



HIGHLIGHTS 2012



A MESSAGE FROM THE MANAGING DIRECTOR



DEAR FELLOW SHAREHOLDERS,

It gives me great pleasure to report on the progress we have made during the financial year towards our vision of becoming Africa's next major iron company. In a period of challenging and volatile international markets for iron ore, Equatorial Resources Limited ("Equatorial" or the "Company") continues to successfully advance the exploration and development of our two 100% owned iron projects in Central West Africa. Significant achievements have placed Equatorial in a strong position to be a leader in unlocking the iron ore potential of Africa and to outperform in the region's race to production. As at 30 June 2012, your Company had more than \$75 million in cash and an expanded team of dedicated professionals and industry experts focused on advancing our work at the Mayoko-Moussondji Iron Project ("Mayoko-Moussondji") and the Badondo Iron Project ("Badondo") in the Republic of Congo ("ROC"). Equatorial's success is built on a solid commitment to create shareholder value and to reward our stakeholders, shareholders, employees, and the communities in which we operate.

Central and West Africa is rich with massive high quality resources of iron ore. The region has the potential to supply over 30% of the world's seaborne iron ore, but currently this potential remains undeveloped. The recent volatility in global iron ore prices creates an exciting opportunity for the region and particularly for Equatorial. Unexpected commodity price fluctuations have resulted in current producers delaying, and in some cases cancelling, their expansion plans. While exact growth rates of the Chinese economy remain the subject of debate, respected analysts agree that global demand for iron ore will continue to grow. Demand growth, coupled with constrained expansion, escalating capital and operating costs of existing producers, and the deferral of new projects, will increasingly encourage steel makers, investors, and traders to search for alternative supply sources of quality iron ore at a competitive cost. The quality and scale of the iron resources in Africa will drive the development of both small and large scale greenfield production. Equatorial has the opportunity to be a major player in the development of this region from iron potential to iron ore production. Equatorial is extremely confident that the evolution of a long term sustainable price environment for seaborne iron ore will result in new projects in Central and West Africa becoming high quality, low cost producers.

Equatorial's advantage is its exposure to both short and long term development opportunities in the emergence of Africa as a significant iron ore producer. Mayoko-Moussondji has near term production potential based on near surface high grade iron mineralisation and its access to existing rail and port infrastructure. The Company's immediate strategy for Mayoko-Moussondji is to use the existing infrastructure to build scalable production capacity with globally competitive capital intensity. Badondo is located in a region that is emerging as "the new Pilbara" of Africa. The challenge is to establish the transport infrastructure required to enable production from the region to reach international markets. Our initial exploration activity indicates that Badondo has the potential to be one of the most significant assets in the region. Equatorial's strategy is to prove the geological value of the project while exploring the opportunities for cooperation with the ROC government and other mining companies on the development of rail and port facilities. Infrastructure development in the medium to long term will unlock the immense value of the large scale high quality iron reserves of the region.

During the financial year Equatorial recorded a number of important achievements. The highlights include:

- The renewal of both the Mayoko-Moussondji and Badondo exploration licences granted by the ROC government with 100% retention of the project areas;
- Acceleration of the drilling program at Mayoko-Moussondji and confirmation of the Company's geological model;
- The potential for a range of premium iron products to be produced from the mineralisation at Mayoko-Moussondji as demonstrated by the results from the Company's metallurgical testing program;
- Continued progress on infrastructure feasibility work for Mayoko-Moussondji conducted under agreements with the ROC government owned rail and port agencies;

- Commencement of the Environmental and Social Impact Assessment study for the future mining operation at Mayoko-Moussondji;
- Expansion of the Company's regional footprint with the granting of two new prospecting permits for iron in the Mayoko region;
- Exploration at Badondo identified the potential for a globally significant iron deposit;
- Regional cooperation agreements signed with other iron projects in northern ROC;
- The recruitment of highly qualified and experienced key executives and staff to join Equatorial's growing team;
- Shareholder approval of a Performance Share Rights scheme to assist the recruitment, retention, and reward of the Company's staff and contractors;
- Advancement of Equatorial's ROC community investment program; and
- The Company's balance sheet and treasury position was reinforced with significant cash reserves.

Developing and maintaining harmonious relationships with local communities, government and the environment continues to be a fundamental principal of our development strategy in the ROC. Equatorial has established a community investment model designed to provide ongoing benefits to the local communities in which we operate and to link with our training and employment of a growing Congolese workforce. In addition to funding local education programs, providing medical and health services, building local power and water services, Equatorial has forged an alliance with the University of Brazzaville to provide undergraduate training programs for Congolese nationals seeking careers with Equatorial. As we expand our activities we are employing and training increasing numbers of Congolese nationals and remain committed to the highest standards of social responsibility and sustainable development.

The financial year ahead will be an extremely exciting period for Equatorial. At Mayoko-Moussondji we will define a clear pathway to production. This will be built on the release of a maiden JORC compliant mineral resource estimate, definitive results of the Company's metallurgical test work program, an environmental and social impact study, and finalisation of feasibility work on the existing transport infrastructure. Our exploration activity at Badondo will accelerate as we confirm the potential of both our project and the region. Consolidation and cooperation will continue to be a theme in the development of the region. Equatorial expects this regional development to be the result of exploration success and efficient project development initiatives. A strong balance sheet with large cash reserves, fully funded exploration programs, a world-class team of dedicated industry experts, projects with demonstrated advantages, and a clear strategy provides Equatorial with a solid platform to build value.

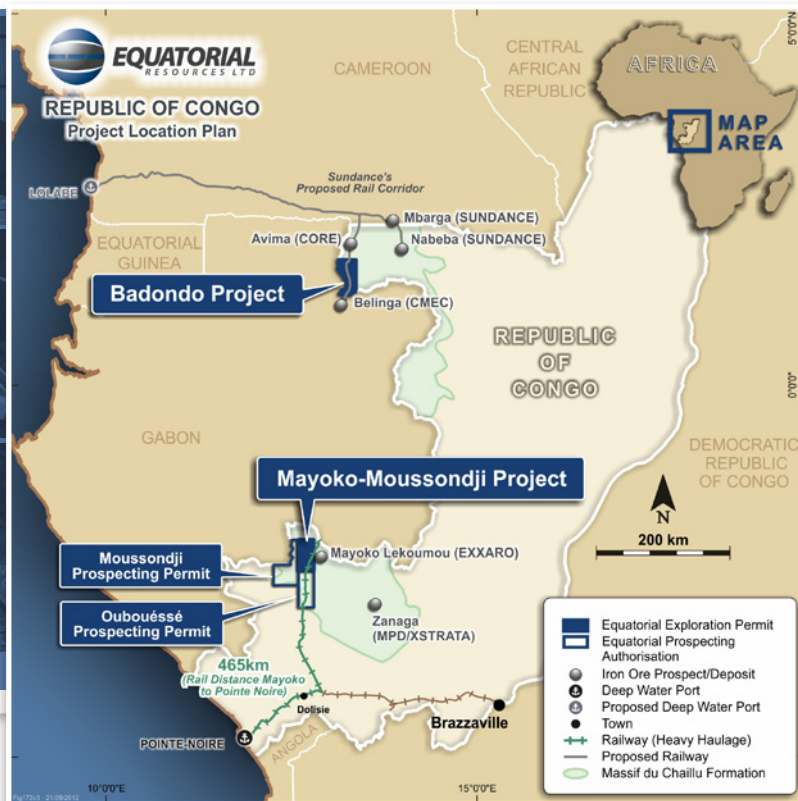
I am extremely proud of the advances we have made during the financial year and I take this opportunity to personally thank the board, management, and all our employees for their significant contribution and effort during this period of sustained progress and development. I also extend my sincere appreciation to shareholders for your support and I look forward to sharing success with you in the financial year ahead.

Yours faithfully,

JOHN WELBORN
MANAGING DIRECTOR

THE EQUATORIAL **ADVANTAGE**

- **Exploring** and developing two 100% owned iron projects in the Republic of Congo
- **Mayoko-Moussondji** Iron Project:
 - Premium high grade product potential from near surface hematite mineralisation
 - Development pathway based on access to existing rail and port infrastructure
- **Badondo** Iron Project:
 - Strategic large scale asset in the “new Pilbara” of Africa
 - High grade direct shipping ore potential
- **Experienced** Board and management team
- **Strong** balance sheet supporting fully funded exploration and development programs
- **Exposure** to both short and long term development opportunities:
 - Near-term opportunity for low capital intensity production with positive cashflows from Mayoko-Moussondji
 - Long-term exposure to regional development and value creation at Badondo



DELIVERING ON PROJECT EXPLORATION AND DEVELOPMENT MILESTONES

JUNE 2010	► Acquisition of two iron projects in the Republic of Congo
DECEMBER 2010	► Completion of airborne geophysics programs
FEBRUARY 2011	► Rail Access Agreement and Port Study Agreements signed with government
MARCH 2011	► Drilling commenced at Mayoko-Moussondji
APRIL 2011	► Total of A\$75M raised from some of Europe's leading investment funds
JUNE 2011	► Field campaign commenced at Badondo
JUNE 2011	► Acquisition of a 19.9% interest in African Iron Limited
OCTOBER 2011	► First drill assay results confirm high grade iron potential at Mayoko-Moussondji
OCTOBER 2011	► Railway Funding Agreement signed with government
DECEMBER 2011	► High grade hematite outcrop confirmed at Badondo
JANUARY 2012	► Environmental and Social Impact Assessment commenced for Mayoko-Moussondji
FEBRUARY 2012	► Sale of 19.9% interest in African Iron Limited results in receipt of A\$65 million in cash
MARCH 2012	► Regional co-operation agreement signed with Sundance Resources to share transport infrastructure which could service Badondo
APRIL 2012	► Excellent metallurgical test results received for Mayoko-Moussondji
JUNE 2012	► Mapping program at Badondo confirms presence of a thick and extensive hematite cap and drilling program commences
JULY 2012	► First drill results from Badondo confirm high grade iron ore
JULY 2012	► Experienced Project Management team appointed for Mayoko-Moussondji
AUGUST 2012	► Renewal of exploration licences for Mayoko-Moussondji Iron Project and Badondo Iron Project granted by Republic of Congo Government. Confirms total retention of project areas and 100% ownership by Equatorial
OCTOBER 2012	► Metallurgical test results confirm Mayoko-Moussondji potential for a premium high grade fines iron product

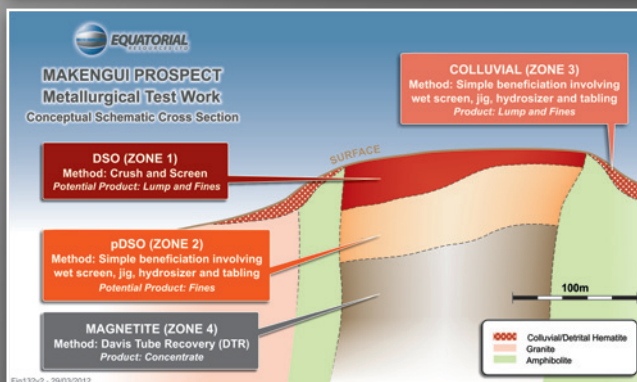
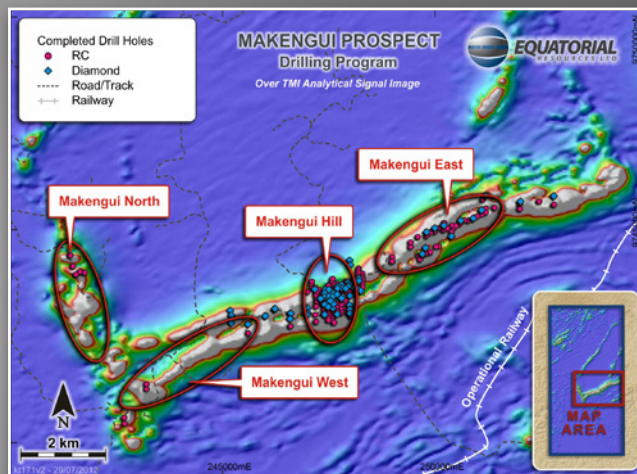
BIENVENUE AU CONGO BRAZZAVILLE!

- **Stable country** attracting multi-billion dollar investment
- **Former French colony** that celebrated 50 years of independence in August 2010
- **Stable, single party government** of President Denis Sassou-Nguesso re-elected in 2009 for a further 7 year term
- **One of Africa's largest oil producers:** Total, Eni and Chevron operating in Congo Brazzaville for ~30 years
- **Member of WTO, UN, African Development Bank, African Union**
- **New mining code** adopted in 2005 actively encourages foreign investment with favourable terms (10% government participation, 3% royalties)
- **Commitment** to community investment and sustainable development programs
- **Major mining companies** including Glencore, Xstrata, Exxaro, Severstal, and Chinese groups investing in iron projects



MAYOKO-MOUSSONDJI IRON PROJECT

- Equatorial has the dominant exploration footprint in the Mayoko region
- 200+ staff currently employed for exploration program
- Company owned and operated infrastructure supporting development activity
- Geological model confirmed: enriched hematite caps overlaying extensive zones of magnetite BIF
- Main prospect "Makengui" 12km long lies 500m from railway line
- High grade iron potential confirmed
- 70,000m drilling program underway
- Metallurgical testing has confirmed high quality premium iron product with simple processing
- Baseline Environmental and Social Impact Assessment study commenced
- Equatorial focused on the near-term development potential of a low capital intensity, positive cashflow mining operation using existing port and rail infrastructure



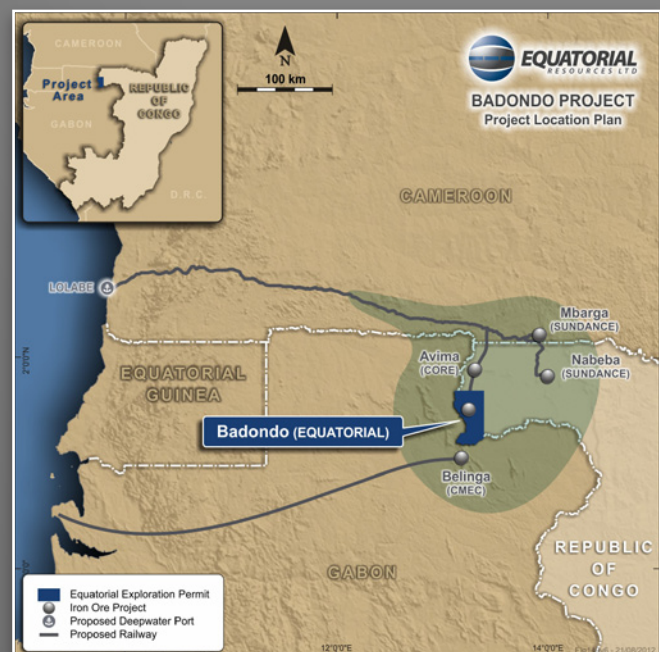
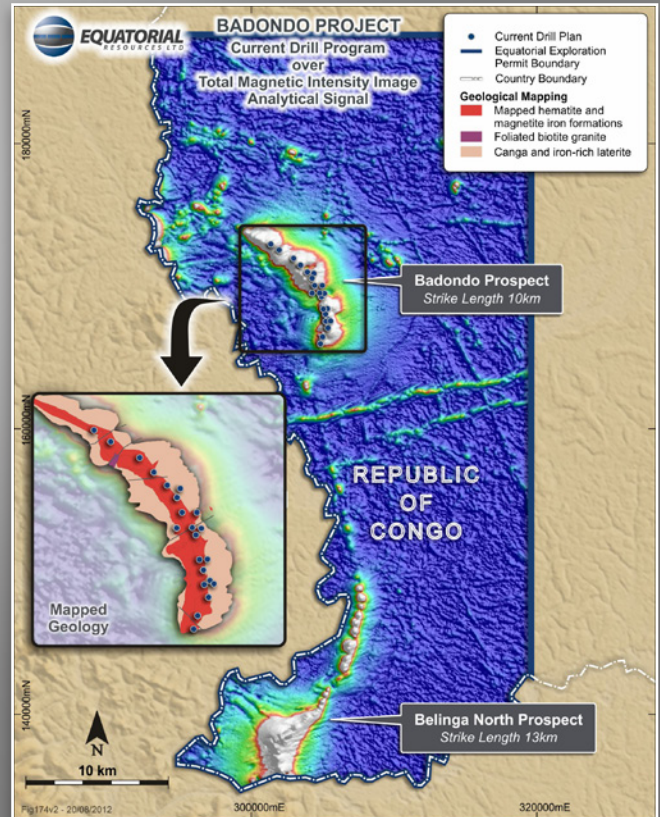
ROCK ► RAIL ► PORT

- The challenge for most potential African iron ore companies is the development of transport infrastructure
- Mayoko-Moussondji has access to an existing bulk commodity railway that runs directly to the deep water port of Pointe-Noire
- Equatorial has signed agreements with the state owned railway and port operators
- Port studies underway to identify solutions for bulk export
- Rail studies confirm potential for 10mtpa on existing railway



BADONDO IRON PROJECT

- Located in an emerging regional cluster of large scale iron projects including Mbalam and Nabeba (Sundance Resources), Belinga (Gabon) and Avima (Core Mining)
- Exploration has identified a hematite cap at least 30m thick in visible cliff exposures which appears to extend over full 10km strike length
- Drilling program has confirmed high grade direct shipping ore mineralisation of grades exceeding 62% Fe
- Ongoing exploration focused on demonstrating the geological potential of the Badondo and Belinga North prospects
- Equatorial actively engaged in regional cooperation for the development of transport infrastructure





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The information in this report that relates to Exploration Results, other than Metallurgical Test Results and Geophysical Exploration Results, is based on information compiled by Mr Mark Glassock, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Glassock is a full time employee of Equatorial Resources Limited. Mr Glassock has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glassock consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.