

EQUUS MINING LIMITED

ABN 44 065 212 679

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

CONTENTS

	<i>Page</i>
Directors' Report.....	2
Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income	9
Condensed Consolidated Interim Statement of Financial Position	10
Condensed Consolidated Interim Statement of Changes in Equity	11
Condensed Consolidated Interim Statement of Cash Flows.....	12
Notes to the Condensed Consolidated Interim Financial Statements.....	13
Directors' Declaration	22
Independent Auditor's Review Report.....	23
Corporate Directory	25

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Equus Mining Limited ('Equus' or the 'Company') and its subsidiaries (the 'Group') present their report together with the condensed consolidated interim financial report and the auditor's review report thereon for the half year ended 31 December 2013.

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the half year are:

Norman A. Seckold, Executive Chairman

Director appointed 5 September 2012.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas, including the role of Chairman for a number of publicly listed companies including:

- * Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA.
- * Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA.
- * Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA.
- * Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria.
- * Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria.
- * Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden.
- * Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico.
- * Bolnisi Gold N.L. which discovered and is currently operating the Palmarejo and Guadalupe gold and silver deposits in Mexico.
- * Cockatoo Coal Limited, an Australian coal mining, exploration and project development company.
- * Cerro Resources NL, a precious metals exploration company with a development project in Mexico.

Mr Seckold is currently Chairman of the following listed companies:

- * Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia.
- * Santana Minerals Limited, a precious metals exploration company operating in Mexico.
- * Planet Gas Limited, an energy explorer in conventional and unconventional oil and gas resources operating in Australia.

He is also a director of the unlisted public companies Mekong Minerals Limited and Nickel Mines Limited.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Edward Jan Leschke - BAppScAppGeo, Managing Director and Chief Executive Officer

Director appointed 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 its two wholly owned subsidiaries in the Republic of Chile.

Jürg Walker, Non-Executive Director

Director since 20 May 2002.

Jürg Walker is a European portfolio manager and investor. He has over 20 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.

Robert Perring, Non-Executive Director

Appointed 19 February 2013 and resigned 10 January 2014

Robert Perring is a geologist with more than 30 years experience in the mineral industry and has held senior corporate and technical positions in Normandy Mining Limited and Newmont Australia. While at Newmont, his regional exploration team discovered the Moolart Well gold deposit in Western Australia (now in production). He has also directed exploration within and around some of Australia and New Zealand's largest gold and base metal mines - Boddington (WA), Jundee (WA), Bronzewing (WA), Golden Grove (WA), Callie (NT), Mt Leyshon (QLD), Pajingo (QLD) and Waihi (NZ).

Mr Perring has worked in a broad range of geological terrains within Australia and New Zealand (General Manager Exploration, Newmont Australia), the Middle East (Managing Director, Gulf & Asian Mining Limited) and South America (Technical Director, Equus Resources Limited).

He is a graduate of Imperial College, London (DIC) and the University of London (MSc) and is a Member of the Australian Institute of Geoscientists (MAIG).

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Review of Operations

Corporate Activities

On 29 September 2013, Equus Mining Limited paid the third instalment of US\$100,000 for the Naltagua Copper projects under the terms of the option agreement. Equus has the right (but not the obligation) to acquire the mining licences on an outright basis by making payments of US\$100,000 in September 2014, US\$300,000 in September 2015, US\$500,000 in September 2016 and a final payment of US\$3.4 million in September 2017 to the licence holder.

Equus Mining agreed to sell a ninety percent interest in its subsidiary, Leo Shield Exploration Ghana Ltd ('Leo Ghana'), for consideration of US\$600,000 to an entity incorporated in the Republic of Ghana, subject to obtaining government approval. The Company will retain a 10% interest in Leo Ghana. A deposit of A\$100,000 was received, with the balance due once all government approval conditions are met. Leo Shield Ghana's assets include the Osenase and Asamankese prospecting licences in the Kibi gold belt, the Pramkese prospecting licence in the Birim diamond field, a 7% interest in the Kwatechi gold joint venture in the Ashanti gold belt and a 0.5% royalty interest in potential future gold production from the Grumesa prospecting licence. As at the date of this report the Company is still waiting government approval to complete the transaction.

Chile Copper Developments

The Group's two main projects, the Yerba Project and Araya Project (collectively referred to as the Naltagua Copper projects), lie within the Naltagua Copper District in Chile, a district well-served by major infrastructure. The Group holds an option to acquire 100% of a contiguous group of 14 mining licences covering an area of 18.05km² and 75% of the known areal extent of the large Naltagua copper system. The Yerba and Araya projects show many geological similarities to the large, manto-type, Anglo American-owned El Soldado Cu-Ag deposit (200Mt @ 1.35% Cu) located 135 kilometres to the north of Naltagua.

On the Naltagua Copper projects, the Group previously carried out approximately 1,300 metres of underground and surface rock-chip channel-sampling and 26 line-kilometres of induced polarisation ('IP') geophysics. The Yerba Project incorporates the historic Yerba Workings, which is coincident with a 50 metre-wide, 1,200 metre-long IP chargeability and resistivity anomalies, hydrothermal alteration (silica-albite-epidote-calcite) and several zones of outcropping, disseminated copper oxide in andesite of the Lower Cretaceous Prado Formation (the 'Yerba Zone').

Underground and surface rock-chip channel-sampling along the Yerba Zone returned a number of positive results, including 48 metres at 1.35% Cu and 33 metres at 0.88% Cu. More recent surface-channel sampling of recently discovered outcropping copper mineralisation returned 10 metres at 1.73% Cu and 20 metres at 0.52% Cu in altered andesite. Sampling was restricted by the paucity of outcrop. These results extended the area of known copper mineralisation to more than 700 metres of strike.

During the December half-year period Equus partially completed its inaugural diamond drilling program testing the northern-end of a 1,200m-long Yerba target zone.

Holes 1 to 4 (YB-001-D to YB-004-D) were drilled beneath and adjacent to the historic Yerba open-pit, where a composite channel sample of andesite collected from the back-wall of the pit returned 48m (apparent width) grading 1.35% Cu. The undercutting drill holes intercepted a coherent sheet of shallow, east-dipping (30° to 40°) copper mineralisation in vesiculated and brecciated andesite. The best intercept was by Hole 1 which returned 39m true width grading 0.63% Cu.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Hole 5 (YB-005-D), which is located on a section 180m to the south of Hole 7, intersected a broad interval of low-grade copper mineralization (40.7m true width grading 0.15% Cu) in the andesite footwall to the mineralization intersected in Hole 7. Significantly, Hole 5 did not test the same andesite layer that hosts the copper mineralization intersected in Hole 7.

Hole 6 (YB-006-D) was designed to test a deep Induced Polarisation chargeability anomaly at 350m to 400m below surface down-dip of outcropping and near-surface oxide copper mineralization. However, the hole was abandoned at 289m after several days of unproductive drilling in a problematic fault zone. This deep IP target remains untested.

Hole 7 (YB-007-D) returned some of the best copper mineralization to date. Several shallow, east-dipping zones of copper mineralization have been intercepted in a mixed andesite-shale package, including:

- 8m (true width) at 0.67% Cu from 24m to 32m
- 5m (true width) at 1.25% Cu from 50 m to 55m
- 5.4m (true width) at 1.40% Cu from 65.2m to 70.6m
- 21.3m (true width) at 1.23% Cu from 92.7m to 114m
- 13m (true width) at 0.19% Cu from 147m to 160m

The Hole 7 mineralization is interpreted to correlate with the sheet of copper mineralization intercepted in Holes 1 to 4 (YB-001-D to YB-004-D) located 250 metres to the southeast. There may also be a vertical component of the mineralization in the form of mineralized hydrothermal breccia dykes that crosscut stratigraphy. This dominantly stratabound copper mineralization is hosted by vesiculated and brecciated andesite and interflow shale beds of the Lower Cretaceous Prado Formation.

Table 1 – Drill Hole Assay Summary

Hole No.	Project	From (metres)	To (metres)	Interval (metres)	Estimated True Width (metres)	Copper (%)
YB-001-D	Yerba	13	52	39	39	0.63
YB-002-D	Yerba	22	77	55	55	0.34
including		23	40	17	17	0.68
including		34	40	6	6	1.21
YB-003-D	Yerba	19	23.4	4.4	3.3	0.74
YB-003-D		51.7	64	12.3	9.2	0.44
YB-004-D	Yerba	37	68	31	15.5	0.26
YB-004-D		84	107	23	11.5	0.16
YB-004-D		152	171	19	9.5	0.32
YB-005-D	Yerba	39	83	44	40.7	0.15
including		39	51.9	12.9	11.9	0.26
YB-006-D	Yerba	No Significant Results (Hole Abandoned)				
YB-007-D	Yerba	24	32	8	8	0.67
YB-007-D		50	55	5	5	1.25
YB-007-D		65.2	70.6	5.4	5.4	1.40
YB-007-D		92.7	114	21.3	21.3	1.23
Including		92.7	99.4	6.7	6.7	2.97
YB-007-D		147	160	13	13	0.19

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Table 2 – Drill Hole Information

Hole No.	North WGS-84 UTM	East WGS-84 UTM	Zone UTM	Dip	Azimuth Grid - UTM	Depth metres
YB-001-D (Hole 1)	6260781	313270	19S	-60	270	325
YB-002-D (Hole 2)	6260775	313330	19S	-75	270	361
YB-003-D (Hole 3)	6260775	313330	19S	-50	270	121
YB-004-D (Hole 4)	6260775	313332	19S	-50	090	196 (Abandoned)
YB-005-D (Hole 5)	6260888	313270	19S	-60	270	220
YB-006-D (Hole 6)	6260871	313525	19S	-80	270	289 (Abandoned)
YB-007-D (Hole 7)	6261068	313208	19S	-60	270	160

To obtain an early, indicative understanding of the processing characteristics of the copper sulphide mineralisation, a 30 kilogram sample was previously collected from the Yerba Workings mine dump and despatched to ALS Ammtec in Sydney, Australia for preliminary, qualitative metallurgical testwork. A simple flotation test produced a high-grade (41% Cu, 463g/t Ag), premium quality, sulphide concentrate containing no penalty elements. The concentrate's high copper grade reflects the abundance of bornite, a copper sulphide mineral that contains approximately 62% copper.

The Group retains a number of non-core assets and plans to continue funding core exploration activities in Chile through the on-going sale of these non-core assets, which include listed shares and an oil drilling rig and exploration camp.

No Material Changes

Equus Mining Limited confirms that it is not aware of any new information or data that would materially affect the information included in the market announcements dated 6 June 2013, 15 July 2013 and 9 September 2013, and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Competent Person

Information in this report that relates to Exploration Results for Naltagua is based on information compiled by Mr Robert Pyper of Minnelex Pty Ltd, who is a Fellow of the Australian Institute of Geoscientists. Mr Pyper is a consultant who visited the property prior to the recent drilling and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities reported on to qualify as a Competent Person as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pyper does not hold shares in the Company and consents to the inclusion of the information in this report of the matters based on information in the format and context in which it appears.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Subsequent Events

On 31 January 2014 the Group signed an amended Purchase Option Agreement for Naltagua in Chile which extends the payment period stipulated in the original Purchase Option Agreement by two years with no increase in the total consideration payable.

Apart from the matter outlined above, no matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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, and/or the sale of certain non-core assets. If such funding and/or realisation proceeds are not achieved, the Group plans to reduce expenditures significantly.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2013.

Signed at Sydney this 14th day of March 2014
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
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 review for the half-year ended 31 December 2013, there have been:

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

KPMG

KPMG

Adam Twemlow
Partner

14 March 2014

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2013

		Consolidated	
	Notes	31 December 2013	31 December 2012
		\$	\$
CONTINUING OPERATIONS			
Other income	4	14,018	554,408
Expenses			
Employee, directors and consultants costs		(252,289)	(419,376)
Share based compensation expense		-	(64,598)
Depreciation expense		(2,264)	(1,151)
Impairment of investments		(12,690)	-
Travel expenses		(9,638)	(30,818)
Pre-licence costs - exploration expenditure		-	(4,720)
Other expenses		(236,379)	(569,476)
Total expenses		(513,260)	(1,090,139)
Loss before income tax		(499,242)	(535,731)
Income tax		378,804	-
Loss from continuing operations		(120,438)	(535,731)
DISCONTINUED OPERATIONS			
Loss from discontinued operation (net of tax)	11	(189,907)	(4,141,206)
Loss for the period		(310,345)	(4,676,937)
Other comprehensive income for the period			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		14,936	857,553
Transfer of foreign currency translation to loss on disposal of subsidiaries in profit or loss		-	2,902,675
Net change in fair value of available-for-sale financial assets		(12,690)	(51,683)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		12,690	(549,155)
Total other comprehensive gain		14,936	3,159,390
Total comprehensive loss for the period		(295,409)	(1,517,547)
Loss attributable to:			
Owners of the Company		(310,345)	(4,632,691)
Non-controlling interests		-	(44,246)
		(310,345)	(4,676,937)
Total comprehensive loss attributable to:			
Owners of the Company		(295,409)	(1,616,216)
Non-controlling interests		-	98,669
		(295,409)	(1,517,547)
Earnings per share			
Basic and diluted loss per share		(0.12) cents	(2.25) cents
Earnings per share - continuing operations			
Basic and diluted loss per share		(0.05) cents	(0.26) cents

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

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Interim Statement Of Financial Position

As at 31 December 2013

		Consolidated	
		31 December	30 June
		2013	2013
Notes		\$	\$
Current Assets			
	Cash and cash equivalents	493,082	2,039,772
	Receivables	27,096	25,697
	Assets held for sale	1,743,658	1,760,797
	Other	19,365	3,675
	Total Current Assets	2,283,201	3,829,941
Non-Current Assets			
	Receivables	11,590	12,427
	Available-for-sale financial assets	15,040	27,730
	Property, plant and equipment	226,237	247,058
	Exploration and evaluation expenditure	9,109,250	8,268,874
	Total Non-Current Assets	9,362,117	8,556,089
	Total Assets	11,645,318	12,386,030
Current Liabilities			
	Payables	182,524	249,023
	Provision for tax	-	378,804
	Total Current Liabilities	182,524	627,827
	Total Liabilities	182,524	627,827
	Net Assets	11,462,794	11,758,203
Equity			
	Issued capital	106,622,162	106,622,162
	Reserves	214,409	261,524
	Other comprehensive income relating to assets held for sale	(2,763,173)	(2,804,524)
	Accumulated losses	(92,610,604)	(92,320,959)
	Total Equity	11,462,794	11,758,203

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

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Interim Statement Of Changes In Equity

For the half-year ended 31 December 2013

Consolidated	Issued Capital	Accumulated Losses	Reserves	Total	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	99,362,502	(91,852,352)	(2,602,033)	4,908,117	(98,669)	4,809,448
Loss for the period	-	(4,632,691)	-	(4,632,691)	(44,246)	(4,676,937)
Total other comprehensive income	-	-	3,016,475	3,016,475	142,915	3,159,390
Total comprehensive loss for the period	-	(4,632,691)	3,016,475	(1,616,216)	98,669	(1,517,547)
Transactions with owners recorded directly in equity						
Ordinary shares issued	6,787,860	-	-	6,787,860	-	6,787,860
Employee share options	-	-	64,598	64,598	-	64,598
Balance at 31 December 2012	106,150,362	(96,485,043)	479,040	10,144,359	-	10,144,359
 Balance at 1 July 2013	 106,622,162	 (92,320,959)	 (2,543,000)	 11,758,203	 -	 11,758,203
Loss for the period	-	(310,345)	-	(310,345)	-	(310,345)
Total other comprehensive income	-	-	14,936	14,936	-	14,936
Total comprehensive loss for the period	-	(310,345)	14,936	(295,409)	-	(295,409)
Transactions with owners recorded directly in equity						
Transfer of expired options	-	20,700	(20,700)	-	-	-
Balance at 31 December 2013	106,622,162	92,610,604	(2,548,764)	11,462,794	-	11,462,794

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

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Interim Statement Of Cash Flows

For the half-year ended 31 December 2013

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	6,777	406,975
Cash payments in the course of operations	(703,696)	(1,386,497)
Net cash used in operations	(696,919)	(979,522)
Interest received	14,018	4,891
Net cash used in operating activities	(682,901)	(974,631)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(859,940)	(607,803)
Proceeds from sale of plant and equipment	1,082	140,617
Proceeds from sale of investments	-	731,905
Loans repaid from other entities	-	9,639
Disposal of subsidiary, net of cash disposed of	-	785,350
Payment for the acquisition of assets (net of cash acquired)	-	119,392
Net cash (used in)/from investing activities	(858,858)	1,179,100
Cash flows from financing activities		
Proceeds from share issues	-	251,400
Repayment of borrowings - related party	-	(50,000)
Net cash provided by financing activities	-	201,400
Net (decrease)/increase in cash held	(1,541,759)	405,869
Cash at the beginning of the reporting period	2,059,438	607,112
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	-	(5,185)
Cash and cash equivalents	517,679	1,007,796
Less cash reclassified to assets held for sale	(24,597)	(55,158)
Cash and cash equivalents held by continuing operations	493,082	952,638

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

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

1. REPORTING ENTITY

Equus Mining Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements, of the Company as at and for the half year ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily focused on identifying and evaluating copper and gold resource opportunities as a precursor to developing new mines in the metal-rich provinces of Chile, South America.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2013 are available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.equusmining.com.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

This condensed consolidated interim financial report was approved by the Board of Directors on 14 March 2014.

(b) Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2013.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

2. BASIS OF PREPARATION (continued)

(c) Going concern

The condensed consolidated interim 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.

The Group has incurred a loss of \$310,345 in the half-year ended 31 December 2013 and has accumulated losses of \$92,610,604 as at 31 December 2013. The Group has cash on hand of \$493,082 at 31 December 2013 (excluding cash reclassified to assets held for sale) and used \$1,542,841 of cash in operations including payments for exploration for the half-year ended 31 December 2013. 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/or
- the Group disposing of non-core assets; and
- the Group reducing expenditure in-line with available funding.

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 in the short term from shareholders or other parties, and/or the sale of certain non-core assets. If such funding, and/or realisation proceeds are not achieved, the Group plans to reduce expenditures significantly.

In the event that the Group does not obtain additional funding, and/or dispose of non-core assets, and reduce expenditure in-line with available funding, 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 condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated annual financial statements as at and for the year ending 30 June 2014.

The Group has adopted the following standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 Consolidated Financial Statements (2011) (see (a))

AASB 11 Joint Arrangements (see (b))

AASB 13 Fair Value Measurement (see (c))

Annual Improvements to Australian Accounting Standards 2009–2011 Cycle (see (d)).

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

The nature and the effect of the changes are further explained below.

(a) Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. This Group has assessed the impact of this change and concluded that there is no impact on the interim financial statements.

(b) Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

This Group has assessed the impact of this change and concluded that there is no impact on the interim financial statements.

(c) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 13).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(d) Annual Improvements to Australian Accounting Standards 2009–2011 Cycle

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. No additional disclosure has been required as a result of this amendment.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

4. LOSS BEFORE INCOME TAX

Consolidated	
31 December	31 December
2013	2012
\$	\$

The following items are relevant in explaining the financial performance for the half year:

Interest income on cash deposits	14,018	5,178
Foreign exchange gain	-	75
Net gain on disposal of available-for-sale investments	-	549,155
	14,018	554,408

Share based payments to consultants and employees	-	(64,598)
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5. EXPLORATION AND EVALUATION EXPENDITURE

Consolidated	
31 December	30 June
2013	2013
\$	\$

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

Exploration and evaluation phase - at cost

Balance at beginning of the period	8,268,874	513,264
Capitalised expenditure incurred - Kyrgyz Republic	-	182,482
Impairments	-	(695,745)
Acquisition of Chilean mining interest	-	6,591,096
Instalment on option agreement - Naltagua, Chile	108,107	107,009
Capitalised expenditure incurred - Naltagua, Chile	751,833	1,521,658
Foreign currency translation difference movement	(19,564)	49,111
Balance at close of the period	9,109,250	8,268,874

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.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

6. ISSUED CAPITAL

(a) Issued and paid-up share capital

	Consolidated			
	31 December 2013		30 June 2013	
	Number	\$	Number	\$
Ordinary shares, fully paid at 1 July	256,661,675	106,622,162	1,331,500,513	99,362,502
<i>Movement in Ordinary Shares:</i>				
Consolidation of 1 share for every 10	-	-	(1,198,350,703)	-
Issued ordinary shares 5 September 2012 for \$0.06	-	-	108,940,951	6,536,460
Issued ordinary shares 15 September 2012 for \$0.055	-	-	4,570,914	251,400
Issued ordinary shares 2 May 2013 for \$0.050	-	-	10,000,000	500,000
Less cost of issue	-	-	-	(28,200)
	256,661,675	106,622,162	256,661,675	106,622,162

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

(b) Share Options

The Company has a share option program that entitles key management personnel to be granted options in the Company. The terms and conditions of the share option program are disclosed in the financial statements as at and for the year ended 30 June 2013.

There were no options issued during the half-year ended 31 December 2013 (half-year ended 31 December 2012 – 4,000,000 were issued).

Share based payment expense arising from options issued in prior periods was nil (half year ended 31 December 2012 - \$64,598).

During the half-year ended 31 December 2013, 460,000 options expired unexercised.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

7. RESERVES

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Equity based compensation reserve	144,000	164,700
Foreign currency translation reserve	70,409	96,824
	214,409	261,524
<i>Movements during the period:</i>		
<i>(a) Equity based compensation reserve</i>		
Balance at beginning of period	164,700	2,509,475
Vesting of employee share options	-	144,000
Expired options	(20,700)	(2,488,775)
Balance at end of period	144,000	164,700
<i>(b) Financial assets reserve</i>		
Balance at beginning of period	-	681,050
Net change in fair value of available-for-sale financial assets	-	(147,735)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	(533,315)
Balance at end of period	-	-
<i>(c) Foreign currency translation reserve</i>		
Balance at beginning of period	96,824	(6,381,558)
Currency translation differences	14,936	914,098
Transfer of foreign currency translation reserve to loss on disposal of subsidiaries in profit or loss	-	2,759,760
Amounts reclassified to other comprehensive income relating to assets held for sale	(41,351)	2,804,524
Balance at end of period	70,409	96,824

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

8. OPERATING SEGMENTS

	Oil Exploration*	Other Mineral Exploration	Investing	Unallocated	Total
	\$	\$	\$	\$	\$
31 December 2013					
Revenue and other income					
Revenue from external customers	6,777	-	-	-	6,777
Other income	-	219	13,799	-	14,018
	<u>6,777</u>	<u>219</u>	<u>13,799</u>	<u>-</u>	<u>20,795</u>
Results					
Operating profit/(loss) before income tax	<u>(189,907)</u>	<u>(63,162)</u>	<u>13,799</u>	<u>(449,879)</u>	<u>(689,149)</u>
Income tax benefit	-	-	-	378,804	378,804
Elimination of discontinued operations					<u>189,907</u>
Loss from continuing operations					<u>(120,438)</u>
Assets					
Segment assets	<u>1,743,658</u>	<u>9,400,296</u>	<u>15,100</u>	<u>486,264</u>	<u>11,645,318</u>
Liabilities					
Segment liabilities	<u>-</u>	<u>49,144</u>	<u>-</u>	<u>133,380</u>	<u>182,524</u>

31 December 2012

Revenue and other income

Revenue from external customers	370,754	-	-	-	370,754
Other income	119,730	515	553,893	-	674,138
	<u>490,484</u>	<u>515</u>	<u>553,893</u>	<u>-</u>	<u>1,044,892</u>

Results

Operating profit/(loss) before income tax	<u>(4,141,206)</u>	<u>(42,808)</u>	<u>553,893</u>	<u>(1,046,816)</u>	<u>(4,676,937)</u>
Income tax expense					-
Elimination of discontinued operations					<u>4,141,206</u>
Loss from continuing operations					<u>(535,731)</u>

Assets

Segment assets	<u>1,647,956</u>	<u>7,208,638</u>	<u>732,852</u>	<u>689,705</u>	<u>10,279,151</u>
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Liabilities

Segment liabilities	<u>-</u>	<u>94,811</u>	<u>-</u>	<u>39,980</u>	<u>134,791</u>
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* Discontinued – see note 11.

9. EVENTS OCCURRING SUBSEQUENT TO 31 DECEMBER 2013

On 31 January 2014 the Group signed an amended Purchase Option Agreement for Naltagua in Chile which extends the payment period stipulated in the original Purchase Option Agreement by two years with no increase in the total consideration payable.

Apart from the matter outlined above, no matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

10. ASSETS HELD FOR SALE

Disposal group held for sale

The oil exploration segment of the Group in the Kyrgyz Republic is presented as a disposal group held for sale following the commitment of the Group's management to exit the oil segment in the Kyrgyz Republic during 2012. The Group has a plan to sell the last remaining entity in the Kyrgyz Republic, JSC Sherik, which is expected to be sold during 2014 and has been classified as assets held for sale at 31 December 2013.

As at 31 December 2013 the assets held for sale comprised assets of \$1,774,691 less liabilities of \$31,033 detailed as follows:

	\$
Cash and cash equivalents	24,597
Property, plant and equipment	132,996
Consumables and operating supplies	1,617,098
Trade and other payables	(31,033)
	1,743,658

11. DISCONTINUED OPERATION

In September 2012 the Group discontinued its oil exploration segment. This occurred via management's commitment to a plan during the period to sell this segment following a strategic decision to focus on the exploration activities on the Naltagua copper project in Chile. The assets and liabilities in JSC Sherik were classified as held for sale.

For the six months ended 31 December

	2013	2012
	\$	\$
Results of discontinued operation		
Revenue	6,777	370,754
Other income	-	119,730
Impairment of exploration and evaluation assets	-	(695,745)
Expenses	(196,684)	(1,033,270)
Results from operating activities	(189,907)	(1,238,531)
Income tax expense	-	-
Results from operating activities, net of income tax	(189,907)	(1,238,531)
Loss on transfer of foreign currency translation reserve to profit or loss	-	(2,902,675)
Income tax on gain on sale of discontinued operation	-	-
Loss for the period	(189,907)	(4,141,206)
Basic and diluted loss per share (cents)	(0.07)	(2.02)

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2013

12. RELATED PARTIES

Transactions with key management personnel

During the half year ended 31 December 2013, Norman A. Seckold held a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, include rental accommodation, administrative staff, services and supplies, to the entity. Fees paid to MIS Corporate Pty Limited during the period amounted to \$120,000 (2012: \$30,000). There were no outstanding amounts at 31 December 2013 and 2012.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

13. FINANCIAL INSTRUMENTS

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2013.

Carrying amounts versus fair values

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

Financial instruments carried at fair value

Fair value hierarchy

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2013				
Available-for-sale financial assets	15,040	-	-	15,040

All available-for-sale financial assets relate to investments held in listed equity securities.

EQUUS MINING LIMITED LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2013

In the opinion of the directors of Equus Mining Limited (the 'Company'):

- (a) the financial statements and notes set out on pages 9 to 21, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* 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.

Signed at Sydney this 14th day of March 2014
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Edward J. Leschke
Managing Director



Independent auditor's review report to the members of Equus Mining Limited

We have reviewed the accompanying interim financial report of Equus Mining Limited (the 'Company'), which comprises the condensed consolidated interim statement of financial position as at 31 December 2013, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half year ended on that date, notes 1 to 13 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 half year's end or from time to time during the half year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Equus Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Independent auditor's review report to the members of Equus Mining Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Equus Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 2(c), 'Going Concern' in the interim financial report. The conditions disclosed in Note 2(c), including the need to raise additional funding from shareholders or other parties, and/or the Group disposing of non-core assets, and reducing expenditure in-line with available funding, indicates 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 interim financial report.

KPMG
KPMG

Adam Twemlow
Partner
14 March 2014

EQUUS MINING LIMITED LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors:

Mr Norman A. Seckold (Chairman)
Mr Edward J. Leschke (Managing Director)
Mr Jürg Walker

Company Secretary:

Mr Marcelo Mora

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone: 61-2 9300 3366
Fax: 61-2 9221 6333
Email: info@equusmining.com
Homepage: www.equusmining.com

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Share Registrar:

Advance Share Registry Limited
150 Stirling Highway
Nedlands Western Australia 6009
Phone: 61-8 9389 8033
Fax: 61-8 9389 7871

Solicitors:

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000