30 June 2015. Equator Resources Limited held a 100% interest in Bukon Jedeh Holdings Ltd and its subsidiary Bukon Jedeh Resources Inc (BJH Group) which were disposed of on 24 June 2015. 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 on the financial report for the year ended 30 June 2015. Our opinion on the current year's 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 year ended 30 June 2016

Attention is also drawn to the gain on settlement of creditors of $774,798 recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2016. As a result of the matters outlined in the comparatives paragraph above, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of this amount. Our audit opinion has been modified accordingly.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

(a) the financial report of Equator Resources Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance of the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We were engaged to audit the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2016. 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 Qualified Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence over the comparative information in the Remuneration Report.

Basis for Qualified 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 2015 as the directors were not appointed to office during the financial year ended 30 June 2015.

Qualified Opinion

Because of the significance of the matter described in the basis for qualified opinion paragraph, this caused us to disclaim our audit opinion on the remuneration report for the year ended 30 June 2015. Our opinion on the current year's remuneration 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.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 30 September 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 27 September 2016.

DISTRIBUTION OF EQUITY HOLDINGS

	Class of Equity Security	
	Number of Holders	**Fully Paid Ordinary Shares**
1 – 1,000	303	127,737
1,001 – 5,000	73	177,264
5,001 – 10,000	21	170,358
10,001 – 100,000	76	4,694,660
100,001 and over	284	244,808,361
	757	249,978,380

There were 420 Shareholders holding less than a marketable parcel based on the last traded price of EQU of $0.024.

TWENTY LARGEST SHAREHOLDERS

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Mr Ross Stanley	16,678,140	6.67
Vonross Nominees Pty Ltd	15,500,000	6.20
Mr Ross Francis Stanley	10,123,000	4.05
JP Morgan Nominees Australia Limited	10,015,147	4.01
Ravenhill Investments Pty Ltd	10,000,000	4.00
Onswitch Investments Pty Ltd	10,000,000	4.00
Ninety Three Pty Ltd	6,250,000	2.50
Puntero Pty Ltd	5,400,000	2.16
Mr Jason Bontempo and Prs Tiziana Battista	5,000,000	2.00
Group Seventy Three Pty Ltd	5,000,000	2.00
Wimalex Pty Ltd	5,000,000	2.00
Waterox Pty Ltd	5,000,000	2.00
Australian Executor Trustees	5,000,000	2.00
Aralad Management Pty Ltd	5,000,000	2.00
Mr Thomas Frederic Whiting	4,000,000	1.60
Seventy Three Pty Ltd	4,000,000	1.60
Golden Oaks Nominees Pty Ltd	4,000,000	1.60
Graceview Pty Ltd	3,700,000	1.48
Mr Steven Ross Kestel	3,300,000	1.32
Zerrin Investments Pty Ltd	3,188,998	1.28
Total	**136,155,285**	**54.47**

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 %
Mr Ross Stanley	21,876,270	8.75
Ravenhill Investments Pty Ltd	21,250,000	8.60
Mr Ross Kestel	20,500,000	8.20

VOTING RIGHTS

All shares carry one vote per share without restriction.

ASX ADDITIONAL INFORMATION

Mineral Tenements Held at 28 September 2016:

Northern Territory (Acacia 100%)		
Tenement	**Status**	**Tenement Area (km²)**
EL 25027	Granted	4
EL 26777	Granted	6
EL27282	Granted	11
EL27349	Granted	7
EL27747	Granted	94