

EQUATOR EXPLORATION LIMITED

**Interim report for the six months
ended 30 June 2005**

CHAIRMAN'S STATEMENT

Dear Shareholders,

The first half of 2005 has been an active period for Equator Exploration Limited ("Equator", the "Company") in advancing the Company's existing projects and in acquiring additional high impact exploration acreage in the hydrocarbon prolific Gulf of Guinea, West Africa.

Agreement to Develop Oil Mining Lease 122, Offshore Nigeria with Peak Petroleum Industries Nigeria Limited

In April 2005, Equator signed an agreement to undertake the potential development of two oil and gas discoveries and drill a significant exploration prospect in Oil and Mining Lease (OML) 122, offshore Nigeria. OML 122 has two suspended oil and gas discoveries that were drilled in the 1970s (the Bilabri-1 and Orobiri discoveries). In addition, there is a large structure on OML 122 (the Owanare prospect) covered by 3D seismic that has significant gas and oil potential. OML 122 has additional "deepwater playtype" exploration potential not tested to date which Equator plans to evaluate.

In September 2005, Equator signed a contract with Dolphin Drilling Company for five well slots on the Bulford Dolphin semi-submersible rig. The wells will target the large-scale Owanare exploration prospect and the Bilabri appraisal well. These exploration and appraisal wells have the potential to confirm significant volumes of oil, condensate and gas reserves on OML 122. It is anticipated that the Bulford Dolphin will be on location in Nigeria by the end of November 2005, with the commencement of drilling the Bilabri appraisal well soon after.

São Tomé & Príncipe Exclusive Economic Zone Rights

In the first half of 2005, Equator and Petroleum Geo-Services ("PGS") acquired a further 5,500 km of infill 2D seismic in São Tomé & Príncipe's Exclusive Economic Zone ("EEZ"). To date, Equator and PGS have acquired 3,000 square km of 3D seismic data in the JDZ and 13,500 km of 2D seismic in the EEZ. With the addition of this latest dataset, Equator is in a position to make the final delineation and selection of the two EEZ exploration blocks and conclude negotiations on production sharing contracts (PSCs) with the Government of São Tomé & Príncipe. Following signing of PSCs on the two selected blocks, Equator will commence a 3D seismic acquisition programme. Under the current timetable, the EEZ blocks would be ready for drilling in late 2006 or early 2007, subject to rig availability.

Joint Development Zone Block 2

The Nigeria-São Tomé & Príncipe Joint Development Authority ("JDA") announced on 31 May 2005 that a 15% interest (6% net to Equator) in the highly sought after Block 2 of the Joint Development Zone ("JDZ") had been awarded to a consortium comprising Equator and ONGC Videsh Limited ("OVL"), the international exploration subsidiary of the Oil and Natural Gas Corporation of India ("ONGC"), India's largest energy company. Based on a 3D seismic survey funded by PGS and Equator in 2003, there is significant oil potential on the block. JDZ Block 2 is adjacent to Nigerian Block OPL 246 which hosts the 800 million barrel Akpo field and another series of discoveries totaling 600 million barrels. A consortium, led by U.S. independent Pioneer Natural Resources, was awarded a 65% interest in JDZ Block 2 and will act as operator. It is expected that JDZ Block 2 will be drilled in 2006, subject to rig availability.

Other Developments

On other fronts, in May 2005 Equator signed a joint bidding agreement with OVL for the 2005 Nigeria Bid Round. The licensing round offered 63 offshore and onshore blocks. Of particular interest to the OVL/Equator Joint Venture were the 12 deepwater offshore blocks on offer. Bids were submitted by the OVL/Equator Joint Venture for Blocks OPL 323 and OPL 321. Equator is still awaiting results of the bidding round. Any awards will be shared on an OVL-65% and Equator-35% basis.

Equator also continues to evaluate other exploration opportunities in the region. While these efforts are at a preliminary stage, Equator is hopeful that they will result in further additions to its exploration portfolio.

Financial

Equator's balance sheet remains strong with \$109 million in cash and no long term debt as at 30 June 2005. Equator has sufficient funds on hand to meet its funding requirements thru 2006 for its existing exploration portfolio.

Strategy and Outlook

The second half of 2005 promises to be an eventful period for Equator with the drilling of its first well on the highly prospective block OML 122 offshore Nigeria.

By focusing on the development of its core assets in São Tomé & Príncipe and Nigeria, as well as acquiring other high quality strategic assets in the Gulf of Guinea region, Equator hopes to further enhance shareholder value.

We would like to express our appreciation to the Board, the management and of course our shareholders, for their continued support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Samuel Esson Jonah', followed by a long horizontal line that ends in a circular flourish.

Samuel Esson Jonah KBE
Executive Chairman

INDEPENDENT REVIEW REPORT TO EQUATOR EXPLORATION LIMITED

Introduction

We have been instructed by the company to review the financial information set out on pages x to y and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have performed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

CHANTREY VELLACOTT DFK LLP
Chartered Accountants
London

EQUATOR EXPLORATION LIMITED

Unaudited consolidated income statement for the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 \$'000	Six months ended 30 June 2004 \$'000	Year ended 31 December 2004 \$'000
Revenue		-	62	431
Cost of sales		-	(31)	(36)
Gross profit		-	31	395
Administrative expenses		(4,466)	(501)	(2,220)
Loss from operations		(4,466)	(470)	(1,825)
Income from investments		1,368	-	46
Loss for the period from continuing operations		(3,098)	(470)	(1,779)
Loss per share	2			
Basic		(\$0.04)	(\$0.02)	(\$0.05)
Diluted		(\$0.04)	(\$0.02)	(\$0.05)

EQUATOR EXPLORATION LIMITED

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2005

	Share capital \$'000	Capital reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2004	-	6,319	(3,305)	3,014
Loss for the period	-	-	(470)	(470)
Balance at 30 June 2004	-	6,319	(3,775)	2,544
Loss for the period	-	-	(1,309)	(1,309)
Total recognised expense for the period	-	-	(1,309)	(1,309)
Issue of share capital	-	144,030	-	144,030
Share based transactions	-	2,879	-	2,879
Cost associated with issue of share capital				
Cost of options issued	-	(2,755)	-	(2,755)
Cash costs	-	(8,314)	-	(8,314)
Balance at 31 December 2004	-	142,159	(5,084)	137,075
Loss for the period	-	-	(3,098)	(3,098)
Total recognised expense for the period	-	-	(8,182)	133,977
Share based transactions	-	754	-	754
Balance at 30 June 2005	-	142,913	(8,182)	134,731

Included in capital reserves as at 30 June 2005 are amounts attributable to share based transactions of \$3,648,000 (31 December 2004: \$2,894,000; 30 June 2004: \$15,000).

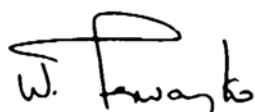
EQUATOR EXPLORATION LIMITED

Unaudited consolidated balance sheet as at 30 June 2005

	Note	30 June 2005 \$'000	30 June 2004 \$'000	31 December 2004 \$'000
Assets				
Non-current assets				
Goodwill		1,373	386	1,373
Other intangible assets	3	20,207	958	2,249
Multi-client library	4	3,041	1,700	2,152
Fixtures and equipment	5	663	-	41
		<u>25,284</u>	<u>3,044</u>	<u>5,815</u>
Current assets				
Trade and other receivables		900	203	268
Cash and cash equivalents		108,648	19	131,037
		<u>109,548</u>	<u>222</u>	<u>131,305</u>
Total assets		<u>134,832</u>	<u>3,266</u>	<u>137,120</u>
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital		-	-	-
Capital reserves		142,913	6,319	142,159
Accumulated losses		(8,182)	(3,775)	(5,084)
		<u>134,731</u>	<u>2,544</u>	<u>137,075</u>
Current liabilities				
Trade and other liabilities		101	722	45
Total equity and liabilities		<u>134,832</u>	<u>3,266</u>	<u>137,120</u>

Approved by the board of directors on 26 September 2005.

Signed on behalf of the board of directors:



Mr W G Cherwayko
Director

EQUATOR EXPLORATION LIMITED

Unaudited consolidated cash flow statement for the six months ended 30 June 2005

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Loss from operations	(4,466)	(470)	(1,825)
Adjustments for:			
Amortisation of multi-client library	163	163	324
Share based transactions	754	-	124
Depreciation on fixtures and equipment	47	-	2
Operating cash flows before movement in working capital	(3,502)	(307)	(1,375)
Decrease/(increase) in receivables	(632)	192	128
(Decrease)/increase in payables	56	67	(698)
Net cash used in operating activities	(4,078)	(48)	(1,945)
Cash flows from investing activities			
Interest received	1,368	-	46
Acquisition of subsidiary	-	-	(1,198)
Acquisition of multi-client library	(1,052)	-	(1,357)
Acquisition of appraisal assets	(17,958)	-	(249)
Acquisition of fixtures and equipment	(669)	-	(43)
Net cash used in investment activities	(18,311)	-	(2,801)
Cash flows from financing activities			
Share capital issued (net of costs)	-	-	135,716
Net cash from financing activities	-	-	135,716
Net increase/(decrease) in cash and cash equivalents	(22,389)	(48)	130,970
Cash and cash equivalents at beginning of period	131,037	67	67
Cash and cash equivalents at end of period	108,648	19	131,037

EQUATOR EXPLORATION LIMITED

Notes for the interim report for the six months ended 30 June 2005

1. Basis of preparation

The interim accounts have been prepared in accordance with applicable international accounting standards and the Company's established accounting policies as described in the financial statements for the year ended 31 December 2004. The interim accounts do not constitute statutory accounts within the meaning of S.240 of the Companies Act 1985.

2. Loss per share

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
	\$'000	\$'000	\$'000
Loss for the period from continuing operations	(3,098)	(470)	(1,779)
Number of common shares in issue during the period	76,354,891	24,825,392	32,757,808
Loss per share			
Basic	(\$0.04)	(\$0.02)	(\$0.05)
Diluted	(\$0.04)	(\$0.02)	(\$0.05)

The options and warrants outstanding over the period have not been treated as dilutive because they are antidilutive for the periods presented as described in IAS 33 'Earnings per share'.

3. Other intangible assets

Oil and gas exploration and appraisal assets

	West Africa \$'000
Cost	
At 1 January 2005	2,249
Additions	17,958
At 30 June 2005	20,207

4. Investment in multi-client library

	\$'000
Cost	
At 1 January 2005	2,983
Additions	1,052
At 30 June 2005	4,035
Accumulated amortisation	
At 1 January 2005	831
Charge for year	163
At 30 June 2005	994
Carrying amount	
At 30 June 2005	3,041
At 31 December 2004	2,152

EQUATOR EXPLORATION LIMITED

Notes for the interim report for the six months ended 30 June 2005

4. Investment in multi-client library (continued)

The multi-client library is accounted for on the date of completion as follows:

	\$'000
Surveys 2001	104
Surveys 2002	528
Survey 2005	2,409
	<hr/>
Multi-client library as at 30 June 2005	3,041
	<hr/> <hr/>

5. Fixtures and equipment

	Motor vehicles \$'000	Fixtures, fittings and equipment \$'000	Total \$'000
Cost or valuation			
At 1 January 2005	-	43	43
Additions	118	551	669
	<hr/>	<hr/>	<hr/>
At 30 June 2005	118	594	712
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2005	-	2	2
Charge for the year	-	47	47
	<hr/>	<hr/>	<hr/>
At 30 June 2005	-	49	49
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2005	118	545	663
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2004	-	41	41
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company and Investor Information

Directors	Sir S.E Jonah Mr W Cherwayko Mr P Dimmock Rt. Hon. The Baroness Chalker of Wallasey Mr J Ladner Mr A.L Dembitz	Executive Chairman Chief Executive Officer Chief Operating Officer Non-executive Director Non-executive Director Non-executive Director
Correspondence Office	Third Floor 192 Sloane Street London SW1X 9QX United Kingdom	
Nominated Adviser	Nabarro Wells & Co. Limited Saddlers House Gutter Lane London EC2V 6HS United Kingdom	
Financial Public Relations Consultants	Buchanan Communications Ltd 107 Cheapside London EC2V 6DN United Kingdom	
Auditors	Chantrey Vellacott DFK Russell Square House 10-12 Russell Square London WC1B 5LF United Kingdom	
Registered Office	Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands	
Bankers	Royal Bank of Canada Europe Limited 71 Queen Victoria Street London EC4V 4DE United Kingdom	
Broker	ODL Securities Limited Salisbury House, 6 th Floor London Wall London EC2M 5QQ United Kingdom	
Registered Agent	HWR Services Limited PO Box 71 Road Town Tortola British Virgin Islands	
Registrars	Computershare Investor Services (Channel Islands) Limited PO Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW Channel Islands	