

EQUUS MINING LIMITED

ABN 44 065 212 679

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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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 2019.

Directors

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

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 30 years.

Mark Lochtenberg is Non Executive Director of recently listed Nickel Mines Limited and is the former Executive Chairman and founding Managing Director of ASX-listed Baralaba Coal Company Limited (formerly 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 is currently Non-Executive Director of public listed company Nickel Mines Limited. Non-Executive Director of Australian Transport, Energy Corridor Pty Limited, (ATEC) and Montem Resources Pty Limited. He was Managing Director of Pacific American Coal Limited and has previously been a Director of ASX-listed Cumnock Coal Limited and of privately held United Collieries Pty Limited.

John Richard Braham, Managing Director

Director since 13 November 2018

Mr Braham is an experienced Mining Finance and Investment professional with a 24-year career at Macquarie Bank, the last 11 of which were as an Executive Director within the Mining Finance Division.

John built and ran a successful mining finance business in New York for Macquarie Bank from 2001 to 2008, providing capital to the junior mining industry. This involved providing debt and equity to exploration companies and mine developers in both North and South America including companies operating in Argentina, Peru and Chile.

On returning to Australia, John built from scratch a successful bulk commodity finance business for Macquarie Bank which he ran from 2008 to 2015 based in Sydney. He was made co-head of Macquarie's global Mining Finance business in 2016. John left Macquarie Bank in 2017 to be Principal of JR Braham Consulting Pty Ltd which provides advice to junior resource companies seeking capital.

Damien John Koerber, Executive Director, COO

Director since 27 November 2019

Mr Koerber is a geologist with 30 years of exploration experience, mainly throughout and based in Latin America. He has held senior management and consulting exploration and business development positions in companies including Billiton Gold (Northern Territory and Western Australia), North (Chile), Rio Algom (Chile), Newcrest (Chile, Argentina and Peru), MIM (Argentina and Brazil), Patagonia Gold SA (Chile and Argentina) and Mirasol Resources (Chile and Argentina).

During his career, he has been directly involved in several discoveries including Cleo-Sunrise Dam (Western Australia), Tanami (Northern Territory), Union Reefs (Northern Territory) and Cap Oeste-COSE (Argentina).

Mr Koerber graduated from the UNSW (BSc. Geology Hons Class 1) in 1989 and is a bilingual, Australian geologist.

DIRECTORS' REPORT

Robert Ainslie Yeates, Non-Executive Director

Director since 20 July 2015

Robert 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 20 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 ASX-listed Baralaba Coal Company Limited (formerly Cockatoo Coal Limited), and from 2016 to 2019 he was a director of Watagan Mining Ltd and in 2018 became a director of Montem Resources Limited.

Juerg Marcel Walker, Non-Executive Director

Director since 20 May 2002 – Retired 27 November 2019

Juerg Walker is a European portfolio manager and investor. He has over 35 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.

Review of Operations

Corporate Activities

During the period ended 31 December 2019, the Group executed an option to acquire the Cerro Bayo Mining Project adjacent to the existing Los Domos Gold-Silver project located in Chile's XI region.

Equus has a 3-year period to exercise the option to acquire the Cerro Bayo Mining project from Mandalay Resources Corporation ("Mandalay"). The option period commences from the date when Equus receives all required approval to set up and drill from 60 drill platforms on the Cerro Bayo property. Under the option agreement, Equus can at any time during the option period acquire the mining properties and the mine infrastructure including the mine processing plant.

The consideration payable by Equus to Mandalay if Equus decides to exercise the option to acquire the Cerro Bayo mining project is by the issue of 19% of Equus's share capital at the time of exercise the option plus a 2.25% Net Smelter Royalty (NSR).

During the half year ended 31 December 2019, the Company issued 450,000,000 new ordinary shares in two tranches under a placement at an issue price of \$0.01 per share for a total consideration of \$4,500,000 before costs.

The Company raised an additional \$527,809 under a Rights Issue Offer resulting in the allotment of 52,780,992 new ordinary shares at \$0.01 per share.

On 14 October 2019, the Company issued 8,687,500 ordinary fully paid shares to Terrane Minerals SpA as consideration for acquiring 75% interest in the mining concessions owned by Patagonia Gold Sociedad Contractual Minera ('Patagonia') which form part of the Los Domos Project. Equus and Patagonia formed a Joint Venture where the mining concessions are held whereby Patagonia owned 25% interest and Equus 75% interest.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

On 14 October 2019, The Company issued 15,000,000 unlisted options to Mr John Braham as part of his employment agreement for the 12 month period to November 2019 as follows:

- 5,000,000 options exercisable at \$0.030 each vesting immediately and expiring on 13 November 2020;
- 5,000,000 options exercisable at \$0.050 each vesting immediately and expiring on 13 November 2021;
- 5,000,000 options exercisable at \$0.070 each vesting immediately and expiring on 13 November 2023;

On 29 October 2019, The Company issued 20,000,000 unlisted options to Mr John Braham as part of his employment agreement for the 12 month period to November 2020 as follows:

- 6,666,666 options exercisable at \$0.027 each vesting immediately and expiring on 13 November 2021;
- 6,666,667 options exercisable at \$0.030 each vesting immediately and expiring on 13 November 2022;
- 6,666,667 options exercisable at \$0.035 each vesting immediately and expiring on 13 November 2024;

On 27 November 2019, Mr Juerg Walker retired from the Board of Directors and Mr Damien Koerber was appointed as Executive Director and Chief Operating Officer (COO) of the Company.

Financial position and performance

The Group recognised a loss for the half year period ended 31 December 2019 of \$1,116,062 (31 December 2018: Loss \$422,972). The net assets of the Group at 31 December 2019 were \$9,421,455 (30 June 2019: \$5,821,727) including cash of \$3,945,553 (30 June 2018: \$398,819).

During the period Equus invested a total of \$603,812 in exploration.

Cerro Bayo Mine District and Infrastructure Acquisition Option

On the 7th October 2019, Equus executed an agreement with Mandalay Resources Corporation (TSX:MND, OTCQB: MNDJF) for a 3-year option to acquire Mandalay's Cerro Bayo Project in Region XI, Southern Chile. The Cerro Bayo Project infrastructure is optimally situated nearby Equus's Los Domos and Cerro Diablo Projects.

The Cerro Bayo mining properties including the existing resource⁽¹⁾ made up of 29,495 hectares of mining claims which are optimally located with respect to the mine infrastructure accompanied with large database of surface and drill hole geochemical and geological data. These mining claims as identified to date to host at least 90 veins, stockwork and breccia structures hosting gold and silver mineralization, located in six principal areas.

The Mine Infrastructure includes a 1,500tpd flotation processing plant which is currently on care and maintenance, permitted tailings storage facility and all power generation, also include the fixed and mobile plant required for eventual mine restart.

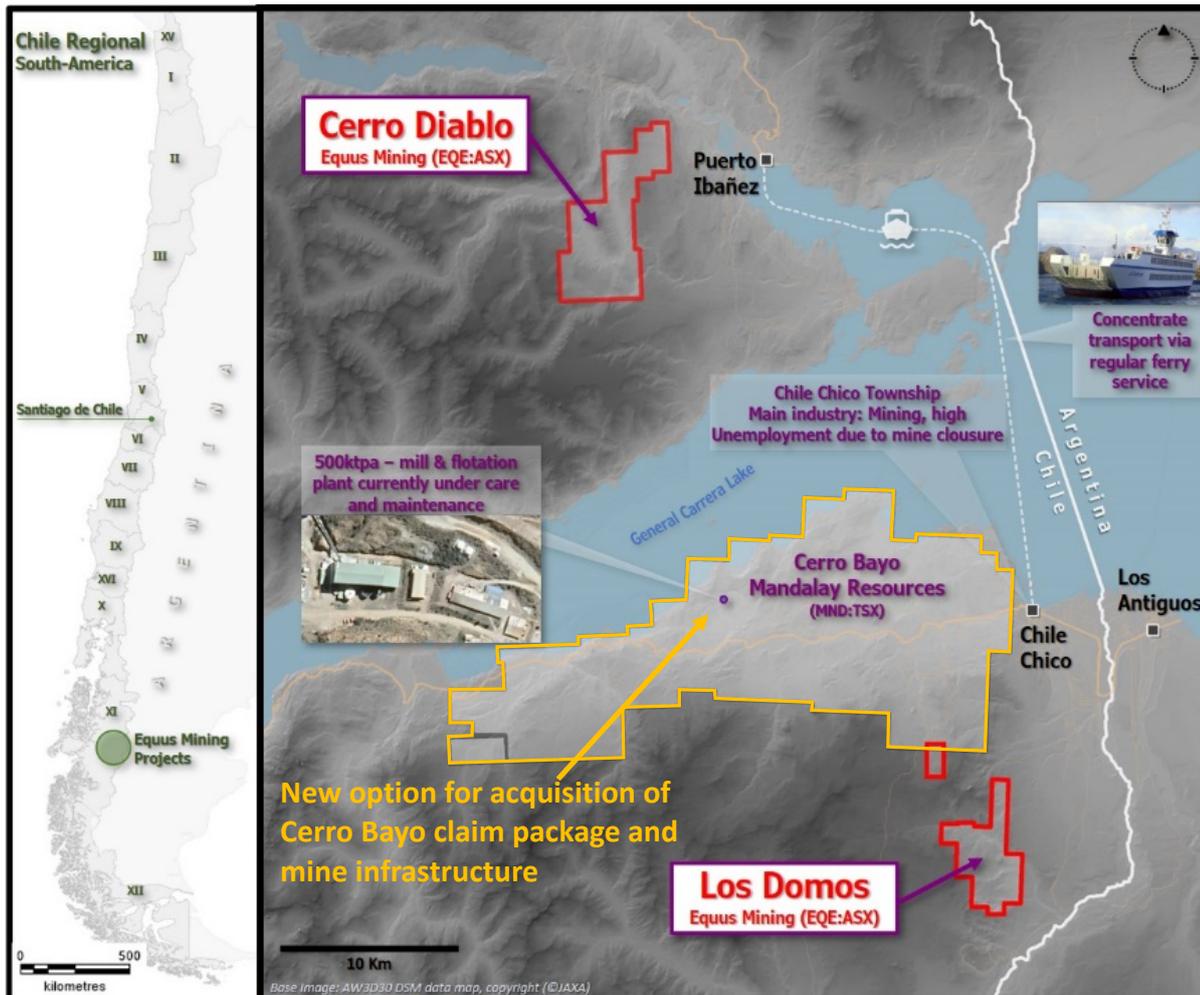
Cerro Bayo mine historic gold and silver production between the period April 2002 and August 2008 under the ownership of Coeur Mining Inc., was 2.58 million tonnes grading 4.2 g/t Au and 346.7 g/t Ag⁽²⁾ (348,424 Oz Au, 28.76 Moz Ag).

Production by Mandalay Resources Corporation from 2011 to the end of 2016 was 2.3 million tonnes with average grades of 1.8 g/t Au and 237 g/t Ag⁽²⁾ (133,119 Oz Au, 17.52 Moz Ag).

⁽¹⁾ Resources relate to any remaining Resources as part of those reported effective December 31, 2016 by Mandalay Resources Corporation – Cerro Bayo Project, Project #2559 according to Canadian Institute of Mining definitions in an independent National Instrument 43-101 Technical Report filed March 31, 2017. The remaining Resources have not been independently verified by Equus and no representation or warranty is made by the Company as to the existence of any remaining Resources, accuracy, completeness or reliability of the information. Equus plans as part of future work on the Cerro Bayo Project to verify remaining Resources and as per ASX listing rules, that the future reporting of ore reserves and mineral resources comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

⁽²⁾ Reported effective December 31, 2016 by Mandalay Resources Corporation – Cerro Bayo Project, Project #2559 according to Canadian Institute of Mining definitions in an independent National Instrument 43-101 Technical Report filed March 31, 2017.

Cerro Bayo, Los Domos and Cerro Diablo Projects - Chile's Region XI



Detail review of historic exploration and mine data was progressed during the half year ended 31 December 2019 and comprehensive field based review including detailed mapping and sampling of a portion of the currently highest ranking follow up drill targets was initiated during September 2019. This information is being integrated into a framework exploration database for the design of the Company's maiden near mine and greenfields exploration drill programs which will be directed to a pipeline of ranked drill targets.

During the reporting period, detailed structural analysis from newly processed multispectral Landsat satellite and aeromagnetic data combined with detailed mapping and geochemical sampling has defined three priority drill target prospect areas denominated Brahman, Simmental and Droughtmaster. The central zones of interest within the first two of these areas are located within 2.5km to the southeast and 1.5km to the southwest respectively from the Cerro Bayo plant and the latter is located 12km to the southeast. All three prospects feature well established access.

Drilling at Cerro Bayo

Initial exploration drilling at the Simmental and Frison Targets Drilling commenced in mid-December for which to date a total of 2 holes were drilled at Simmental (holes CBD001 and CDB003 totaling 194.75m) and 5 holes at Frison (holes CBD002 and CDB004 to CBD007 totaling 1264.1m).

To date, all results have been received for the two Simmental holes and approximately 147 sample results (23% of total) have been received for the first 3 holes drilled in Frison. Further information can be found on the announcements made on 29 January 2020 and 2 March 2020.

Los Domos Gold-Silver Project

The Los Domos gold-silver project is located 15km south of the township of Chile Chico, Region XI, Chile. The project area's altitude range of 800-1200m and a dry, moderate climate permits year-round exploration. The project area is located 15km 20km southeast of the Cerro Bayo gold-silver mine and treatment plant which is owned by Mandalay.

During the half year 31 December 2019, Equus incorporated a joint venture company "Equus Patagonia SpA" with Patagonia Gold SCM, the Chilean subsidiary of Patagonia Gold Corp (TSXV: PGDC). This entity incorporates the Company's 75% interest in the mining concessions owned by Patagonia Gold SCM, which form part of the Los Domos Project. Southern Gold SpA can acquire a further 20% interest in the Mining Concessions via sole funding exploration through the Equus Patagonia SpA joint venture company at which point Patagonia Gold SCM has the right to retain a 5% free carried interest or convert its equity into a 1.5% NSR.

Cerro Diablo Project

The Cerro Diablo project comprises a 4,554-hectare area which was staked in 2017. Mapping and sampling to date have defined multiple zones of extensive hydrothermal alteration and precious-base metal mineralisation throughout a 2.1km x 1.2km area.

During the half year ended 31 December 2019, the Company undertook limited work and no exploration drilling is currently scheduled for the current financial year ending 30 June 2020.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results for the Cerro Bayo and Los Domos Gold-Silver project is based on information compiled by Damien Koerber. Mr Koerber is a director and chief operating officer of 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 has a beneficial interest as a shareholder of Equus Mining Limited and 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 confirms that it is not aware of any new information or data that would materially affect the information included in the quarterly activities report released 31 October 2019 and 31 January 2020 and the market announcements dated 30 January 2020 and 2 March 2020 that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed.

Subsequent Events

No other 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

DIRECTORS' REPORT

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2019.

Signed at Sydney this 12th day of March 2020
in accordance with a resolution of the Board of Directors:



Mark H. Lochtenberg
Non-Executive Chairman



John R. Braham
Executive 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 of Equus Mining Limited for the half-year ended 31 December 2019 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

Jason Adams
Partner

Brisbane
12 March 2020

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 2019

	Notes	Consolidated	
		31 December 2019 \$	31 December 2018 \$
CONTINUING OPERATIONS			
Other income	3	13,211	20,586
Expenses			
Employee, directors and consultants costs		(691,305)	(209,245)
Travel expenses		(70,755)	(32,823)
Other expenses		(367,213)	(201,490)
Loss before income tax		(1,116,062)	(422,972)
Income tax benefit/(expense)		-	-
Loss for the period		(1,116,062)	(422,972)
Other comprehensive income for the period			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(539,554)	(46,739)
		(539,554)	(46,739)
Items that will not be classified to profit or loss			
Net change in fair value of equity instruments at fair value through other comprehensive income		145,503	(56,358)
Total other comprehensive gain/(loss)		(394,051)	(103,097)
Total comprehensive loss for the period		(1,510,113)	(526,069)
Earnings per share			
Basic and diluted loss per share		(0.09) cents	(0.06) 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 2019

		Consolidated	
	Notes	31 December 2019	30 June 2019
		\$	\$
Current Assets			
Cash and cash equivalents		3,945,553	398,819
Receivables		29,481	14,513
Total Current Assets		3,975,034	413,332
Non-Current Assets			
Other financial assets	4	511,008	370,179
Exploration and evaluation expenditure	5	5,292,309	5,228,559
Total Non-Current Assets		5,803,317	5,598,738
Total Assets		9,778,351	6,012,070
Current Liabilities			
Payables		356,896	190,343
Total Current Liabilities		356,896	190,343
Total Liabilities		356,896	190,343
Net Assets		9,421,455	5,821,727
Equity			
Issued capital	6	121,134,597	116,371,685
Option premium reserve	7	338,833	-
Fair value reserve	7	891,035	745,532
Foreign currency translation reserve	7	(743,537)	(203,983)
Accumulated losses		(112,207,569)	(111,091,507)
Parent entity interest		9,413,359	5,821,727
Non-controlling interest		8,096	-
Total Equity		9,421,455	5,821,727

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 2019

Consolidated	Issued capital	Accumulated losses	Option reserve	Fair Value reserve	Foreign currency translation reserve	Total	Non-controlling Interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	113,833,684	(110,148,756)	-	672,105	(269,665)	4,087,368	-	4,087,368
Loss for the period	-	(422,972)	-	-	-	(422,972)	-	(422,972)
Total other comprehensive income	-	-	-	(56,358)	(46,739)	(103,097)	-	(103,097)
Total comprehensive loss for the period	-	(422,972)	-	(56,358)	(46,739)	(526,069)	-	(526,069)
Transactions with owners recorded directly in equity								
Ordinary shares issued	2,627,750	-	-	-	-	2,627,750	-	2,627,750
Transaction costs on issue of shares	(89,749)	-	-	-	-	(89,749)	-	(89,749)
Balance at 31 December 2018	116,371,685	(110,571,728)	-	615,747	(316,404)	6,099,300	-	6,099,300
Balance at 1 July 2019	116,371,685	(111,091,507)	-	745,532	(203,983)	5,821,727	-	5,821,727
Loss for the period	-	(1,116,062)	-	-	-	(1,116,062)	-	(1,116,062)
Total other comprehensive income	-	-	-	145,503	(539,554)	(394,051)	-	(394,051)
Total comprehensive loss for the period	-	(1,116,062)	-	145,503	(539,554)	(1,510,113)	-	(1,510,113)
Transactions with owners recorded directly in equity								
Ordinary shares issued	5,132,059	-	-	-	-	5,132,059	-	5,132,059
Transaction costs on issue of shares	(369,147)	-	-	-	-	(369,147)	-	(369,147)
Share options	-	-	338,833	-	-	338,833	-	338,833
Acquisition of non-controlling interest	-	-	-	-	-	-	8,096	8,096
Balance at 31 December 2019	121,134,597	(112,207,569)	338,833	891,035	(743,537)	9,413,359	8,096	9,421,455

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 2019

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(554,468)	(447,841)
Net cash used in operations	(554,468)	(447,841)
Interest received	6,506	5,274
Net cash used in operating activities	(547,962)	(442,567)
 Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(575,344)	(746,176)
Proceeds from sale of financial assets	11,378	6,801
Net cash used in investing activities	(563,966)	(739,375)
 Cash flows from financing activities		
Proceeds from share issues	5,027,809	2,282,000
Transaction costs on share issue	(369,147)	(89,749)
Net cash provided by financing activities	4,658,662	2,192,251
Net (decrease)/increase in cash held	3,546,734	1,010,309
Cash at the beginning of the reporting period	398,819	658,568
Cash and cash equivalents at 31 December	3,945,553	1,668,877

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

31 December 2019

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 2019 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 gold-silver resource opportunities in southern Chile, South America.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 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 Australian 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 2019. 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 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

This condensed consolidated interim financial report was approved by the Board of Directors on 12 March 2020.

(b) 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.

During the period the Company raised \$4,658,662 (net of associated cash costs) through share placements.

For the half-year ended 31 December 2019 the Group has incurred a loss of \$1,116,062 and has accumulated losses of \$112,207,569 as at 31 December 2019. The Group used \$1,123,306 of cash in operations, including payments for exploration and evaluation activities totalling \$575,344, for the half year ended 31 December 2019 and has cash on hand of \$3,945,553 at 31 December 2019.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. The cash flow projections assume the Group substantially increases exploration activities in the Cerro Bayo area of interest which will require additional funding from shareholders or other parties that is yet to be secured at the date of this report. If such funding is not secured, the Group plans to reduce expenditure to the level of funding available.

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 operations of the Group are dependent upon the Group raising additional funding from shareholders or other parties and/or the Group reducing expenditure in-line with available funding.

In the event that the Group does not obtain additional funding and/or 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 consolidated financial statements.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
31 December 2019

2. BASIS OF PREPARATION (continued)

(c) 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.

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 2019.

Fair value of Options

There were estimates were used to value the issue of 15,000,000 options issued on 14 October 2019 and 20,000 options issued on 29 October 2019 with a combined fair value of \$338,333. Estimates used in this valuation are outlined in Note 6.

(d) Changes in Accounting Policies

The accounting policies used are consistent with those applied in the 30 June 2019 financial report.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
31 December 2019

3. LOSS BEFORE INCOME TAX

	Consolidated	
	31 December	31 December
	2019	2018
	\$	\$
Interest income on cash deposits	6,506	5,274
Foreign exchange gain	6,705	15,312
Total	13,211	20,586

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

4. INVESTMENTS

At 31 December 2019, the Group holds 1,329,000 shares (30 June 2019: 1,368,300) in Blox Inc., a US over the counter traded company at which had a closing share price of US\$0.27 at 31 December 2019 (30 June 2019: US\$0.19).

AASB 9 requires that, subject to initial recognition, an entity recognises its financial assets at amortised cost or fair value, depending on the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Following the adoption of AASB 9 during the 30 June 2019 financial year, the Group classifies its investments as follows:

	Consolidated	
	31 December	30 June
	2019	2019
	\$	\$
<i>Equity instruments at fair value through other comprehensive income</i>		
Equity securities – Investment in Blox Inc	511,008	370,179

Equity instruments at fair value through other comprehensive income are equity instruments which the Group intends to hold for the foreseeable future, and for which an irrevocable election to classify as such upon transition to AASB 9 has been made. Any dividends received are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the fair value reserve in OCI and are never reclassified to profit or loss.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
31 December 2019

5. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2019	30 June 2019
	\$	\$
Los Domos gold-silver	5,035,857	5,173,477
Cerro Diablo	54,287	55,082
Cerro Bayo	202,165	-
Net Book Value	<u>5,292,309</u>	<u>5,228,559</u>
Los Domos (gold-silver)		
Balance at beginning of the period	5,173,477	3,650,684
Additions	385,417	1,441,309
Foreign currency translation movement	(523,037)	81,484
Net book value	<u>5,035,857</u>	<u>5,173,477</u>
Cerro Diablo (gold-silver)		
Balance at beginning of the period	55,082	38,597
Additions	4,913	15,603
Foreign currency translation movement	(5,708)	882
Net book value	<u>54,287</u>	<u>55,082</u>
Cerro Bayo (gold-silver)		
Balance at beginning of the period	-	-
Additions	213,482	-
Foreign currency translation movement	(11,317)	-
Net book value	<u>202,165</u>	<u>-</u>

The Group considers that its projects are all within the same area of interest, including the Cerro Bayo project.

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.

During the half year ended 31 December 2019, Equus executed a binding agreement with Mandalay Resources Corporation (“Mandalay”) for a 3-year option to explore the Cerro Bayo mine district in Region XI, Southern Chile. The Option entitles Equus but not the obligation to explore Mandalay’s 29,495 hectare Cerro Bayo mine district and to acquire all the mining properties, resources and mine infrastructure at Mandalay’s Cerro Bayo project which includes a 1,500tpd processing plant (currently on care and maintenance).

During the half year 31 December 2019, Equus incorporated a joint venture company “Equus Patagonia SpA” with Patagonia Gold SCM. This entity incorporates the Group’s 75% interest in the mining concessions owned by Patagonia Gold SCM, which form part of the Los Domos Project. Equus issued 8,687,500 ordinary fully paid shares to Terrane Minerals SpA as consideration for the 75% equity interest in Equus Patagonia SpA.(see note 6)

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 December 2019

6. ISSUED CAPITAL

(a) Issued and paid-up share capital

	Consolidated			
	31 December 2019		30 June 2019	
	Number	\$	Number	\$
Ordinary shares, fully paid at 1 July	897,276,863	116,371,685	754,364,363	113,833,684
<i>Movement in Ordinary Shares:</i>				
Issued ordinary shares 5 October 2018 for \$0.020	-	-	95,000,000	1,900,000
Issued ordinary shares 29 October 2018 for \$0.020	-	-	14,100,000	282,000
Issued ordinary shares 4 December 2018 for \$0.020	-	-	5,000,000	100,000
Issued ordinary shares 31 December 2018 – non cash ¹	-	-	28,812,500	345,750
Issued ordinary shares 8 August 2019 for \$0.010	134,591,529	1,345,915	-	-
Issued ordinary shares 3 September 2019 for \$0.010	52,780,992	527,810	-	-
Issued ordinary shares 14 October 2019 for \$0.010	315,408,471	3,154,084	-	-
Issued ordinary shares 14 October 2019 – non cash ²	8,687,500	104,250	-	-
Less cost of issue	-	(369,147)	-	(89,749)
	1,408,745,355	121,134,597	897,276,863	116,371,685

¹ Shares issued on 31 December 2018 related to the acquisition of the remaining 49% equity interest in the Electrum exploration licences at Los Domos gold-silver project.

² Shares issued on 14 October 2019 related to the acquisition of 75% interest in three mining concessions owned by Patagonia Gold Sociedad Contractual Minera ('Patagonia') which form part of the Los Domos Project.

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

(b) Share Options

On 14 October 2019, 15,000,000 unlisted options were granted to the Managing Director ('MD') as follows:

	Number of options	Exercise price	Vesting	Expiry Date	Fair Value
Tranche 1	5,000,000	\$0.03	Immediately	13 November 2020	\$33,500
Tranche 2	5,000,000	\$0.05	Immediately	13 November 2021	\$43,000
Tranche 3	5,000,000	\$0.07	Immediately	13 November 2023	\$59,000

The fair value of the options granted on 14 October 2019 to the MD was \$135,500. The Black-Scholes formula model inputs were the Company's share price of \$0.0155 at the grant date, a volatility factor of 152.6% based on historical share price performance and a risk-free interest rate of 0.71% based on the 2-year government bond rate.

On 29 October 2019, 20,000,000 unlisted options were granted to the Managing Director as follows:

	Number of options	Exercise price	Vesting	Expiry Date	Fair Value
Tranche 1	6,666,666	\$0.027	Immediately	13 November 2021	\$56,000
Tranche 2	6,666,666	\$0.030	Immediately	13 November 2022	\$67,333
Tranche 3	6,666,667	\$0.035	Immediately	13 November 2024	\$80,000

The fair value of options granted on 29 November 2019 to the MD was \$203,333. The Black-Scholes formula model inputs were the Company's share price of \$0.014 at the grant date, a volatility factor of 149.46% based on historical share price performance and a risk-free interest rate of 0.65% based on the 3-year government bond rate.

As the options are not subject to vesting conditions, the total grant date fair value of \$338,833 has been recognised as an expense in the half year ended 31 December 2019. The expense has been included in "employee, director and consultants costs" in the income statement.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
31 December 2019

7. RESERVES

	Consolidated	
	31 December	30 June
	2019	2019
	\$	\$
Equity based compensation reserve (a)	338,833	-
Fair value reserve (b)	891,035	745,532
Foreign currency translation reserves (c)	(743,537)	(203,983)
	486,331	541,549
 (a) Equity based compensation reserve		
Balance at beginning of period	-	-
Vesting of employee share option	338,833	-
Balance at end of period	338,833	-
 (b) Fair value reserve		
Balance at beginning of period	745,532	672,105
Net change in fair value	145,503	73,427
Balance at end of period	891,035	745,532
 (c) Foreign currency translation reserves		
Balance at beginning of period	(203,983)	(269,665)
Currency translation differences	(539,554)	65,682
Balance at end of period	(743,537)	(203,983)

8. INCORPORATION OF ENTITY

On 13 August 2019, the Company incorporated a joint venture company "Equus Patagonia SpA" ('JV') with Patagonia Gold SCM. Equus through its subsidiary Southern Gold SpA owned 75% of the issued capital of the JV and Patagonia Gold SCM owned 25%. Under the arrangements Equus exercises control over the JV and as a result, it has been accounted for as a subsidiary.

Patagonia Gold SCM consideration payable for 25% equity interest in the JV was paid by the transfer of the mining concessions of Pedregoso I, Pedregoso VII and Honda to the JV. Equus consideration for the 75% equity interest in the JV was paid by the exploration carried out at the mining concessions. The JV forms part of the Los Domos Project.

9. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographical basis which involves the exploration of minerals in the Republic of Chile. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level.

Accordingly, management currently identifies the Group as having only one reportable segment, being mineral exploration. The financial results from this segment are equivalent to the financial statements of the consolidated Group as a whole.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 December 2019

10. EVENTS OCCURRING SUBSEQUENT TO 31 DECEMBER 2019

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.

11. RELATED PARTIES

Transactions with key management personnel

During the period, the Group issued a total of 35,000,000 unlisted options to Mr John Braham all options vested on the issued date, expiring between 13 November 2020 and 13 November 2024. (see note 6(b))

No other director has entered into a material contract with the Group since the previous financial year and there were no material contracts involving directors' interests existing at 31 December 2019.

12. 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 2019.

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 \$
<i>Financial assets</i>				
31 December 2019	-	511,008	-	511,008
30 June 2019	-	370,179	-	370,179

The financial assets held at 31 December 2019 and 30 June 2019 relate to investments held in quoted equity securities and were designated as equity instruments at fair value through other comprehensive income. There has been no change in the valuation techniques during the half-year ended 31 December 2019.

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2019

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

- (a) the financial statements and notes set out on pages 8 to 18, 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 2019 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian 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 12th day of March 2020
in accordance with a resolution of the Board of Directors:



Mark H. Lochtenberg
Chairman



John R. Braham
Executive Director



Independent Auditor's Review Report

To the shareholders of Equus Mining Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Equus Mining Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of 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*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Equus Mining Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year period.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(b) "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 2(b) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal 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 for the review of the Interim Financial Report

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 2019 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.

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

KPMG
Brisbane
12 March 2020

Jason Adams
Partner

EQUUS MINING LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE DIRECTORY

Directors:

Mr Mark H. Lochtenberg (Chairman)
Mr John R. Braham (Managing Director)
Mr Damien J. Koerber (Executive Director - COO)
Mr Robert A. Yeates (Non-Executive Director)

Company Secretary:

Mr Marcelo Mora

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