

EQUUS MINING LIMITED
and its controlled entities

A.B.N. 44 065 212 679

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016

Equus Mining Limited

Corporate Directory

| | | |
|------------------|---|---|
| Directors | Mark Lochtenberg Edward Leschke Juerg Walker Robert Yeates | Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director |
|------------------|---|---|

| | |
|--------------------------|--------------|
| Company Secretary | Marcelo Mora |
|--------------------------|--------------|

| | |
|--|---|
| Principal Place of Business and Registered Office | Level 2 66 Hunter Street Sydney NSW 2000 Australia |
|--|---|

| | |
|----------------|----------------------|
| Telephone: | (61 2) 9300 3366 |
| Facsimile: | (61 2) 9221 6333 |
| Email address: | info@equusmining.com |
| Web site: | www.equusmining.com |

| | | |
|-----------------------|---|------------------|
| Share Registry | Advanced Share Registry Limited 150 Stirling Highway Nedlands, Western Australia 6009 | |
| | Telephone: | (61 8) 9389 8033 |
| | Facsimile: | (61 8) 9389 7871 |

| | |
|-----------------|--|
| Auditors | KPMG Level 16, Riparian Plaza 71 Eagle Street Brisbane QLD 4000 |
|-----------------|--|

| | | |
|--------------------------------|---|--------------|
| Stock Exchange Listings | Australian Securities Exchange Berlin and Frankfurt Securities Exchanges (Third Market Segment) | (Code – EQE) |
|--------------------------------|---|--------------|

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Equus Mining Limited

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Equus Mining's main priority during the year was to commence initial drilling at its Mina Rica thermal coal project located in the Magallanes basin, Chile's largest coal occurrence, whilst continuing to maintain a strategy of dominating prospective coal acreage and infrastructure positioning in the region. This has been achieved at minimal cost which is quite fortunate given the deep cyclical low experienced in thermal coal markets, and as a result, the limited availability of funding during this period.

Dominant land positions are considered a strategic advantage in the coal industry mainly because coal seams tend to be laterally extensive and a large land holding maximises resource potential whilst at the same time excludes potential competitors. Proximity to transport is also a strategic consideration. A number of deep-water sounds transect the Magallanes basin providing access for bulk-shipping vessels. This deep water access is a distinct advantage when compared to other developing coal basins.

Chile's strong growth in thermal coal consumption has been driven by relatively high economic growth but the country remains severely deficient in domestically occurring energy. This energy shortage has been exacerbated by the loss of Argentinean supplied gas and the fervent opposition to hydro generated power. Alternative imported fuel sources such as LNG and diesel for power generation remain significantly more expensive than thermal coal.

Chile has amongst the higher power costs in South America. This means the growth trajectory in thermal coal demand is expected to continue. Despite this demand outlook, Chile's coal industry is small by world standards with just one significant producer. Clearly, there is ample room for a new cost competitive large local supplier of thermal coal.

Equity markets for the junior resources sector remained subdued throughout the 2016 fiscal year. Unlike Australia, Chile's secured licencing system with no minimum exploration expenditure requirements means there isn't the same time pressure to spend large amounts of capital at a time when raising capital is tough. Nevertheless, Equus Mining is not standing still with a focus on low cost exploration and continuously assessing new resource projects with the main criteria being resource quality potential. Several value creating projects have been short listed and are under negotiations.



Mark H. Lochtenberg
Chairman

Equus Mining Limited

Review of Operations

For the Year Ended 30 June 2016

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Equus Mining's (ASX: EQE) ('Equus' or 'the Company') Mina Rica thermal coal project is located on the north side of the Brunswick Peninsula in Chile's XII Region and is considered highly strategic given its close proximity to key idle infrastructure and the potential for rapid development in order to supply into Chile's shortage of domestically produced thermal coal (see Map 1 & 2). Currently Chile consumes approximately 15mtpa of mostly imported thermal coal.

Mina Rica is situated adjacent to the third party owned Pecket Mine and port/coal loading facility which has a capacity in excess of 10mtpa. Unwashed coal product was historically loaded onto bulk carriers and transported to domestic coastal based thermal power stations however this operation is currently on care and maintenance following a high wall failure in the Pecket Mine's main pit. There are 13 recognised coal seams at the Pecket mine of which predominantly Seams 5 & 6 were previously mined commercially.

Initial drilling by Equus was carried out during the second half of 2015, with the focus on defining the strike extension of the Pecket Mine coal sequence to within the eastern area of Mina Rica. The eastern tenements were acquired by Equus in July 2015 and are located immediately adjacent to the Company's original Mina Rica exploration tenements.

Three of the four holes drilled, namely holes MRE-02, MRE-03 and MRE-04, intercepted coal bearing sequences with intercepted cumulative total coal seam thicknesses of 4.68m, 3.54m and 7.73m respectively (see section A-B and ASX release dated 27 October 2015(i)). The intercepted coal bearing stratigraphy is interpreted to represent the strike extension of the Pecket Mine coal sequence into the Company's tenements (See Map 1).

Initial drilling also indicated that the Pecket Mine sequence extends further along strike to the southeast than previously interpreted. Based on this new interpretation and combined with the knowledge that an adjacent tenement area to the southeast were to become available, Equus further expanded its Mina Rica thermal coal project area through the submission of 8 Exploration Licence applications totalling 2,100 hectares in late 2015. Further Exploration Licence applications may be made depending on ground availability.

Field mapping throughout the Mina Rica southeast extension area commenced in mid-December 2015 and is ongoing. Whilst this work is still in progress and detail is confidential for strategic reasons, some key observations have been made which include:

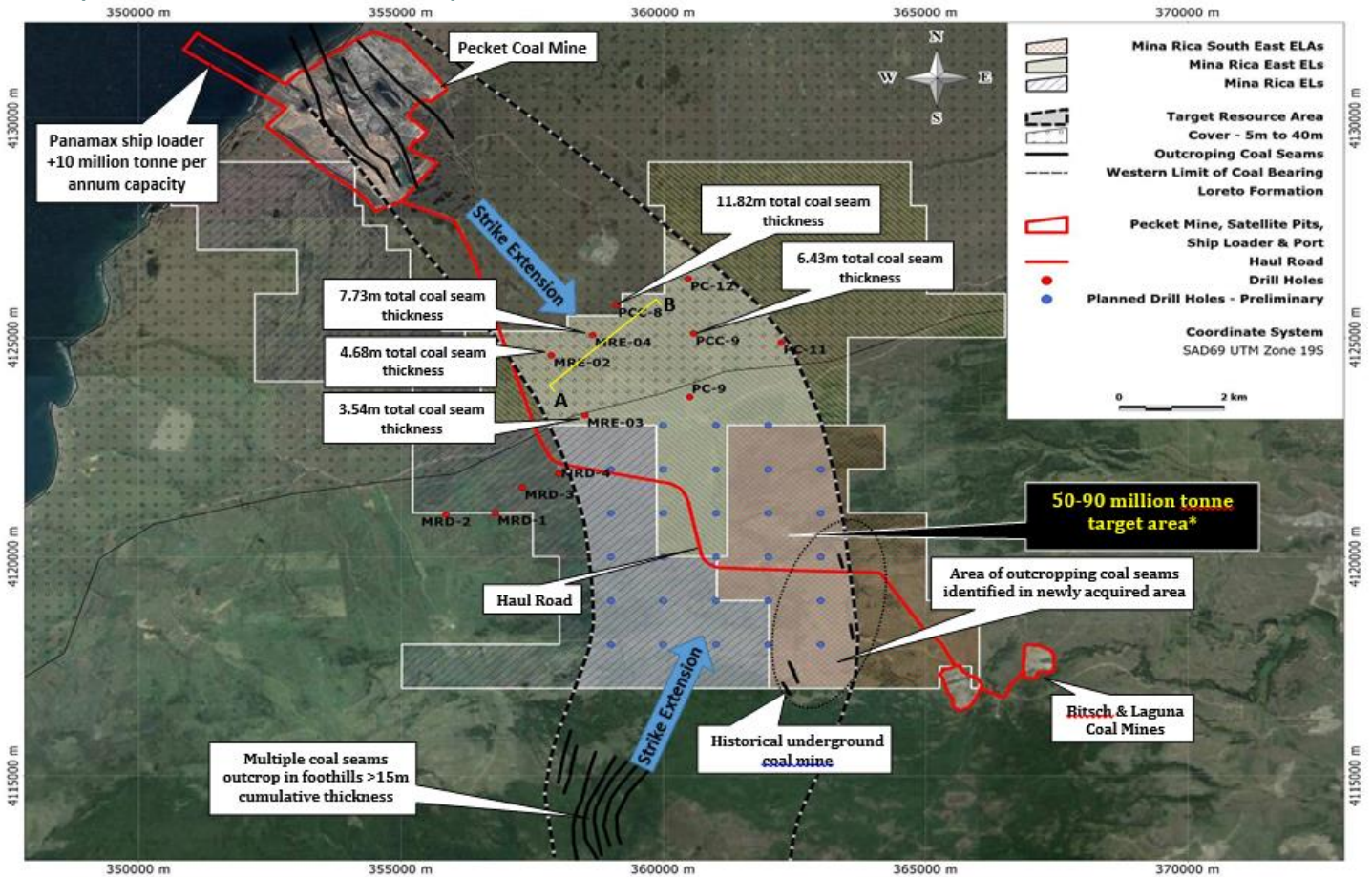
- Outcropping coal seams have been recorded in several locations (See Map 1 and Photos 3 and 4) and are interpreted to be hosted within a closely analogous stratigraphic setting to that of the Pecket Mine sequence. These observations support the interpretation that the Pecket Mine coal seam sequence extends from the area to the northwest (as described above), where Equus conducted its initial drilling, to approximately 7.5km to the south where multiple outcropping coal seams with an approximate cumulative thickness greater than 15m have been previously mapped.
- The observed outcropping coal seams are partially exposed where bedrock is incised by creeks and hence drill testing is required to define the complete seam thickness potential.
- The observed outcropping coal seams are potentially stratigraphically higher in the gently easterly dipping Pecket Mine coal bearing sequence and hence have expanded the target zone to the east.
- The top of most of the mapped outcropping coal seams have been eroded meaning that seam thicknesses remain undefined.
- Coal float has been observed throughout a large portion of neighbouring areas of the Mina Rica southeast extension area.
- Throughout the Mina Rica southeast extension area, unconsolidated fluvio-glacial cover is relatively thin which means minimal pre-strip and ground water flow rates.

Equus has maintained a strategy of acquiring new adjacent areas with high exploration potential at Mina Rica as they have become available. The expanded area now under control in combination with extensive geological information obtained to date has resulted in an interpreted Exploration Target(ii) of 50 to 90 million tonnes of coal. The interpretation is based on the extension of known coal seams from immediately to the northwest, as defined by recent drilling, and mapped coal seams to the south of the Mina Rica project area.

This Exploration Target is conceptual in nature and should not be construed as a JORC compliant resource. The Exploration Target is based on projections of established coal seams over appropriate widths and strike lengths having regard for geological considerations including seam orientations, specific gravity and expected seam continuity as determined by a qualified geological assessment. The Exploration Target assumes a potential coal seam strike length of 8km, 1km width, a cumulative thickness of 4.5m to 8.0m and a specific gravity of 1.4. There is insufficient information to establish whether further exploration will result in the determination of a JORC compliant Resource.

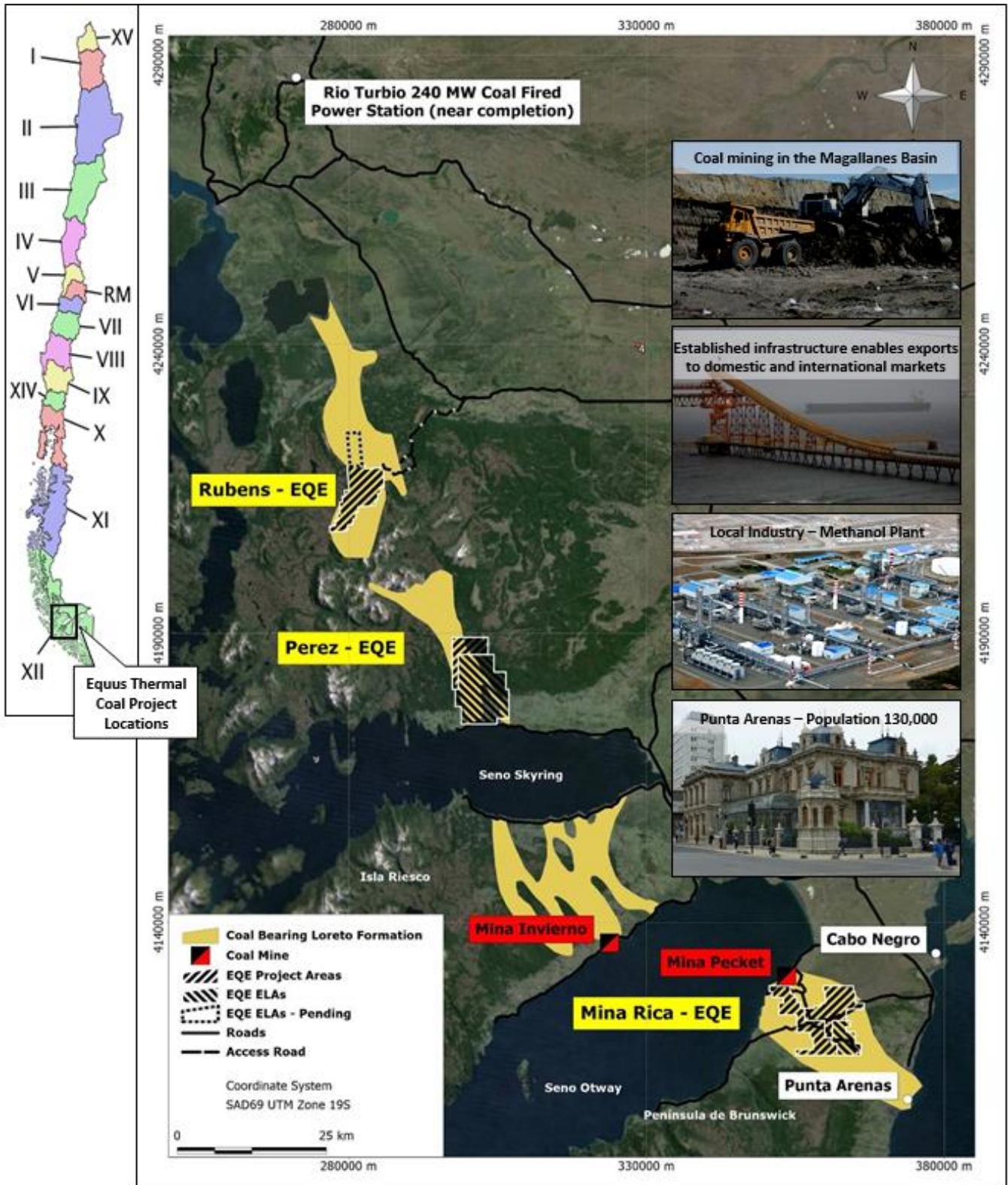
A drilling programme of approximately 15 to 20 holes on a 1km x 1km spaced grid is planned upon funds becoming available, and the drill program is likely to take 4 to 5 months to complete depending on operating conditions. A preliminary plan of the drill holes is shown in Map 1 however exact positioning will be determined during field planning.

Map 1. Mina Rica Thermal Coal Project



Targeting 50 million to 90 million tonnes. The Exploration Target described in this map is conceptual in nature and should not be construed as a JORC compliant resource. The Exploration Target is based on projections of established coal seams over appropriate widths and strike lengths having regard for geological considerations including seam orientations, specific gravity and expected seam continuity as determined by a qualified geological assessment. The Exploration Target assumes a potential coal seam strike length of 8km, 1km width, a cumulative thickness of 4.5m to 8.0m and a specific gravity of 1.4. There is insufficient information to establish whether further exploration will result in the determination of a JORC compliant Resource.

Map 2. Equus' Thermal Coal Projects in the Magallanes Basin - Chile's Largest Known Coal Occurrence



Equus Mining Limited

Statement of Corporate Governance

For the Year Ended 30 June 2016

Compliance statement

The information in this report that relates to Exploration Results and Exploration Target is based on information compiled by Damien Koerber and the information in relation to historical and foreign estimates is an accurate representation of the available data and studies of the mining project which is endorsed by Mr Koerber.

Mr Koerber is a geological consultant to the Company. Mr Koerber is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Koerber consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

No Material Changes

Equus Mining Limited confirms that it is not aware of any new information or data that materially affects the information included in this Annual Report and that all information continues to apply.

ⁱ⁾ All the material assumptions underpinning the exploration results information in the initial public report (see ASX release dated 27 October 2015) continue to apply and have not materially changed. No new exploration results are reported for Mina Rica.

ⁱⁱ⁾ The Exploration Target described in this presentation is conceptual in nature and should not be construed as a JORC compliant Resource. The Exploration Target is based on projections of established coal seams over appropriate widths and strike lengths having regard for geological considerations including seam orientations, specific gravity and expected seam continuity as determined by qualified geological assessment. The Exploration Target assumes coal seam strike length of 8km, 1km width, 4.5m to 8m cumulative thickness and specific gravity of 1.4. There is insufficient information to establish whether further exploration will result in the determination of a JORC compliant Resource.

Yours sincerely



Ted Leschke
Managing Director

Dated this 15th day of September 2016

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 corporate governance statement is dated 26 August 2016 and reflects the corporate governance practices throughout the 2016 financial year. The board approved the 2016 corporate governance on 2 September 2016. A description of the Company's current corporate governance practices is set out in the Company's corporate governance statement, which can be viewed at <http://www.equusmining.com/corporate-governance/>

Equus Mining Limited

Directors' Report

For the Year Ended 30 June 2016

The Directors present their report, together with the consolidated financial statements of the Group, comprising of Equus Mining Limited ('Equus' or 'the Company') and its controlled entities for the financial year ended 30 June 2016 and the auditor's report thereon.

DIRECTORS

The names and details of the Directors in office during or since the end of the previous financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Mark Hamish Lochtenberg, Non-Executive Chairman

Director since 10 October 2014.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years.

Mark Lochtenberg is the former Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited. He was a principal architect of Cockatoo's inception and growth from an early-stage grassroots explorer through to an emerging mainstream coal producer. He was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal.

Prior to this Mark established a coal "swaps" market for Bain Refco, (Deutsche bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg has previously been a Director of ASX-listed Cumnock Coal Limited and of privately held United Collieries Pty Limited and is currently a Director of Australian Transport and Energy Corridor Pty Limited, (ATEC).

Mark has served as director of listed Company Cockatoo Coal Limited in the last three years.

Edward Jan Leschke, Managing Director

Director since 5 September 2012

Mr. Leschke graduated with a Bachelor of Applied Science – Applied Geology degree from the Queensland University of Technology. During a 22 year professional career Mr Leschke initially worked as a mine geologist at the Elura zinc-lead-silver mine in central New South Wales as well as holding geological positions in a number of locations such as the Central Queensland coal fields, South Australia and Papua New Guinea.

Mr Leschke made the transition to the financial sector specialising in mining investment, analysis and corporate finance and has worked for a number of financial institutions including BZW Stockbroking, Aberdeen Asset Management and Shaw Stockbroking. Mr Leschke has been responsible for the inception of Equus Resources Ltd and the two wholly owned subsidiaries in the Republic of Chile.

He has not served as a director of any other listed company during the past three years.

Juerg Marcel Walker, Non-Executive Director

Director appointed 20 May 2002

Juerg Walker is a European portfolio manager and investor. He has over 30 years' experience in the Swiss banking industry, operating his own portfolio management company after leaving his position as senior vice president of a private bank in Zurich.

He has not served as a director of any other listed company during the past three years.

Equus Mining Limited

Directors' Report

For the Year Ended 30 June 2016

Robert Ainslie Yeates, Non-Executive Director

Director appointed 20 July 2015

Rob Yeates is a graduate of the University of NSW, completing a Bachelor of Engineering (Honours 1) in 1971 and a PhD in 1977 and then an MBA in 1986 from Newcastle University. He began his career with Peko Wallsend working in a variety of roles including mining engineering, project management, mine management and marketing.

He became General Manager Marketing for Oakbridge Pty Limited in 1989 following a merger with the Peko Wallsend coal businesses and went on to become Managing Director of Oakbridge, which was the largest coal mining company in NSW at that time, operating one open cut and five underground coal mines.

Dr Yeates also has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 18 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry. Until 2014 he was also Project Director then CEO of Newcastle Coal Infrastructure Group, which has developed and is operating coal export facilities in Newcastle.

Dr Yeates was until 2015 and for the prior ten years a director in Cockatoo Coal Limited.

COMPANY SECRETARY

Marcelo Mora

Company Secretary since 16 October 2012

Marcelo Mora holds a Bachelor of Business degree and Graduate Diploma of Applied Corporate Governance, and is a Chartered Secretary (AGIA). Mr Mora has been an accountant for more than 29 years and has experience in resources and mining companies both in Australia and internationally, providing financial reporting and company secretarial services to a range of publicly listed companies.

Equus Mining Limited
Directors' Report
For the Year Ended 30 June 2016

DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors (while they were a Director) of the Company during the year are:

| Director | Board Meetings | |
|---------------------|----------------|----------|
| | Held | Attended |
| Mark H. Lochtenberg | 2 | 2 |
| Edward J. Leschke | 2 | 2 |
| Juerg M. Walker | 2 | 2 |
| Robert A. Yeates | 2 | 2 |

DIRECTORS' INTERESTS

Directors' beneficial shareholdings at the date of this report are:

| Director | Fully Paid Ordinary Shares | Options over ordinary shares |
|---------------------|----------------------------|------------------------------|
| Mark H. Lochtenberg | 22,306,727 | - |
| Edward J. Leschke | 34,368,889 | - |
| Juerg M. Walker | 8,297,861 | - |
| Robert A. Yeates | 1,090,909 | - |

OPTION HOLDINGS

Options granted to directors' and officers'

The Company did not grant any options over unissued ordinary shares during or since the end of the financial year to directors as part of their remuneration. The Directors do not hold any options over unissued shares at the date of this report nor did they hold any at the reporting date.

The Company has not granted any options over unissued ordinary shares during or since the end of the financial year to officers as part of their remuneration.

Unissued shares under option

At the date of this report, the Company does not have options on issue over ordinary shares (2015: 4,000,000 options)

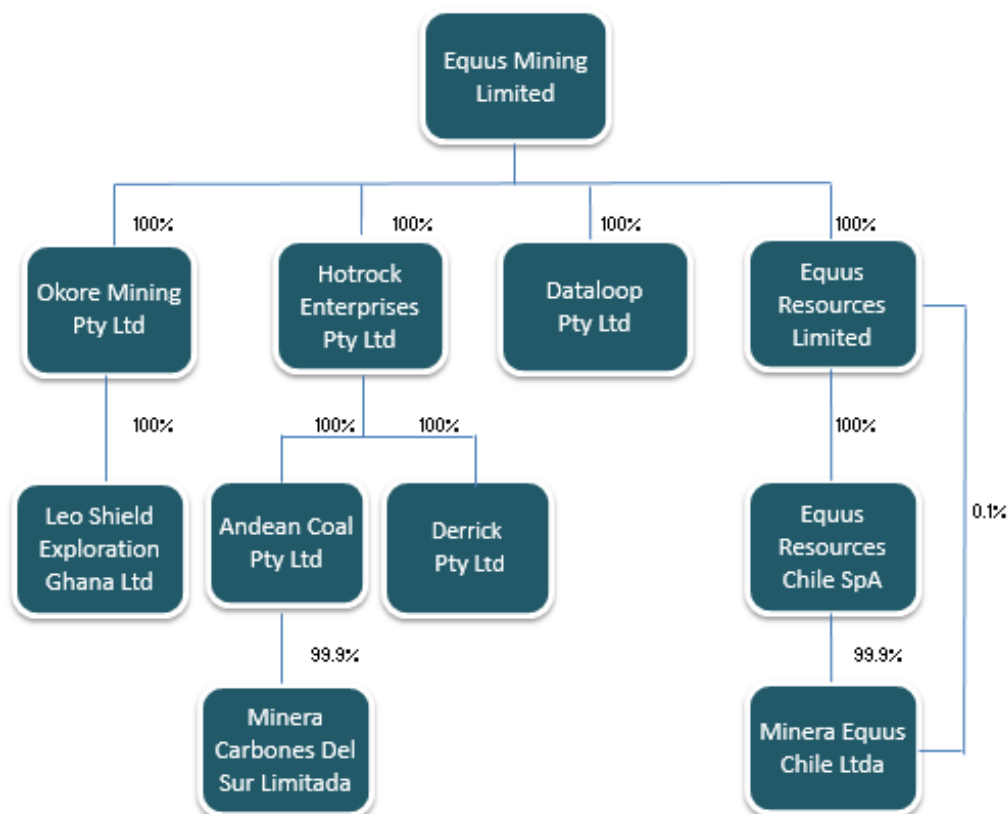
**Equus Mining Limited
Directors' Report
For the Year Ended 30 June 2016**

CORPORATE INFORMATION

Corporate Structure

Equus Mining Limited is a limited liability company that is incorporated and domiciled in Australia. It has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The Group's structure at 30 June 2016 is outlined below.

EQUUS MINING LIMITED – GROUP STRUCTURE AT 30 JUNE 2016



The Companies referred above comprise the “Consolidated Entity” for the purposes of the Financial Statements included in this report. On 31 July 2015, the Group acquired the remaining 49% ownership interest in Andean Coal Pty Ltd. During the year, the Group also disposed of subsidiary entity JSC Sherik and deregistered Textonic Consulting Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was the mineral exploration in the Magallanes Basin after acquiring 100% of Andean Coal Pty Ltd. The Group's focus is on exploring for coal and applying for additional coal prospecting tenements in southern Chile.

FINANCIAL RESULTS

The consolidated loss after income tax attributable to members of the Company for the year was \$3,573,850 (2015: \$1,048,648 loss).

REVIEW OF OPERATIONS

A review of the Group's operations for the year ended 30 June 2016 is set out on pages 2 to 5 of this Annual Report.

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2016. No dividends have been paid or declared during the financial year (2015 - \$nil)

Equus Mining Limited

Directors' Report

For the Year Ended 30 June 2016

CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2016 were as follows:

- On 20 July 2015, the Group appointed Dr Robert Yeates as Non-executive-Director of Equus Mining Limited.
- On 31 July 2015, the Group exercised its options to acquire the remaining 49% interest in Andean Coal Pty Ltd by issuing 16,000,000 ordinary shares in the capital of Equus to Sambas Energy Pty Ltd as consideration.
- On 19 October 2015, the Company issued 36,213,783 new shares under a placement for a total consideration of \$398,352.
- On 11 December 2015, Equus announced the expansion of its Mina Rica thermal coal project through the submission of 8 Exploration Licences with the authorities in Chile.
- On 16 December 2015, the Company issued 3,363,636 new shares under a placement to Directors of the Company for a total consideration of \$37,000.
- On 17 March 2016, the subsidiary JSC Sherik, a company incorporated in the Kyrgyz Republic was disposed of for no consideration following the sale of the subsidiaries assets.
- On 11 May 2016, Textonic Consulting Limited was deregistered.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

The Group's exploration activities in Chile are subject to environmental laws, regulations and permit conditions as they apply in the country of operation. There have been no breaches of environmental laws or permit conditions while conducting operations in Chile during the year.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS

Equus considers growth as a vital strategy for the Company taking into consideration its existing operations in the Magellan province in southern Chile, the addition of new exploration licences in the Magellan Basin or by the addition of new ventures. Additional projects, through mergers or acquisitions are also part of the natural evolution of the business. In this regards, Equus is constantly evaluating new projects not only in Chile but also in other parts of the world. The Group will continue to seek good partners and good projects to create business synergies for Equus.

During the course of 2016/2017 financial year, the Directors expect to receive results of future exploration programs in the Magellan province, which they will make public in accordance with ASX listing rules once the information is received.

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During or since the end of the financial, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred as such by an officer or auditor. The Group has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Equus Mining Limited

Directors' Report

For the Year Ended 30 June 2016

REMUNERATION REPORT - Audited

Principals of compensation - Audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company. No other employees have been deemed to be key management personnel.

The remuneration policy of Directors and senior executives is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The evaluation process is designed to assess the Group's business performance, whether long-term strategic objectives are being achieved, and the achievement of individual performance objectives.

The Constitution and ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at a shareholders meeting on 29 November 2005 when the shareholders approved an aggregate remuneration of \$200,000 per year.

Remuneration generally comprises of salary and superannuation. Long-term incentives are able to be provided through the Company's share option program, which acts, to align the Director's and senior executive's actions with the interests of the shareholders, no options were granted or outstanding to key management personnel for the year ended 30 June 2016, or in the prior year. The remuneration disclosed below represents the cost to the Group for services provided under these arrangements.

Edward Leschke and Mark Lochtenberg are paid through the Company's payroll. All other Directors services are paid by way of arrangement with related parties.

There were no remuneration consultants used by the Company during the year ended 30 June 2016, or in the prior year.

Consequences of performance on shareholders' wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Net loss attributable to equity holders of the parent | 3,573,850 | 1,048,648 | 9,856,444 | 3,546,382 | 3,519,829 |
| Dividends paid | - | - | - | - | - |
| Change in share price | (0.01) | 0.01 | (0.02) | 0.00 | (0.06) |

The overall level of key management personnel's compensation has been determined based on market conditions, advancement of the Group's projects and the financial performance of the Group.

Equus Mining Limited
Directors' Report
For the Year Ended 30 June 2016

REMUNERATION REPORT - Audited (Con't)

Details of the nature and amount of each major element of the remuneration of each Director of the Company and other key management personnel of the Company and Group are:

| | Year | Short-term employee benefits | | Post Employment Benefits | Share based payments | Total |
|--------------------------------|------|------------------------------|-----------------|--------------------------|----------------------|---------|
| | | Primary Salary / Fees | Consulting Fees | Super-annuation | share options | |
| | | \$ | \$ | \$ | \$ | \$ |
| Executive Directors | | | | | | |
| Edward Leschke | 2016 | 150,000 | - | 14,250 | - | 164,250 |
| | 2015 | 150,000 | - | 14,250 | - | 164,250 |
| Non-Executive Directors | | | | | | |
| Norman Seckold ^ | 2016 | - | - | - | - | - |
| | 2015 | 8,306 | - | - | - | 8,306 |
| Robert Yeates ** | 2016 | 28,370 | - | - | - | 28,370 |
| | 2015 | - | - | - | - | - |
| Juerg Walker | 2016 | 30,000 | - | - | - | 30,000 |
| | 2015 | 30,000 | - | - | - | 30,000 |
| Mark Lochtenberg | 2016 | 30,000 | - | 2,850 | - | 32,850 |
| | 2015 | 21,774 | - | 2,069 | - | 23,843 |
| Total all directors | 2016 | 238,370 | - | 17,100 | - | 255,470 |
| | 2015 | 210,080 | - | 16,319 | - | 226,399 |

^ Ceased to be Director on 10 October 2014.

** Director since 20 July 2015.

Remuneration Structure - Audited

In accordance with best practice corporate governance, the structure of Executive Director and Non-Executive Director remuneration is separate and distinct.

Service contracts - Audited

In accordance with best practice corporate governance the company provided each key management personnel with a letter detailing the terms of appointment, including their remuneration.

Executive Directors - Audited

During the financial year ended 30 June 2016, only Edward Leschke was considered an Executive Director. His salary comprised of fixed remuneration plus 9.5% statutory superannuation paid through the Company's payroll.

Non Executive Directors - Audited

During the financial year ended 30 June 2016, the following Directors were considered Non Executive Directors:

- Mark Lochtenberg;
- Juerg Walker;
- Robert Yeates since 20 July 2015;

The salary component of Non-Executive Directors was made up of:

- fixed remuneration;
- 9.5% statutory superannuation for Australian resident directors pay through the Company's payroll; and
- an entitlement to receive options, subject to shareholders' approval.

The services of non-executive directors who are not paid through the Company's payroll system are provided by way of arrangements with related parties.

Equus Mining Limited
Directors' Report
For the Year Ended 30 June 2016

REMUNERATION REPORT - Audited (Con't)

Options granted as compensation - Audited

There are no options held by Directors over ordinary shares.

Modification of terms of equity-settled share-based payment transactions - Audited

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the 2016 and 2015 financial years.

Exercise of options granted as compensation - Audited

There were no shares issued on the exercise of options previously granted as compensation during the 2016 and 2015 financial years.

Options and rights over equity instruments - Audited

Directors or Key management personnel do not hold any options over unissued shares at the date of this report nor did they hold any at the reporting date.

Loans to key management personal and their related parties - Audited

There were no loans made to key management personnel or their related parties during the 2016 and 2015 financial years and no amounts were outstanding at 30 June 2016 (2015 - \$nil).

Other transactions with key management personnel - Audited

There were no other transactions with key management personnel or their related parties during 2016.

At 30 June 2016 there were salaries, superannuation and directors fees outstanding of \$114,862 (2015: \$Nil).

During 2015 certain key management persons, or their related parties, held positions in other entities that resulted in them having control or joint control over the financial or operating policies of those entities.

During the year ended 30 June 2015, Norman A. Seckold had control over an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group. Fees paid to Mining Services Trust during the year ended 30 June 2015 amounted to \$240,000. There were no amounts outstanding for the year ended 30 June 2015.

Movements in shares - audited

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

Fully paid ordinary shareholdings and transactions - 2016

| Key management personnel | Held at 1 July 2015 | Purchases | Sales | Held at 30 June 2016 |
|---------------------------------|----------------------------|------------------|--------------|-----------------------------|
| Mark H. Lochtenberg | 20,034,000 | 2,272,727 | - | 22,306,727 |
| Edward J. Leschke | 34,368,889 | - | - | 34,368,889 |
| Jurg M. Walker | 8,297,861 | - | - | 8,297,861 |
| Robert A. Yeates | - | 1,090,909 | - | 1,090,909 |

Equus Mining Limited
Directors' Report
For the Year Ended 30 June 2016

NON-AUDIT SERVICES

During the year ended 30 June 2016 KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

| | 2016 | 2015 |
|--|---------------|---------------|
| | \$ | \$ |
| Services other than audit and review of financial statements: | | |
| <i>Other services</i> | | |
| Taxation advisory services | <u>8,500</u> | - |
| | <u>8,500</u> | - |
| | | |
| Audit and review of financial statements | <u>76,900</u> | 86,750 |
| | <u>85,400</u> | <u>86,750</u> |

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the financial year ended 30 June 2016.

Signed at Sydney this 15th day of September 2016
in accordance with a resolution of the Board of Directors:



Mark H. Lichtenberg
Chairman



Edward J. Leschke
Managing Director



**Lead Auditor's Independence Declaration
under Section 307C of the *Corporations Act 2001* to the Directors of Equus Mining Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adam Twemlow
Partner
Brisbane

15 September 2016

Equus Mining Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|--------------------|--------------------|
| CONTINUING OPERATIONS | | | |
| Other income | 4 | 3,517 | 293,218 |
| Expenses | | | |
| Employee, directors and consultants costs | | (376,858) | (402,261) |
| Depreciation expense | | (937) | (862) |
| Travel expenses | | (9,290) | (7,546) |
| Reversal impairment of property | 27 | 70,819 | - |
| Gain on disposal of subsidiary | | 177,917 | - |
| Other expenses | 4 | (296,739) | (413,301) |
| Results from operating activities | | <u>(431,571)</u> | <u>(530,752)</u> |
| Finance income | 5 | 11,558 | 65,403 |
| Finance costs | 5 | (174,515) | (97,251) |
| Net finance income/(expense) | | <u>(162,957)</u> | <u>(31,848)</u> |
| Profit/(loss) before tax | | <u>(594,528)</u> | <u>(562,600)</u> |
| Tax benefit/(expense) | 6 | - | - |
| Profit/(loss) from continuing operations | | <u>(594,528)</u> | <u>(562,600)</u> |
| DISCONTINUED OPERATION | | | |
| Loss from discontinued operation (net of tax) | 28 | <u>(2,977,730)</u> | <u>(479,561)</u> |
| Loss for the year | | <u>(3,572,258)</u> | <u>(1,042,161)</u> |
| Other comprehensive income for the year | | | |
| Items that may be classified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 15 | 2,798,518 | 29,745 |
| Net change in fair value of available-for-sale financial assets | 10 | (174,515) | (97,251) |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | 10 | 174,515 | 97,251 |
| Total other comprehensive income/(loss) | | <u>2,798,518</u> | <u>29,745</u> |
| Total comprehensive loss for the year | | <u>(773,740)</u> | <u>(1,012,416)</u> |
| Loss for the year attributable to: | | | |
| Equity holders of the Company | | (3,573,850) | (1,048,648) |
| Non-controlling Interests | | 1,592 | 6,487 |
| | | <u>(3,572,258)</u> | <u>(1,042,161)</u> |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the Company | | (776,447) | (1,018,903) |
| Non-controlling Interests | | 2,707 | 6,487 |
| | | <u>(773,740)</u> | <u>(1,012,416)</u> |
| Earnings per share | | | |
| Basic and diluted loss per share attributable to ordinary equity holders (dollars) | 16 | (0.008) | (0.003) |
| Earnings per share - continuing operations | | | |
| Basic and diluted loss per share attributable to ordinary equity holders (dollars) | 16 | (0.001) | (0.002) |

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

Equus Mining Limited
Consolidated Statement of Financial Position
As at 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------------|------------------|
| Current Assets | | | |
| Cash and cash equivalents | 7 | 119,261 | 644,765 |
| Receivables | 8 | 13,378 | 5,120 |
| Assets held for sale | 27 | 70,819 | - |
| Other | 9 | 2,023 | 6,014 |
| Total Current Assets | | 205,481 | 655,899 |
| Non-Current Assets | | | |
| Available-for-sale financial assets | 10 | 27,976 | 194,503 |
| Exploration and evaluation expenditure | 11 | 1,534,227 | 1,073,712 |
| Property, plant and equipment | 12 | - | 937 |
| Total Non-Current Assets | | 1,562,203 | 1,269,152 |
| Total Assets | | 1,767,684 | 1,925,051 |
| Current Liabilities | | | |
| Payables | 13 | 435,504 | 229,377 |
| Total Current Liabilities | | 435,504 | 229,377 |
| Total Liabilities | | 435,504 | 229,377 |
| Net Assets | | 1,332,180 | 1,695,674 |
| Equity | | | |
| Share capital | 14 | 108,545,219 | 107,814,973 |
| Reserves | 15 | - | 144,000 |
| Foreign currency translation reserve | 15 | (465,579) | (3,262,982) |
| Accumulated losses | | (106,747,460) | (103,205,351) |
| Parent entity interest | | 1,332,180 | 1,490,640 |
| Non-controlling interests | 22 | - | 205,034 |
| Total Equity | | 1,332,180 | 1,695,674 |

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

Equus Mining Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

| | Share Capital | Accumulated Losses | Reserves | Total | Non-controlling Interest | Total Equity |
|---|--------------------|----------------------|--------------------|--------------------|--------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 106,622,162 | (102,156,703) | (3,148,727) | 1,316,732 | - | 1,316,732 |
| Profit/(Loss) for the year | - | (1,048,648) | - | (1,048,648) | 6,487 | (1,042,161) |
| Total other comprehensive income | - | - | 29,745 | 29,745 | - | 29,745 |
| Total comprehensive profit/(loss) for the year | - | (1,048,648) | 29,745 | (1,018,903) | 6,487 | (1,012,416) |
| Transactions with owners recorded directly in equity | | | | | | |
| Ordinary shares issued | 1,226,340 | - | - | 1,226,340 | - | 1,226,340 |
| Transaction costs on issue of shares | (33,529) | - | - | (33,529) | - | (33,529) |
| Changes in ownership interest in subsidiaries | | | | | | |
| Non-controlling interest on acquisition of subsidiaries | - | - | - | - | 198,547 | 198,547 |
| Balance at 30 June 2015 | 107,814,973 | (103,205,351) | (3,118,982) | 1,490,640 | 205,034 | 1,695,674 |
| Balance at 1 July 2015 | 107,814,973 | (103,205,351) | (3,118,982) | 1,490,640 | 205,034 | 1,695,674 |
| Profit/(Loss) for the year | - | (3,573,850) | - | (3,573,850) | 1,592 | (3,572,258) |
| Total other comprehensive income | - | - | 2,797,403 | 2,797,403 | 1,115 | 2,798,518 |
| Total comprehensive profit/(loss) for the year | - | (3,573,850) | 2,797,403 | (776,447) | 2,707 | (773,740) |
| Transactions with owners recorded directly in equity | | | | | | |
| Ordinary shares issued | 435,352 | - | - | 435,352 | - | 435,352 |
| Transaction costs on issue of shares | (25,106) | - | - | (25,106) | - | (25,106) |
| Transfer of expired options | - | 144,000 | (144,000) | - | - | - |
| Changes in ownership interest in subsidiaries | | | | | | |
| Acquisition of non-controlling interest | 320,000 | (112,259) | - | 207,741 | (207,741) | - |
| Balance at 30 June 2016 | 108,545,219 | (106,747,460) | (465,579) | 1,332,180 | - | 1,332,180 |

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

Equus Mining Limited
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 4,560 | 16,887 |
| Cash payments in the course of operations | | <u>(524,817)</u> | <u>(856,695)</u> |
| Net cash used in operations | | (520,257) | (839,808) |
| Interest received | | 3,570 | 12,283 |
| Net cash used in operating activities | 17 | <u>(516,687)</u> | <u>(827,525)</u> |
| Cash flows from investing activities | | | |
| Payments for exploration and development expenditure | | (419,063) | (823,250) |
| Proceeds from sale of plant and equipment | | - | 893,883 |
| Proceed from sale of tenement interest | | - | 41,249 |
| Net cash from/(used in) investing activities | | <u>(419,063)</u> | <u>111,882</u> |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 435,352 | 1,226,340 |
| Share issue expenses | | <u>(25,106)</u> | <u>(33,529)</u> |
| Net cash provided by financing activities | | 410,246 | 1,192,811 |
| Net increase / (decrease) in cash held | | (525,504) | 477,168 |
| Cash and cash equivalents at 1 July | | 644,765 | 167,597 |
| Effects of exchange rate fluctuations on cash held | | - | - |
| Cash and cash equivalents at 30 June | 17 | <u>119,261</u> | <u>644,765</u> |

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

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

1. REPORTING ENTITY

Equus Mining Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 2, 66 Hunter Street, Sydney, NSW, 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily engaged in identifying and evaluating coal resource opportunities in southern Chile, South America.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Directors on 15 September 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year, the Company raised \$410,246 (net of associated costs) through several placements.

The Group recorded a loss attributable to equity holders of the Company of \$3,573,850 for the year ended 30 June 2016 and has accumulated losses of \$106,747,460 as at 30 June 2016. The Group has cash on hand of \$119,261 at 30 June 2016 and used \$935,750 of cash in operations, including payments for exploration and evaluation, for the year ended 30 June 2016. Additional funding will be required to meet the Group's projected cash outflows for a period of 12 months from the date of the directors' declaration.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties and the Group reducing expenditure in-line with available funding. In addition, related parties of the Group will be required to continue to defer settlement of liabilities until the Group has sufficient working capital to repay these amounts without compromising the ability of the Group to continue as a going concern.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditure to the level of funding available and continue to defer settlement of liabilities to related parties. The related parties have provided confirmation of their continued support for the Group and have agreed to these deferred settlement conditions.

In the event that the Group does not obtain additional funding and/or continue to defer settlement of related party liabilities, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial statements.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

2. BASIS OF PREPARATION (Cont.)

(e) Use of estimates and judgements (Cont.)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 2(d) - Going concern;
- Note 6 - Income tax expense;
- Note 11 - Exploration and evaluation expenditure; and
- Note 29 – Acquisition of controlled entities.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by entities in the Group.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entities and the revenue can be reliably measured.

Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(b) Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as intangible exploration and evaluation assets on an area of interest basis, less any impairment losses. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to developing mine properties.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Depreciation rates

| <i>Class of assets</i> | <i>Depreciation basis</i> | <i>Depreciation rate</i> |
|-------------------------------|---------------------------|--------------------------|
| Computer and Office Equipment | Straight Line | 20% to 50% |
| Motor Vehicles | Straight Line | 10% to 20% |
| Building improvements | Straight Line | 10% |
| Plant & equipment | Straight Line | 20% |
| Office Fittings | Straight Line | 25% |

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

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 be settled within 12 months; otherwise they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. 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 comprise cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise trade and other payables.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(f) Trade and other receivables and payables

Trade receivables and payables are carried at amortised cost. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are discounted to determine the fair value.

(g) Impairment

Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For an investment in an equity security classified as available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group consider a decline of 20 per cent to be significant and a period of 9 months to be prolonged.

Financial assets measured at amortised cost

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised within profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Impairment (Cont.)

Non-financial assets

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Impairment losses are recognised in profit or loss.

Reversals of impairment

An impairment loss in respect of a financial asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of non-financial assets, an impairment loss is reversed if there has been a conclusive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(i) Income tax

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; or
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(k) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

Any references to functional currency, unless otherwise stated, are to the functional currency of the Company, Australian dollars.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(l) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

(q) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity securities

The fair values of investments in equity securities are determined with reference to the quoted market price that is most representative of the fair value of the security at the measurement date.

Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), expected dividends, and the risk-free interest rate (based on government bonds).

The grant-date fair value of share-based payment awards is recognised as an expense, with a corresponding increase in equity, over the period that the recipient unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Service and non-market performance conditions are not taken into account in determining fair value.

Equus Mining Limited

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(r) Assets held for sale, and discontinued operations

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for the Company's annual reporting period beginning 1 July 2018 and can be early adopted. The Company does not plan to adopt this standard early and the standard is not expected to have a significant effect on the financial statements.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

4. LOSS FROM OPERATING ACTIVITIES

| | Continuing operations | | Discontinued operations* | | Total | Total |
|---|-----------------------|------|--------------------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue from ordinary activities | - | - | 1,043 | 7,756 | 1,043 | 7,756 |

The Group generated rental income from the provision of equipment from its subsidiary JSC Sherik

*Discontinued - see Note 28.

| | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Other income | | |
| Recognised in profit or loss | | |
| Gain on sale of tenement interest | - | 279,883 |
| Other | 3,517 | 13,335 |
| | 3,517 | 293,218 |
| Other expenses | | |
| Administration costs | 25,585 | 32,871 |
| Accounting and secretarial fees | 58,237 | 61,220 |
| Commissions | 29,809 | 37,500 |
| Insurance | 14,234 | 10,269 |
| ASIC and ASX fees | 24,403 | 17,159 |
| Share registry fees | 12,074 | 22,078 |
| Legal fees | 846 | 46,885 |
| Audit and review services – KPMG | 76,900 | 86,750 |
| Other services – KPMG | 8,500 | - |
| Other expenses | 46,151 | 98,569 |
| | 296,739 | 413,301 |

5. FINANCE INCOME AND FINANCE COSTS

Recognised in profit and loss

| | | |
|----------------------------------|---------------|---------------|
| Interest income on cash deposits | 3,570 | 12,283 |
| Foreign exchange gain | 7,988 | 53,120 |
| | 11,558 | 65,403 |

| | | |
|---|------------------|-----------------|
| Impairment of available-for-sale investments reclassified to profit or loss | (174,515) | (97,251) |
| Net finance income/(costs) recognised in profit or loss | (162,957) | (31,848) |

Recognised in other comprehensive income

| | | |
|--|------------------|----------|
| Net change in fair value of available-for-sale financial assets | (174,515) | (97,251) |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | 174,515 | 97,251 |
| Finance cost recognised in other comprehensive income, net of tax | - | - |

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|---|----------------|---------------|
| | \$ | \$ |
| 6. INCOME TAX EXPENSE | | |
| Current tax expense | | |
| Current year | (163,599) | (18,289) |
| Overprovision in prior year | - | - |
| Losses not recognised | <u>163,599</u> | <u>18,289</u> |
| | - | - |
| <i>Numerical reconciliation of income tax expense to prima facie tax payable:</i> | | |
| Loss before tax | 3,572,258 | 1,042,161 |
| Prima facie income tax benefit at the Australian tax rate of 30% (2015 - 30%) | (1,071,677) | (312,648) |
| Decrease in income tax benefit due to: | | |
| - non-deductible expenses | 842,724 | 272,075 |
| - overprovision in prior year | - | - |
| - tax losses not recognised | 163,599 | 16,343 |
| - effect of net deferred tax assets not brought to account | <u>65,354</u> | <u>24,230</u> |
| Income tax expense/(benefit) | <u>-</u> | <u>-</u> |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | | |
|--------------------------------------|-------------------|-------------------|
| Capital losses | 6,761,076 | 6,845,041 |
| Tax losses | 3,343,838 | 3,141,021 |
| Net deductible temporary differences | <u>371,697</u> | <u>298,812</u> |
| Potential tax benefit at 30% | <u>10,476,611</u> | <u>10,284,874</u> |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there-from.

| | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| 7. CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 88,010 | 98,536 |
| Deposits at call | <u>31,251</u> | <u>546,229</u> |
| | <u>119,261</u> | <u>644,765</u> |

8. RECEIVABLES

Current

| | | |
|----------------|---------------|--------------|
| Sundry debtors | <u>13,378</u> | <u>5,120</u> |
|----------------|---------------|--------------|

Trade and sundry debtors are non-interest bearing and generally on 30-day terms.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

2016 **2015**
\$ **\$**

9. OTHER ASSETS

Current

Prepayments

2,023 6,014

10. INVESTMENTS

Equity securities - available-for-sale at fair value

27,976 194,503

At 30 June 2016 the Directors compared the carrying value of the 1,861,150 shares held in Blox Inc., a US over the counter traded company to market value and recorded a reduction in fair value within equity of \$174,515 (2015 - \$97,251) based on a closing share price of US\$0.011 at 30 June 2016. The decrease in fair value of \$174,515 has been reclassified in profit or loss. A foreign exchange gain of \$7,988 has also been recorded on translation of the USD investment.

2016 **2015**
\$ **\$**

11. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

Carrying amount at the beginning of the year

1,073,712 43,092

Additions

467,568 665,924

Acquisitions (including non-controlling interest)

- 353,545

Foreign currency translation movement

(7,053) 11,151

Balance carried forward

1,534,227 1,073,712

The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

2016 **2015**
\$ **\$**

12. PROPERTY, PLANT AND EQUIPMENT

Furniture and fittings - at cost

1,892 1,892

Accumulated depreciation

(1,892) (955)

Net book value

- 937

Office equipment - at cost

2,785 2,785

Accumulated depreciation

(2,785) (2,785)

Net book value

- -

Property – at cost

192,710 192,710

Accumulated depreciation

(192,710) (192,710)

Net book value

- -

Total property, plant and equipment net book value

- 937

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|--|----------|------------|
| | \$ | \$ |
| 12. PROPERTY, PLANT AND EQUIPMENT (Cont.) | | |
| <i>Reconciliation:</i> | | |
| Carrying amount at the beginning of the year | 937 | 1,775 |
| Disposals | - | - |
| Depreciation | (937) | (862) |
| Impairment reversal | 70,819 | - |
| Transfer to assets held for sale | (70,819) | - |
| Foreign currency translation movement | - | 24 |
| Carrying amount at the end of the year | <u>-</u> | <u>937</u> |

13. TRADE AND OTHER PAYABLES

Current liabilities

| | | |
|------------------------------|----------------|----------------|
| Trade creditors and accruals | 428,142 | 216,025 |
| Employee leave entitlements | 7,362 | 13,352 |
| | <u>435,504</u> | <u>229,377</u> |

14. ISSUED CAPITAL

| | | |
|--|--------------------|--------------------|
| 434,873,094 (2015: 379,295,675) fully paid ordinary shares | <u>108,545,219</u> | <u>107,814,973</u> |
|--|--------------------|--------------------|

| | 2016 | | 2015 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | N ^o | \$ | N ^o | \$ |
| Fully paid ordinary shares | | | | |
| Balance at beginning of financial year | 379,295,675 | 107,814,973 | 256,661,675 | 106,622,162 |
| Issued ordinary shares 28 August 2014 for \$0.01 | - | - | 52,100,000 | 521,000 |
| Issued ordinary shares 2 September 2014 for \$0.01 | - | - | 22,500,000 | 225,000 |
| Issued ordinary shares 3 October 2014 for \$0.01 | - | - | 12,534,000 | 125,340 |
| Issued ordinary shares 16 January 2015 for \$0.01 | - | - | 30,500,000 | 305,000 |
| Issued ordinary shares 3 March 2015 for \$0.01 | - | - | 5,000,000 | 50,000 |
| Less cost of issue | - | - | - | (33,529) |
| Issued ordinary shares 31 July 2015 – non-cash ¹ | 16,000,000 | 320,000 | - | - |
| Issued ordinary shares 19 October 2015 for \$0.011 | 36,213,783 | 398,352 | - | - |
| Issued ordinary shares 16 December 2015 for \$0.011 | 3,363,636 | 37,000 | - | - |
| Less cost of issue | - | (25,106) | - | - |
| | <u>434,873,094</u> | <u>108,545,219</u> | <u>379,295,675</u> | <u>107,814,973</u> |

¹ Shares issued on 31 July 2015 relate to the acquisition of the remaining 49% shareholding in Andean Coal Pty Ltd. Refer Note 29.

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

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

| | 2015 | 2014 |
|--|--------------------|--------------------|
| | \$ | \$ |
| 15. RESERVES | | |
| Equity based compensation reserve (a) | - | 144,000 |
| Foreign currency translation reserves (b) | (465,579) | (3,292,727) |
| | (465,579) | (3,148,727) |
| Movements during the period: | | |
| (a) Equity based compensation reserve | | |
| Balance at beginning of period | 144,000 | 164,700 |
| Expired options | (144,000) | (20,700) |
| Balance at end of period | - | 144,000 |
| (b) Foreign currency translation reserves | | |
| Balance at beginning of period | (3,262,982) | (3,292,727) |
| Transfer of foreign currency translation reserve to loss on disposal of subsidiary in profit or loss – discontinued operations | 2,976,499 | - |
| Transfer of foreign currency translation reserve to gain on disposal of subsidiary in profit or loss | (177,981) | - |
| Currency translation differences | (1,115) | 29,745 |
| Balance at end of period continuing operations | (465,579) | (3,262,982) |

Nature and purpose of reserves

Equity based compensation reserve:

The equity based compensation reserve is used to record the fair value of options issued but not exercised.

Foreign currency translation reserve:

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

16. LOSS PER SHARE

| | 2016 | | | 2015 | | |
|---|-----------------------|-------------------------|--------------------|-----------------------|-------------------------|-------------|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Basic and diluted profit/(loss) per share: | | | | | | |
| Net profit/(loss) for the year attributable to equity holders of the parent | (596,120) | (2,977,730) | (3,573,850) | (569,087) | (479,561) | (1,048,648) |

Weighted average number of ordinary shares (basic and diluted)

| | 2016 | 2015 |
|---|--------------------|-------------|
| Issued ordinary shares at beginning of year | 379,295,675 | 256,661,675 |
| Effect of shares issued (Note 14) | 41,686,205 | 86,922,685 |
| Weighted average ordinary shares at the end of the year | 420,981,880 | 343,584,360 |

As the Group is loss making, none of the potentially dilutive securities are currently dilutive in the calculation of total earnings per share.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| 17. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash flows from operating activities | | |
| Loss for the year | <u>(3,572,258)</u> | <u>(1,042,161)</u> |
| Non-cash items | | |
| Depreciation | 937 | 862 |
| Impairment of available for sale financial assets | 174,515 | 97,251 |
| Impairment/(reversal of impairment) of property, plant and equipment | (70,819) | 494,266 |
| Foreign currency exchange loss/(gain) | (7,988) | (53,120) |
| Gain on disposal of subsidiary | (177,917) | - |
| Loss on sale of subsidiary, net of cash | 2,976,499 | - |
| Changes in assets and liabilities | | |
| Decrease/(increase) in receivables | (8,258) | 20,187 |
| Decrease/(increase) in other assets | 3,991 | (183,034) |
| (Decrease)/Increase in payables | 170,601 | (152,190) |
| (Decrease)/Increase in other liabilities | (5,990) | (9,586) |
| Net cash used in operating activities | <u>(516,687)</u> | <u>(827,525)</u> |
| Reconciliation of cash | | |
| For the purposes of the statement of cash flows, cash includes cash on hand and at bank and cash on deposit net of bank overdrafts and excluding security deposits. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: | | |
| Cash and cash equivalents | <u>119,261</u> | <u>644,765</u> |

18. RELATED PARTIES

Parent and ultimate controlling party

Equus Mining Limited is both the parent and ultimate controlling party of the Group.

Key management personnel and director transactions

During the year ended 30 June 2016, No key management persons, or their related parties, held positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

During the year ended 30 June 2015, Norman A. Seckold had control over an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust during the year ended 30 June 2015 amounted to \$240,000.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

Information regarding individual key management personnel's compensation and some equity instruments disclosures as permitted by *Corporations Act* and Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Director's Report.

| | 2016 | 2015 |
|--|----------------|---------|
| | \$ | \$ |
| Key management personnel compensation | | |
| Primary fees/salary | 238,370 | 210,080 |
| Superannuation | 17,100 | 16,319 |
| | 255,470 | 226,399 |

At 30 June 2016 \$114,862 of fees were outstanding including superannuation (2015 - Nil). The key management personnel to which outstanding amounts are owed have signed confirmations agreeing to defer settlement of these amounts until such time as the Company has sufficient working capital to make repayment. There were no loans made to key management personnel or their related parties during the 2016 and 2015 financial years.

The Board reviews remuneration arrangements annually based on services provided. Apart from the details disclosed in this note, there were no material contracts involving Directors' interest's existing at year-end.

20. SHARE BASED PAYMENTS

The Company makes share based payments to consultants and/or service providers from time to time, not under any specific plan. The Company also may issue options to directors of the parent entity. Specific shareholder approval is obtained for any share based payments to directors of the parent entity.

Options outstanding at 30 June 2016

There were no options outstanding at 30 June 2016.

Movement of options during the year ended 30 June 2016

| Grant date | Outstanding at the beginning of the year | Granted during the year | Cancelled during the year | Exercised during the year | Expired during the year | Outstanding at the end of the year | Exercisable at the end of the year |
|------------------|--|-------------------------|---------------------------|---------------------------|-------------------------|------------------------------------|------------------------------------|
| 13 November 2012 | 1,000,000 | - | - | - | (1,000,000) | - | - |
| 13 November 2012 | 1,000,000 | - | - | - | (1,000,000) | - | - |
| 13 November 2012 | 1,000,000 | - | - | - | (1,000,000) | - | - |
| 13 November 2012 | 1,000,000 | - | - | - | (1,000,000) | - | - |
| | 4,000,000 | - | - | - | (4,000,000) | - | - |

Options outstanding at 30 June 2015

| Grant date | Number of options | Exercise price | Fair value at grant date | Vesting Date | Expiry date |
|------------------|-------------------|----------------|--------------------------|---------------|------------------|
| 13 November 2012 | 1,000,000 | \$0.075 | \$0.044 | 31 March 2013 | 13 November 2015 |
| 13 November 2012 | 1,000,000 | \$0.150 | \$0.037 | 31 March 2013 | 13 November 2015 |
| 13 November 2012 | 1,000,000 | \$0.200 | \$0.033 | 31 March 2013 | 13 November 2015 |
| 13 November 2012 | 1,000,000 | \$0.250 | \$0.030 | 31 March 2013 | 13 November 2015 |

Movement of options during the year ended 30 June 2015

| Grant date | Outstanding at the beginning of the year | Granted during the year | Cancelled during the year | Exercised during the year | Expired during the year | Outstanding at the end of the year | Exercisable at the end of the year |
|------------------|--|-------------------------|---------------------------|---------------------------|-------------------------|------------------------------------|------------------------------------|
| 13 November 2012 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| 13 November 2012 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| 13 November 2012 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| 13 November 2012 | 1,000,000 | - | - | - | - | 1,000,000 | 1,000,000 |
| | 4,000,000 | - | - | - | - | 4,000,000 | 4,000,000 |

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments comprise deposits with banks, receivables, trade and other payables and from time to time short term loans from related parties. The Group does not trade in derivatives.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risks. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The primary responsibility to monitor the financial risks lies with the Managing Director and the Company Secretary under the authority of the Board.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors rolling forecasts of liquidity based on expected fund raisings, trade payables and other obligations for the ongoing operation of the Group. At balance date, the Group has available funds of \$119,261 for its immediate use.

The following are the contractual maturities of financial liabilities:

| Financial liabilities | Carrying amount | Contractual cash flows | Less than 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
|------------------------------|------------------------|-------------------------------|---------------------------|-----------------------|---------------------|--------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade and other payables | | | | | | |
| 30 June 2016 | 435,504 | (435,504) | (435,504) | - | - | - |
| 30 June 2015 | 229,377 | (229,377) | (229,377) | - | - | - |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure as follows:

| | | |
|---------------------------|----------------|---------|
| | 2016 | 2015 |
| | \$ | \$ |
| Cash and cash equivalents | 119,261 | 644,765 |
| Receivables | 13,378 | 5,120 |
| | 132,639 | 649,885 |

Cash and cash equivalents

At 30 June 2016, the Group held cash and cash equivalents of \$119,261 (2015: \$644,765), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable banks and financial institution counterparties, which are rated AA- to AAA+, based on rating agency 'Moody's rating'.

Receivables

For the year ended 30 June 2016, the Group does not hold a significant value of trade receivables, and therefore has minimal exposure to credit risk.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses.

At year-end, the interest rate risk profile of the Group's interest bearing financial instruments was:

| | 2016 | 2015 |
|---------------------------|----------------|---------|
| | \$ | \$ |
| Cash and cash equivalents | 119,261 | 664,765 |

There are no fixed rate instruments (2015 - \$nil).

The Group does not have interest rate swap contracts. The Group has two interest bearing accounts from where it draws cash when required to pay liabilities as they fall due. The Group normally invests its funds in the two interest bearing accounts to maximise the available interest rates. The Group analyses its interest rate exposure when considering renewals of existing positions including alternative financing arrangements.

Sensitivity analysis

A change of 100 basis points in interest rates at the current and prior reporting date would have increased/(decreased) equity and loss for the period by an immaterial amount.

Currency risk

The Group has a bank account denominated in USD totalling \$59,676 at 30 June 2016 (2015 – Nil). Changes in the United States to the Australian dollar do not result in any significant impact in the profit or loss for the consolidated Group in relation to the 30 June 2016 USD bank account balance, and therefore the Group has minimal exposure to currency risk.

Price risk

The Group is exposed to equity securities prices risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale.

The Group's investments are publicly traded on the Over-The-Counter-Market ('OTC market') in the USA.

The table below summarises the impact of increases/decreases of the bid price on the Group's post-tax profit for the year and on equity

| | Impact on post-tax profit | | Impact on other components of equity | |
|------------------------------------|---------------------------|----------|--------------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Blox-Inc. - 10% bid price increase | 2,798 | 19,450 | 2,798 | 19,450 |
| Blox-Inc. - 10% bid price decrease | (2,798) | (19,450) | (2,798) | (19,450) |

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)

Capital management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements on the Group.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of cash levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Estimation of Fair Values

The carrying amounts of financial assets and financial liabilities included in the balance sheet approximate fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those instruments valued based on 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).
- Level 3 - fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|---------------|---------|----------------|
| | \$ | \$ | \$ | \$ |
| Available-for-sale financial assets | | | | |
| 30 June 2016 | - | 27,976 | - | 27,976 |
| 30 June 2015 | 194,503 | - | - | 194,503 |

All available for sale financial assets relate to investments held in quoted equity securities and were designated as available-for-sale financial assets.

Transfers between Levels 1 and 2

At 30 June 2016, available-for-sale investments with a carrying value of \$27,976 were transferred from Level 1 to Level 2 because the market for such securities was no longer considered to be active and quoted prices were no longer considered to be regularly available.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

22. CONTROLLED ENTITIES

Parent entity

Equus Mining Limited is an Australian incorporated company listed on the Australian Securities Exchange.

| Wholly owned controlled entities | Country of incorporation | Ownership Interest | |
|--|--------------------------|--------------------|------|
| | | 2016 | 2015 |
| | | % | % |
| Hotrock Enterprises Pty Ltd (ii) | Australia | 100 | 100 |
| Okore Mining Pty Ltd (iii) | Australia | 100 | 100 |
| Dataloop Pty Ltd | Australia | 100 | 100 |
| Textonic Consulting Limited (i) | Canada | - | 100 |
| Equus Resources Limited (iv) | Australia | 100 | 100 |
| (i) Subsidiaries of Textonic Consulting Limited | | | |
| JSC Sherik | Kyrgyz Republic | - | 100 |
| (ii) Subsidiary of Hotrock Enterprises Pty Ltd | | | |
| Derrick Pty Ltd | Australia | 100 | 100 |
| Andean Coal Pty Ltd (vii) | Australia | 100 | 51 |
| (vii) Subsidiary of Andean Coal Pty Ltd | | | |
| Minera Carbones Del Sur Limitada | Chile | 99.9 | 99.9 |
| (iii) Subsidiary of Okore Mining Pty Ltd | | | |
| Leo Shield Exploration Ghana Ltd | Ghana | 100 | 100 |
| (iv) Subsidiary of Equus Resources Limited | | | |
| Equus Resources Chile SpA (v) | Chile | 100 | 100 |
| Minera Equus Chile Ltda | Chile | 99.9 | 99.9 |
| (v) Subsidiary of Equus Resources Chile SpA | | | |
| Minera Equus Chile Ltda | Chile | 0.1 | 0.1 |

On 31 July 2015, the Company, under the terms of the Share Subscription Deed, exercised the option to acquire the remaining 49% interest in Andean Coal Pty Ltd for the consideration of 16,000,000 ordinary shares in Equus (refer Note 29).

On 17 March 2016, Textonic Consulting Limited sold 100% of the share capital in its subsidiary entity JSC Sherik for consideration of KGS100,000 (AUD\$2,000).

On 11 May 2016, Textonic Consulting Limited was deregistered.

23. COMMITMENTS

Exploration expenditure commitments

The Group does not have any minimum expenditure commitments in relation to its mineral interests in the Magallanes Basin in southern Chile at the date of this report. The Group's mineral interests in West Africa are subject to farm-in and joint venture agreements, under the terms of which the farm-in partners are responsible for the annual rates and rents relating to those properties.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

24. OPERATING SEGMENTS

The Group's chief operating decision maker has considered the requirements of AASB 8, Operating Segments, and has concluded that, during the year ended 30 June 2016, the Group operated in the mineral exploration and the oil exploration industry within the geographical segments of Australia, Chile, Ghana and Kyrgyz Republic. The oil exploration segment was discontinued during the year ended 30 June 2013 and JSC Sherik was disposed of on 17 March 2016.

| | Oil Exploration (discontinued) | Mineral Exploration | Investing | Total |
|--|---|--------------------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| 30 June 2016 | | | | |
| External revenues | 1,043 | - | - | 1,043 |
| Reportable segment profit /(loss) before tax | (2,977,730) | 42,888 | (163,017) | (3,097,859) |
| Interest income | - | 60 | 3,510 | 3,570 |
| Interest expense | - | - | - | - |
| Depreciation | - | (937) | - | (937) |
| Other material non-cash items: | | | | |
| Impairment of investment | - | - | (174,515) | (174,515) |
| Reversal impairment plant and equipment | - | 70,819 | - | 70,819 |
| Reportable segment assets | - | 1,617,432 | 27,976 | 1,645,408 |
| Reportable segment liabilities | - | 16,409 | - | 16,409 |
| 30 June 2015 | | | | |
| External revenues | 7,756 | - | - | 7,756 |
| Reportable segment loss before tax | (479,561) | (50,543) | 247,909 | (282,195) |
| Interest income | - | 126 | 12,157 | 12,283 |
| Interest expense | - | - | - | - |
| Depreciation | - | (862) | - | (862) |
| Other material non-cash items: | | | | |
| Impairment of investment | - | - | (97,251) | (97,251) |
| Reportable segment assets | 28,557 | 1,137,282 | 194,644 | 1,360,483 |
| Reportable segment liabilities | 37,233 | 27,257 | - | 64,490 |
| Reconciliations of reportable segment revenues and profit or loss | | | | |
| | | | 2016 | 2015 |
| | | | \$ | \$ |
| Revenues | | | | |
| Total revenue for reportable segments | | | 1,043 | 7,756 |
| Elimination of discontinued operations disposed (Note 28) | | | (1,043) | (7,756) |
| Consolidated revenue | | | - | - |
| Profit or loss | | | | |
| Total loss for reportable segments | | | (3,097,859) | (282,195) |
| Elimination of discontinued operations (Note 28) | | | 2,977,730 | 479,561 |
| Unallocated amounts: | | | | |
| Proceeds from other income | | | 3,517 | 9,130 |
| Net other corporate expenses | | | (477,916) | (769,096) |
| Consolidated loss before tax from continuing operations | | | (594,528) | (562,600) |

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

24. OPERATING SEGMENTS (Cont.)

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Reconciliations of reportable segment revenues and profit or loss (Cont.) | | |
| Assets | | |
| Total assets for reportable segments | 1,645,408 | 1,360,483 |
| Unallocated corporate assets | 122,276 | 564,568 |
| Consolidated total assets | <u>1,767,684</u> | <u>1,925,051</u> |
| Liabilities | | |
| Total liabilities for reportable segments | 16,409 | 64,490 |
| Unallocated corporate liabilities | 419,095 | 164,887 |
| Consolidated total liabilities | <u>435,504</u> | <u>229,377</u> |

Geographical information

In presenting information on the basis of geography, segment revenue and segment assets are based on the geographical location of the operations.

| | 2016 | | 2015 | |
|------------------------------|---------|--------------------|----------|--------------------|
| | Revenue | Non-current assets | Revenues | Non-current assets |
| | \$ | \$ | \$ | \$ |
| Australia | - | - | - | - |
| All foreign locations | | | | |
| - Kyrgyz Republic | 1,043 | - | 7,756 | - |
| - Ghana | - | - | - | 937 |
| - Chile | - | 1,337,589 | - | 877,075 |

The geographical information excludes financial instruments in determining non-current assets.

25. SUBSEQUENT EVENTS

No matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

26. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2016 the parent entity of the Group was Equus Mining Limited.

| | Company | |
|--|--------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Result of the parent entity | | |
| Net (loss)/profit | (1,449,415) | (454,689) |
| Other comprehensive income | - | - |
| Total comprehensive profit/(loss) | (1,449,415) | (454,689) |
| Financial position of the parent entity at year end | | |
| Current assets | 122,276 | 564,709 |
| Non-current assets | 27,976 | 194,503 |
| Total assets | 150,252 | 759,212 |
| Current liabilities | 419,096 | 164,887 |
| Non-current liabilities | - | - |
| Total liabilities | 419,096 | 164,887 |
| Net assets | (268,844) | 594,325 |
| Equity | | |
| Share capital | 108,545,219 | 107,814,973 |
| Accumulated losses | (108,814,063) | (107,364,648) |
| Fair value reserve | - | - |
| Equity based compensation reserve | - | 144,000 |
| Option premium reserve | - | - |
| Total equity | (268,844) | 594,325 |

The Directors are of the opinion that no contingencies existed at, or subsequent to year end.

27. ASSETS HELD FOR SALE

The Naltagua property held in the Republic of Chile which is within the mining exploration segment of the Group has been presented as assets held for sale following Group management's decision to sell the property.

A Sale and Purchase Agreement was executed during July 2016. The consideration under the agreement was for CLP\$38 million (AUD\$76,889). This asset was not classified as assets held for sale at 30 June 2015.

| | 2016 | 2015 |
|---|---------------|------|
| | \$ | \$ |
| As at 30 June assets held for sale comprised the following: | | |
| Property, plant and equipment – Land | 70,819 | - |

During the year ended 30 June 2016, the Group determined to reverse \$70,819 of the impairment processed during 2014 for the Naltagua property. No impairment/reversal was recorded in the prior year.

Equus Mining Limited
Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2016

28. DISCONTINUED OPERATIONS

In September 2012 the Group committed to discontinue its oil exploration segment. On 6 February 2015 the Group sold the segment fixed assets and consumables for US\$700,000. On 17 March 2016 the Group sold its 100% interest in JSC Sherik for consideration of KGS100,000 (AUD\$2,000).

| | 2016 | 2015 |
|---|--------------------|------------------|
| | \$ | \$ |
| Results of discontinued operation | | |
| Revenue | 1,043 | 7,756 |
| Other income | 113,410 | 211,277 |
| Expenses | <u>(115,684)</u> | <u>(204,328)</u> |
| Results from operating activities | (1,231) | 14,705 |
| Income tax expense | - | - |
| Results from operating activities, net of income tax | (1,231) | 14,705 |
| Loss on sale of discontinued operation (including transfer of foreign currency translation reserve to profit or loss) | (2,976,499) | - |
| Impairment of assets held for sale | - | <u>(494,266)</u> |
| Income tax on loss on sale of discontinued operation | - | - |
| Loss for the year | (2,977,730) | (479,561) |
| Basic and diluted loss per share | (0.007) | (0.001) |
| Cash flows from (used in) discontinued operation | | |
| Net cash used in operating activities | (96,182) | (201,455) |
| Net cash from investing activities | 1,043 | 183,660 |
| Net cash from financing activities | - | - |
| Net cash flows for the year | (95,139) | (17,795) |

29. ACQUISITION OF CONTROLLED ENTITIES

On 1 November 2014, the Company acquired a 51% interest in Andean Coal Pty Ltd ('Andean'). The Company paid \$200,000 for exploration and administration expenditure relating to Andean's subsidiary Minera Carbones Del Sur Limitada, a company incorporated in Chile. Minera Carbones Del Sur Limitada holds exploration licences covering three projects, Mina Rica, Rubens and Perez in the Magallanes Basin in southern Chile.

On 31 July 2015 the Company, under the terms of the Share Subscription Deed, exercised the option to acquire the remaining 49% of Andean for the consideration of 16 million ordinary shares in Equus (refer Note 14).

Equus Mining Limited Directors' Declaration

1. In the opinion of the Directors of Equus Mining Limited (the 'Company'):
 - (a) the consolidated financial statements and notes thereto, set out on pages 16 to 43, and the Remuneration Report as set out on pages 11 to 13 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required under section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.
3. The Director's draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney this 15th day of September 2016 in accordance with a resolution of the Board of Directors:



Mark H. Lochtenberg
Director



Edward J. Leschke
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUUS MINING LIMITED



Report on the financial report

We have audited the accompanying financial report of Equus Mining Limited (the 'Company'), which comprises the Consolidated Statement of Financial Position as at 30 June 2016, and Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, Notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 is free from material misstatement whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for 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(a).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUUS MINING LIMITED



Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2(d), "Going Concern", in the financial report. The conditions disclosed in Note 2(d), including the need to raise additional funding from shareholders or other parties, the Group reducing expenditure in-line with available funding and related parties continuing to defer settlement of liabilities, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 13 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 auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Equus Mining Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, slightly slanted font.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

KPMG
15 September 2016

Adam Twemlow
Partner
Brisbane

EQUUS MINING LIMITED

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information as at 31 August 2016 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Perth.

Audit Committee

As at the date of the Directors' Report, an audit committee of the Board of Directors is not considered warranted due to the composition of the Board and the size, organisational complexity and scope of operations of the Group.

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion, which the amount paid up bears to the issue price for the share.

Distribution of Shareholders

The total distribution of fully paid shareholders as at 31 August 2016 was as follows:

| Range | Total Shareholders | Total Number of Shares |
|------------------|-----------------------|------------------------------|
| 1 - 1,000 | 268 | 126,621 |
| 1,001 - 5,000 | 336 | 966,984 |
| 5,001 - 10,000 | 340 | 3,080,392 |
| 10,001 - 100,000 | 680 | 22,372,401 |
| 100,001 and over | 284 | 408,326,696 |
| Total | 1,908 | 434,873,094 |

Less than Marketable Parcels

On 31 August 2016, 1,513 shareholders held less than marketable parcels of 55,555 shares.

On Market Buy Back

There is no current on-market buy-back.

Substantial Holders

The name of the substantial shareholders in Equus Mining Limited as advised to the Company are set out below.

| | Number of Ordinary Shares |
|--|------------------------------|
| Permgold Pty Ltd | 34,377,420 |
| Augusta Enterprises Pty Ltd | 33,619,471 |
| Mark Lochtenberg <The Rigi Super Fund A/C> | 22,306,727 |

EQUUS MINING LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION

Twenty Largest Shareholders

As at 31 August 2016, the twenty largest quoted shareholders held 54.35% of the fully paid ordinary shares as follows:

| | Name | Number | % |
|----|---|---------------|----------|
| 1 | Permgold Pty Ltd | 34,377,420 | 7.91 |
| 2 | Augusta Enterprises Pty Ltd | 33,619,471 | 7.73 |
| 3 | Mark Hamish Lochtenberg & Michael Lochtenberg <The Rigi Super Fund A/C> | 22,306,727 | 5.10 |
| 4 | JP Morgan Nominees Australia Limited | 20,966,501 | 4.82 |
| 5 | HSBC Custody Nominees (Australia) Limited | 18,553,602 | 4.20 |
| 6 | Sambas Energy Pty Ltd | 16,000,000 | 3.68 |
| 7 | Peter John Bartter | 15,000,000 | 3.45 |
| 8 | Cynthia Wardman | 11,000,000 | 2.53 |
| 9 | Annlew Investments Pty Ltd < Annlew Investments PL SF A/C> | 8,361,112 | 1.92 |
| 10 | John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C> | 8,096,566 | 1.86 |
| 11 | Tetramin Pty Ltd <Perring Superannuation A/C> | 8,000,000 | 1.84 |
| 12 | Lewis Super Admin Pty Limited <Lewis Super Fund A/C> | 5,192,384 | 1.19 |
| 13 | John Desmond Martin | 5,000,000 | 1.15 |
| 14 | Rosignol Pty Ltd <Nightingale Family A/C> | 5,000,000 | 1.15 |
| 15 | DRYCA Pty Ltd <DRYC Employees Ret/F A/C> | 5,000,000 | 1.15 |
| 16 | Citicorp Nominees Pty Limited | 4,653,266 | 1.07 |
| 17 | Peter David Koller | 4,500,000 | 1.04 |
| 18 | Colvic Pty Ltd | 3,600,000 | 0.83 |
| 19 | CRX Investments Pty Limited | 3,582,943 | 0.82 |
| 20 | Glen Whisson & Tania Whisson <Aqua Research & Market A/C> | 3,562,976 | 0.81 |

The number of holders in each class of securities

As at 31 August 2016, the numbers of holders in each class of securities on issue were as follows:

| Type of security | Number of holders | Number of securities |
|-------------------------|--------------------------|-----------------------------|
| Ordinary shares | 1,908 | 434,873,094 |

Escrow securities

As at 31 August 2016, there were escrow securities.

EQUUS MINING LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION

Group Mineral Concession Interests at 31 August 2016

The Company provides the following information regarding its mining tenements:

| Project | Location | Tenement | Ownership | % interest | Type of Tenement | |
|------------------|-----------------|----------------------------------|----------------------------------|----------------------------------|-------------------------|-------------|
| Mina Rica | Chile | Mina Rica 1 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 2 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 4 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 6 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 8 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 11 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 12 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 15 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 16 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 19 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 20 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 23 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 26 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 29 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 30 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Mina Rica 31 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 1 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 2 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 3 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 4 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 5 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 6 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 7 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 8 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 9 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 10 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 11 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 12 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 14 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 15 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Chile | Kol 16 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| | Rubens | Chile | Rio Rubens Este 1 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | | Chile | Rio Rubens Este 2 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| Chile | | Rio Rubens Este 3 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens Este 4 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens Este 5 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens Este 6 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens Este 7 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 1 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 2 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 3 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 4 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 5 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 6 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 7 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 8 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 9 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | | Rio Rubens 10 | Minera Carbones Del Sur Limitada | 100 | Exploration | |
| Chile | Rio Rubens 11 | Minera Carbones Del Sur Limitada | 100 | Exploration | | |

EQUUS MINING LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION

| Project | Location | Tenement | Ownership | % interest | Type of Tenement |
|----------------|-----------------|-----------------|----------------------------------|-------------------|-------------------------|
| Perez | Chile | Rio Perez A | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez B | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez C | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez D | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez E | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez F | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez G | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Rio Perez H | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 1 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 2 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 3 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 4 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 5 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 6 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 7 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 8 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 9 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 10 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 11 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 12 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 13 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 14 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 15 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 16 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 17 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 18 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 19 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 20 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 21 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 22 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 23 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 24 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 25 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 26 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 27 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 28 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 29 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 30 | Minera Carbones Del Sur Limitada | 100 | Exploration |
| | Chile | Skyring 31 | Minera Carbones Del Sur Limitada | 100 | Exploration |

EQUUS MINING LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION

Mining interest in African countries

| Concession name | Location | Registered Holder | File Number / Licence Type | Equus equity interest | Concession Type |
|------------------------|--------------------|-------------------------------------|-----------------------------------|------------------------------|------------------------|
| Osenase | Ghana ¹ | Osenase Prospecting Licence | Equus Mining 90% | N/A | Exploration |
| Asamankese | Ghana ¹ | Asamankese Prospecting Licence | Equus Mining 90% | N/A | Exploration |
| Pramkese | Ghana ¹ | Pramkese Prospecting Licence | Equus Mining 90% | N/A | Exploration |
| Kwatechi | Ghana ¹ | Kwatechi PL3/64 Prospecting Licence | Equus Mining 0% | 7% ² | Exploration |

Notes

- 1 The governments of African countries in which the Company holds minerals interests are entitled to equity in mining companies owning projects as follows – Ghana 10% and Guinea 15%. Equus's quoted equity is after allowance for that national interest, which occurs when a new project company is established prior to commencement of mining.
- 2 Perseus Mining Limited, the current holder of a 16% interest, has the right to earn a further 60% interest in the Kwatechi property by funding the development of the project to profitable production. In that case, the Company and a local joint venture partner will each retain a 7% interest which is convertible to a 1.25% net smelter royalty at the option of those parties within 30 days of completion of a feasibility study.