

EQUATORIAL
RESOURCES LTD

ANNUAL REPORT 2012



CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas – Chairman (Non-Executive)

Mr John Welborn – Managing Director and Chief Executive Officer

Mr Peter Woodman – Non-Executive Director

Mr Mark Pearce – Non-Executive Director

COMPANY SECRETARY:

Mr Greg Swan

REGISTERED AND PRINCIPAL**OFFICE:**

Level 2, BGC Centre

28 The Esplanade

Perth, WA, 6000

Tel: +61 8 9466 5030

Fax: +61 8 9466 5029

SHARE REGISTER:

Computershare Investor Services Pty Ltd

Level 2

45 St Georges Terrace

Perth, WA, 6000

Tel: 1300 557 010

Int: +61 8 9323 2000

Fax: +61 8 9323 2033

STOCK EXCHANGE LISTING:

Australian Securities Exchange

Home Branch – Perth

2 The Esplanade

Perth, WA, 6000

ASX CODE:

EQX – Fully paid Ordinary Shares

ABN:

50 009 188 694

BANKERS:

Australia and New Zealand Banking Group Limited

SOLICITORS:

Hardy Bowen Lawyers

AUDITOR:

Ernst & Young

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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

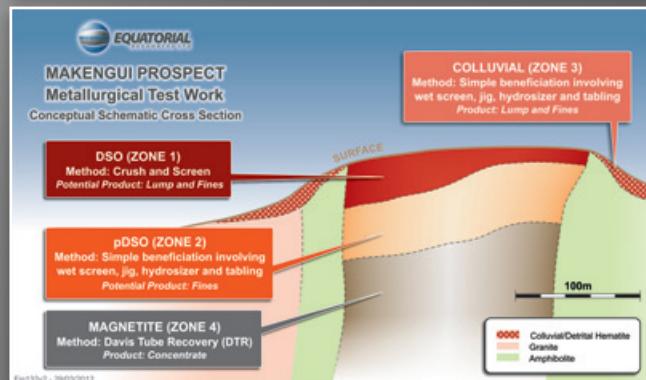
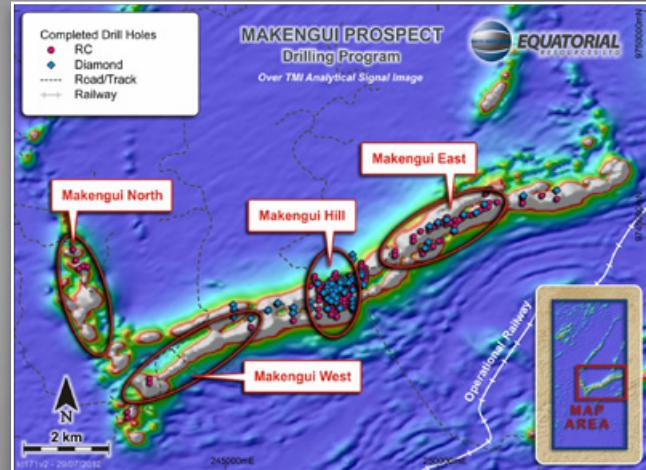
BIENVENUE AU CONGO BRAZZAVILLE!

- **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



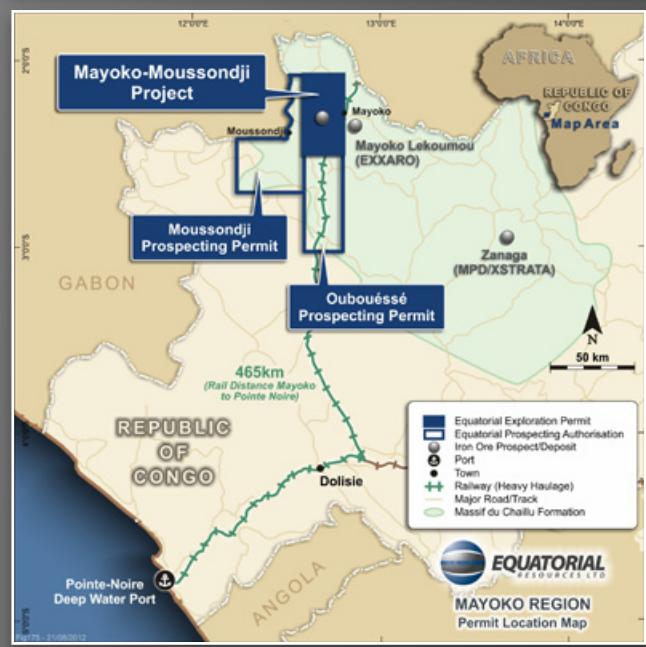
MAYOKO-MOUSSONDJI IRON PROJECT

- 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

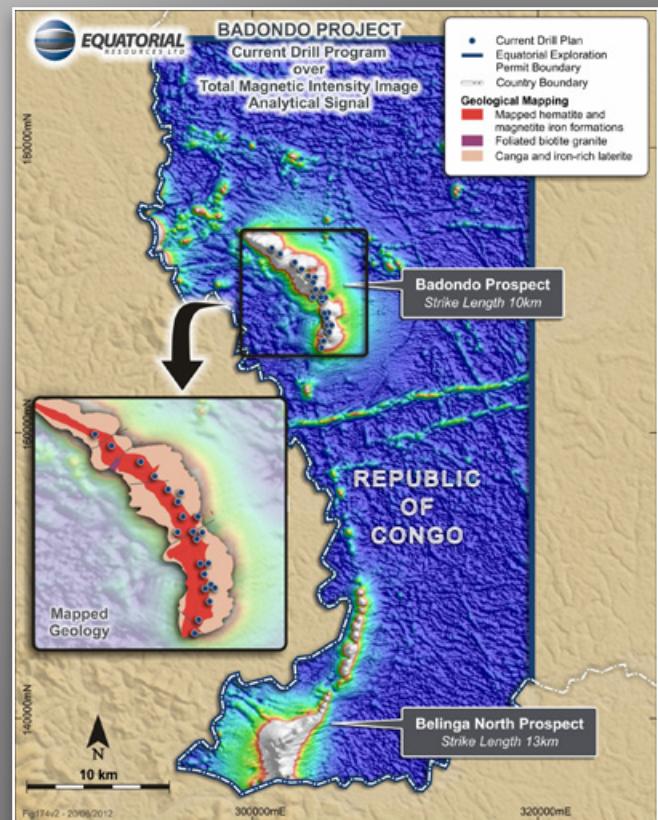
- The challenge for most potential African iron ore companies is the development of transport infrastructure
- Mayoko-Moussondji has access to an existing bulk commodity railway that runs directly to the deep water port of Pointe-Noire
- Equatorial has signed agreements with the state owned railway and 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



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 Glasscock, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Glasscock is a full time employee of Equatorial Resources Limited. Mr Glasscock 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 Glasscock consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The directors of Equatorial Resources Limited present their report on the Consolidated Entity consisting of Equatorial Resources Limited ("Company" or "Equatorial" or "EQX") and the entities it controlled at the end of, or during, the year ended 30 June 2012 ("Consolidated Entity" or "Group").

DIRECTORS

The names and details of the Company's directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas – Chairman (Non-Executive)
Mr John Welborn – Managing Director and Chief Executive Officer
Mr Peter Woodman – Non-Executive Director
Mr Mark Pearce – Non-Executive Director

All directors held their office from 1 July 2011 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

MR IAN MIDDLEMAS B.COM, CA

CHAIRMAN (NON-EXECUTIVE)

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a director of the Company on 5 November 2009. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Berkeley Resources Limited (April 2012 – present), Prairie Downs Metals Limited (August 2011 – present), Papillon Resources Limited (May 2011 – present), Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – present), Odyssey Energy Limited (September 2005 – present), Global Petroleum Limited (April 2007 – December 2011), Coalspur Mines Limited (March 2007 – October 2011), Mantra Resources Limited (September 2005 – June 2011), Agua Resources Limited (September 2008 – August 2010), Pacific Energy Limited (June 2006 – August 2010), Indo Mines Limited (December 2006 – June 2010), and Neon Energy Limited (November 1995 – June 2010).

MR JOHN WELBORN B.COM, CA, FFIN, FAICD

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and holds memberships of the Institute of Chartered Accountants in Australia, the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Mr Welborn has extensive experience in the resources sector as a senior executive and in corporate management, finance and investment banking. Mr Welborn was the Head of Specialised Lending in Western Australia for Investec Bank (Australia) Ltd and has more than 15 years of commercial experience in national and international professional services and management consulting firms.

Mr Welborn was appointed a director of the Company on 6 August 2010. During the three year period to the end of the financial year, Mr Welborn has held a directorship in Prairie Downs Metals Limited (February 2009 – present).

MR PETER WOODMAN B.SC. (GEOLOGY), MAUSIMM

DIRECTOR (NON-EXECUTIVE)

Mr Woodman is a geologist with over 20 years' experience in exploration, development and operations in the resources sector. He is a graduate of the Australian National University and is a corporate member of the Australian Institute of Mining and Metallurgy.

Mr Woodman has worked for a number of mining companies during his extensive career in the resources sector and most recently held the position of Chief Executive Officer of Wedgetail Mining Limited where he oversaw the successful completion of the bankable feasibility study for the Nullagine Gold Project and then managed a \$20 Million equity raising and the awarding of the banking mandate for \$40 Million senior debt facility with a major Australian institutional bank.

Prior to his role with Wedgetail Mining Ltd, he held positions with Samantha Gold NL, Ranger Minerals NL, Hellman & Schofield Pty Ltd, Centamin Egypt Ltd and Kingsgate Consolidated Ltd. His background is in management, exploration planning and execution, resource development and mining operations both in Australia and overseas.

Mr Woodman was appointed a director of the Company on 8 April 2010. During the three year period to the end of the financial year, Mr Woodman has held directorships in Papillon Resources Limited (May 2011 – present), WCP Resources Limited (August 2010 – present), Sovereign Metals Limited (May 2007 – present) and Coalspur Mines Limited (November 2008 – August 2009).

MR MARK PEARCE B.BUS, CA, FCIS, FFIN

DIRECTOR (NON-EXECUTIVE)

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a director of the Company on 5 November 2009. During the three year period to the end of the financial year, Mr Pearce has held directorships in Pacific Ore Limited (April 2010 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Prairie Downs Metals Limited (August 2011 – present), Coalspur Mines Limited (March 2007 – October 2011), Agua Resources Limited (September 2008 – October 2010), and Mantra Resources Limited (September 2005 – February 2010).

MR GREG SWAN B.COM, CA, ACIS, AFIN

COMPANY SECRETARY

Mr Swan is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm and has since worked in the corporate office of a number of listed companies that operate in the resources sector.

Mr Swan was appointed Company Secretary of the Company on 26 May 2010.

DIRECTORS' INTERESTS

As at the date of this report, the directors' interests in the securities of the Company are as follows:

	<i>Interest in securities at the date of the report</i>		
	<i>Ordinary Shares¹</i>	<i>Options²</i>	<i>Performance Rights³</i>
Mr Ian Middlemas	5,210,000	-	-
Mr John Welborn	3,000,000	3,500,000	1,000,000
Mr Peter Woodman	350,000	500,000	-
Mr Mark Pearce	1,050,000	500,000	-

Notes:

¹ "Ordinary Shares" means fully paid ordinary shares in the capital of the Company.

² "Options" means an option to subscribe for one Ordinary Share.

³ "Performance Rights" means a right to subscribe for one Ordinary Share upon the completion of specific performance milestones by the Company.

PRINCIPAL ACTIVITIES

The principal activities of Equatorial during the financial year consisted of mineral exploration and associated development. No significant change in the nature of Equatorial's activities occurred during the year.

DIVIDENDS PAID OR RECOMMENDED

No recommendation for payment of dividends has been made for the year ended 30 June 2012.

REVIEW AND RESULTS OF OPERATIONS

During the financial year Equatorial continued to advance the exploration and development of its two 100% owned iron projects in the Republic of Congo ("ROC").

MAYOKO-MOSSONDJI IRON PROJECT

The Mayoko-Moussondji Iron Project ("Mayoko-Moussondji") is located in the Department of Niari in the South West region of the ROC and covers a total area of 1,000km². An operational railway line intersects the project area and connects it to the ROC's established deep-water port at Pointe-Noire.

Drilling Activity

As of 30 June 2012, a total of 25,832 metres of drilling had been completed at the project in 240 holes (11,882 metres of diamond drilling in 82 holes and 13,950 metres of reverse circulation ("RC") drilling in 158 holes). Equatorial's drilling program at Mayoko-Moussondji is designed to identify shallow or near surface high grade hematite iron mineralisation to enable the development of a low capital and potentially lower scale start-up project based on the Company's access to existing rail and port infrastructure. Drilling at Mayoko-Moussondji to date has focused on the Makengui Prospect ("Makengui"), which represents a 12km long strike length and is up to 2km wide. Makengui is one of five main prospects at Mayoko-Moussondji which total more than 46km of potential strike.

Assay Results

The Company released assay results from drilling at Mayoko-Moussondji on 5 October 2011 and 15 March 2012. The results confirmed the geological model for Makengui whereby enriched oxide hematite caps overlay substantial fresh magnetite banded iron formation ("BIF"). Exploration of Mayoko-Moussondji is still at an early stage and to date the drilling program has covered a small proportion of the total potential 46km's of strike.

Metallurgical Test Program

Equatorial's metallurgical testing program has been supervised by the Company's Metallurgical Consultant and Mine and Process Development Studies Manager, Dr John Clout.

Davis Tube Recovery ("DTR") results for the magnetite BIF returned concentrates with high iron grades of 69% Fe and mass recoveries of 50% with very low levels of silica, alumina, sulphur and phosphorus.

The metallurgical test results for the colluvial iron mineralisation confirmed the potential for this material to produce premium lump and fines products using simple beneficiation techniques. The combined lump and fines results for the colluvial metallurgical testwork returned a product grade of 63.4% Fe with low levels of silica, alumina, sulphur and phosphorus. These products were achieved on a mass recovery of 61% and a Fe recovery of 76%.

The results demonstrate the potential for the mineralisation at Mayoko-Moussondji to produce a range of premium iron ore products.

Addition of two new Prospecting Permits

On 8 December 2011 Equatorial announced that it had secured 100% ownership of two new Prospecting Authorisations for iron ore ("Prospecting Permits") in the ROC.

The Oubouéssé Prospecting Authorisation for iron ore ("Oubouéssé Permit") and the Moussondji Prospecting Authorisation for iron ore ("Moussondji Permit") are both contiguous to the Company's Mayoko-Moussondji project. The new Prospecting Permits confirm Equatorial's position as the dominant land holder in the Mayoko region.

Rail Funding Agreement

Following the completion of a Rail Engineering Study, Equatorial signed an agreement with the state owned railway company Chemin de Fer Congo Ocean ("CFCO") that detailed the terms on which Equatorial will invest to refurbish the railway line and outlined the responsibilities of the parties in relation to commercial transport. The agreement signed between the parties is in the form of a "Protocol d'Accord" (Memorandum of Understanding) and comes under the jurisdiction of the Commercial Court of Pointe-Noire in the ROC.

Port

During the financial year the Port Authority of Pointe-Noire ("PAPN") communicated its agreement for Equatorial to commence studies at a designated zone within the proposed bulk commodity port of Pointe-Indienne. The Company received a formal letter from the PAPN which confirmed the designated zone at Pointe-Indienne, located alongside the area allocated to the Zanaga Iron Project currently under development by Xstrata PLC. The PAPN have also confirmed the agreement signed with Equatorial in February 2011 remains in force whereby both parties will cooperate in the completion of feasibility studies for solutions at the existing port of Pointe-Noire.

Completion of Environmental and Scoping Baseline Studies

The Company submitted a Sustainable Development Charter to the Ministry of Sustainable Development, Economic Forestry and Environment in the ROC. Equatorial has partnered with local environmental consulting firm EcoDurable to carry out environmental monitoring and management during exploration, with permanent representatives now active on site at Mayoko. The Company awarded a tender to a joint bid by SRK Consulting (UK) Ltd ("SRK") and Genivar, including EcoDurable, for Scoping studies for an Environmental and Social Impact Assessment for the proposed mining project.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

BADONDO IRON PROJECT

The Badondo Iron Project ("Badondo") is located in the Department of Sangha in the north-west region of ROC and covers a total area of 998km².

Completion of Pre-Drilling Field Campaign

Badondo is located in an isolated and remote region and Equatorial has successfully completed all required pre-drilling field work. Work included the construction of base camp facilities, helicopter landing zones and communications infrastructure. A detailed mapping and sampling program was conducted which identified an extensive blanket of potentially high grade hematite mineralisation at least 50m thick in places, overlying magnetite Banded Iron Formation ("BIF"), extending over the 10km of strike length at Badondo. The rock samples returned grades up to 64% Fe from the hematite blanket, up to 69% Fe from the hematite and up to 65% Fe from the canga mineralisation.

Commencement of Drilling at Badondo

Drilling commenced at Badondo in June 2012. Equatorial's current exploration strategy at Badondo is to use mobile helicopter transportable exploration equipment to complete a low cost, efficient scout drilling program. This program has been designed to test the thickness, quality and extent of the high grade hematite mineralisation along the entire strike at the Badondo Prospect and demonstrate the potential for the project area to host significant quantities of high grade DSO iron mineralisation similar to other world class iron projects in the region.

Equatorial and Sundance Sign MOU to Share Iron Ore Infrastructure

On 20 March 2012, Equatorial announced that it had signed a Memorandum of Understanding ("MOU") with Sundance Resources Limited ("Sundance") concerning the provision and use of future rail and port infrastructure which could service Badondo.

Sundance's Mbalam Iron Ore Project ("Mbalam") consists of the Mbarga Project in Cameroon and the Nabeba Project in the ROC. Equatorial's Badondo is located approximately 90 km south-west of Nabeba and approximately 90 km south from Sundance's proposed rail infrastructure.

Equatorial and Sundance have agreed to use all reasonable endeavours to cooperate on the development of an expansion of Sundance's proposed railway and port which would enable Badondo to have access to these facilities. The development and access is envisaged by way of direct investment by the companies or alternatively by a haulage services agreement. Sundance and Equatorial will also advance discussions concerning other possible infrastructure solutions.

BUSINESS STRATEGIES AND PROSPECTS

Equatorial's strategy is to explore and develop the Group's existing assets in the ROC and to assess new business opportunities in the resources sector.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to focus on maximising the value of its projects. In the coming year Equatorial intends to:

- Continue the contracted drilling campaign at Mayoko-Moussondji and provide further drilling results as available;
- Complete the metallurgical test work program describing the product potential of the ores at Mayoko-Moussondji;
- Complete a maiden Mineral Resource estimate for Mayoko-Moussondji;
- Commence various project studies for Mayoko-Moussondji and required mine to port infrastructure solutions;
- Advance the Environmental and Social Impact Assessment at Mayoko-Moussondji;
- Conclude the initial scout drilling campaign at Badondo and publish drilling results and updated geological interpretation; and
- Continue negotiations with regional exploration companies and potential joint-venture partners for the development of regional transport solutions servicing Badondo.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

The directors are not aware of any non-compliance with environmental laws by the Consolidated Entity.

CORPORATE ACTIONS

During the year the Company acquired an undiluted 19.9% interest in African Iron Limited ("African Iron") (former ASX code: AKI). Following shareholder approval received in August 2011, the Company issued 11,380,631 shares in consideration for the purchase of 81,500,000 shares in African Iron (at the rate of one Equatorial share for every 7.16 African Iron shares). The Company purchased a further 4,000,000 shares through on-market trades with an additional cost of \$805,206.

In January 2012, Exxaro Australia Iron Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro"), announced an all cash off-market takeover bid for all of African Iron's ordinary shares and listed options. Prior to the Company accepting the bids in February 2012, the Company purchased on market 22,075,061 listed options in African Iron for a total cost of \$8,227,493. The Company accepted the takeover bids by Exxaro for all listed shares and listed options realising total cash proceeds of \$64,825,773.

Following the sale of African Iron and continued exploration activities at the Company's projects, the Company held cash and cash equivalents at 30 June 2012 of \$79,963,913 (2011: \$56,246,310).

OPERATING RESULTS

The net loss of the Consolidated Entity for the year ended 30 June 2012 was \$7,443,910 (2011: \$6,446,750). The key drivers of this result are:

- (i) Interest revenue of \$3,244,794 (2011: \$1,485,830), and a net gain of \$28,175,572 (2011: Nil) on the sale of listed shares and options in African Iron;
- (ii) Exploration and evaluation expenses of \$27,425,448 (2011: \$4,981,728), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of the rights to explore and up to the successful completion of definitive feasibility studies for each separate area of interest;
- (iii) Corporate expenses of \$4,269,304 (2011: \$3,869,486), which includes expenses relating to the management of an ASX listed company and expenses relating to the Group's investor relations activities during the year; and
- (iv) Administration expenses of \$4,050,422 (2011: \$1,145,273), which results from the costs required to support the Group's exploration and development of the Projects during the 2012 year. These expenses include all the associated administration costs of running the Perth, London and Pointe-Noire office facilities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

- (i) At a General Meeting held on 23 August 2011, the Company received shareholder approval to issue 11,380,631 shares at the rate of one share in the Company for every 7.16 shares in African Iron as off-market consideration for the purchase of 81,500,000 shares in African Iron. The shares were issued and allotted on 26 August 2011 at which date the closing bid price of African Iron was \$0.29 which equates to a transaction value of \$23,635,000 before transaction costs;
- (ii) On 11 January 2012, Exxaro launched separate conditional off-market takeover bids for the ordinary shares and listed options of African Iron. At the date of offer, the Company owned 99,400,000 ordinary shares and further acquired 22,075,061 listed options in African Iron. On 27 February 2012, the Company accepted the Exxaro offer in regards to all its ordinary shares and options. The acceptance realised \$0.57 per ordinary share and \$0.37 per listed option resulting in a cash receipt of \$64,825,773 and a profit before tax of \$28,175,572 in relation to the investment; and
- (iii) On 15 February 2012, the Company issued 4,400,000 Performance Share Rights subject to various performance conditions to be satisfied prior to relevant milestone or expiry dates between 31 December 2012 and 31 December 2015. The Performance Rights were issued under the Equatorial Resources Employee and Contractor Performance Rights Plans that were approved by shareholders at a General Meeting held on 25 January 2012.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Consolidated Entity.

SHARE OPTIONS & PERFORMANCE RIGHTS

At the date of this report the following options and performance rights have been issued over unissued Ordinary Shares of the Company:

- 100,000 options exercisable on or before 31 December 2012 at an exercise price of \$2.835 each;
- 150,000 options exercisable on or before 30 July 2013 at an exercise price of \$3.00 each;
- 200,000 options exercisable on or before 30 July 2013 at an exercise price of \$2.00 each;
- 100,000 options exercisable on or before 30 July 2013 at an exercise price of \$4.00 each;
- 3,350,000 options exercisable on or before 30 June 2013 at an exercise price of \$0.40 each;
- 3,150,000 options exercisable on or before 31 December 2013 at an exercise price of \$0.60 each;
- 455,000 performance rights expiring on 30 June 2013 at no exercise price;
- 1,220,000 performance rights expiring on 30 September 2014 at no exercise price; and
- 2,105,000 performance rights expiring on 31 December 2015 at no exercise price.

During the year ended 30 June 2012, 4,336,800 Ordinary Shares have been issued as a result of the exercise of 4,336,800 Unlisted Options.

Subsequent to year end and up until the date of this report, no Ordinary Shares have been issued as a result of the exercise of Unlisted Options or Performance Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, the Company paid an annualised insurance premium of \$25,625 (2011: \$23,220) to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

DETAILS OF KEY MANAGEMENT PERSONNEL

Details of the KMP of the Group during or since the end of the financial year are set out below:

DIRECTORS

Mr Ian Middlemas	Chairman (Non-Executive)
Mr John Welborn	Managing Director
Mr Mark Pearce	Non-Executive Director
Mr Peter Woodman	Non-Executive Director

EXECUTIVES

Mr Andrew Steers	Chief Financial Officer (<i>appointed 25 January 2012</i>)
Mr Mark Glassock	General Manager – Geology (<i>appointed 19 July 2012</i>)
Mr Hugo Schumann	Group Executive – Business Development
Mr Brendon Morton	Chief Financial Officer (<i>resigned 16 December 2011</i>)
Mr Sean Halpin	General Manager - Geology (<i>resigned 17 July 2012</i>)
Mr Roger Staley	Exploration Manager – Mayoko (<i>resigned 3 February 2012</i>)
Mr Jonathon Hericourt	Country Manager – Republic of Congo (<i>resigned 9 November 2011</i>)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

REMUNERATION POLICY

The Group's remuneration policy for its KMP has been developed by the board of directors ("the Board") taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- (i) the Group is currently focused on undertaking exploration, appraisal and development activities;
- (ii) risks associated with small cap resource companies whilst exploring and developing projects; and
- (iii) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

EXECUTIVE REMUNERATION

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

FIXED REMUNERATION

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and travel benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

PERFORMANCE BASED REMUNERATION – SHORT TERM INCENTIVE ("STI")

Some executives are entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as;

- success of exploration activities (considering quality and control, time to complete and costs against budget);
- development of relevant government relationships;
- development and feasibility activities;
- corporate activities (e.g. recruitment and management of key personnel, representation of the company, etc.); and
- business development activities.

These measures were chosen as the Board believes they represent the key drivers in the short and medium term success of the projects' development. On an annual basis, subsequent to year end, the Board assesses performance against each individual executive's KPI criteria.

STI AWARDS FOR 2012 AND 2011 FINANCIAL YEARS;

In respect to the 2012 financial year, STI cash bonuses totalling \$585,000 (2011: \$230,000) were awarded to executives, following the achievement of the executives' respective individual KPI's. These cash bonuses were awarded by the Board and paid subsequent to year end.

PERFORMANCE BASED REMUNERATION – LONG TERM INCENTIVE

The Group has now adopted a long-term incentive plan ("LTIP") comprising of the "Equatorial Resources Limited Employee Performance Rights Plan" and the "Equatorial Resources Limited Contractor Performance Rights Plan" (together the "Plans") to reward KMP and key staff (including employees and contractors) for long-term performance. Shareholders approved the Plans in January 2012 at a General Meeting of Shareholders.

The Plans provide for the issuance of unlisted performance share rights ("Performance Rights") which, upon satisfaction of the relevant performance conditions attached to the rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. Grants made to eligible participants under the Plans will assist with the Company's employment strategy and will:

- (a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors needed to achieve the Company's strategic objectives;
- (b) link the reward of eligible participants with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interests of eligible participants of the proposed Plans with those of Shareholders; and
- (d) provide incentives to eligible participants of the Plans to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plans to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time.

Performance Rights have been initially granted in three tranches based on milestones;

- Tranche 1 – 100Mt Hematite Resource Milestone (Milestone date: 31 December 2012; Expiry date: 30 June 2013);
- Tranche 2 – Feasibility Milestone (Milestone date: 31 December 2013; Expiry date: 30 September 2014); and
- Tranche 3 – Initial Production Milestone (Milestone date: 31 December 2014; Expiry date: 31 December 2015).

If a performance condition is not achieved by the earlier of the Milestone date (which may be deferred by the Board), or the Expiry date then the Performance Right will lapse.

The Board's policy was to grant Unlisted Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the Unlisted Options granted to KMP were generally only of benefit if the KMP performed to the level whereby the value of the Group increased sufficiently to warrant exercising the Unlisted Options granted. Other than service-based vesting conditions (if any), there were no additional performance criteria on the Unlisted Options granted to KMP, as given the speculative nature of the Group's activities at that time and the previously small management team responsible for its running, it was considered the performance of the KMP and the performance and value of the Group were closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Unlisted Options or Performance Rights granted as part of their remuneration package.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board's policy is for fees to non-executive directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Unlisted Options have been used to attract and retain non-executive directors. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. Director's fees paid to non-executive directors accrue on a daily basis. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. Given the size, nature and opportunities of the Company, non-executive directors may receive Unlisted Options or Performance Rights in order to secure and retain their services.

Fees for the Chairman were \$50,000 per annum (excluding post-employment benefits) and fees for non-executive directors' were set at a maximum of \$30,000 per annum (excluding post-employment benefits). These fees cover main board activities only. Non-executive directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

Other than service-based vesting conditions, there are no additional performance criteria relating to the Unlisted Options granted to non-executive directors. No unlisted options have been granted to non-executive directors during (or subsequently to) the 30 June 2012 financial year.

The Company prohibits non-executive directors entering into arrangements to limit their exposure to Unlisted Options granted as part of their remuneration package.

RELATIONSHIP BETWEEN REMUNERATION OF KMP AND SHAREHOLDER WEALTH

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP have received Unlisted Options and Performance Rights which will be of greater value to KMP if the value of the Company's shares increases.

RELATIONSHIP BETWEEN REMUNERATION OF KMP AND EARNINGS

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

REMUNERATION OF DIRECTORS AND EXECUTIVES

Details of the remuneration of each Director and KMP of Equatorial are as follows:

2012	Short-term benefits			Post-employment benefits	Share-based payments	Total	Percentage performance related
	Salary & fees	Cash Bonus	Other				
	\$	\$	\$	\$	\$	\$	%
Directors							
Mr Ian Middlemas	50,000	-	-	4,500	-	54,500	-
Mr John Welborn	325,002	450,000 ⁶	27,910	25,208	636,674	1,464,794	30.72
Mr Peter Woodman	30,000	-	-	2,700	-	32,700	-
Mr Mark Pearce	30,000	-	-	2,700	-	32,700	-
Executives							
Mr Andrew Steers ¹	101,524	20,000	4,281	7,450	263,343	396,598	5.04
Mr Hugo Schumann	150,000	70,000	-	-	109,183	329,183	21.26
Mr Brendon Morton ²	85,735	-	1,246	8,166	-	95,147	-
Mr Sean Halpin ³	250,000	30,000	-	22,950	152,577	455,527	6.59
Mr Roger Staley ⁴	163,950	-	-	12,779	44,774	221,503	-
Mr Jonathan Hericourt ⁵	112,328	15,000	-	-	-	127,328	11.78
Total	1,298,539	585,000	33,437	86,453	1,206,551	3,209,980	

Notes:

¹ Mr Steers was appointed on 25 January 2012.

² Mr Morton resigned 16 December 2011.

³ Mr Halpin resigned on 17 July 2012.

⁴ Mr Staley resigned 3 February 2012.

⁵ Mr Hericourt resigned 9 November 2011.

⁶ Mr Welborn received his contracted annual bonus in relation to his ongoing performance in the management of the Company. In addition, the Board granted Mr Welborn a further bonus of \$300,000 relating to the successful acquisition and subsequent sale of shares in African Iron resulting in a cash injection of approximately \$64.8 million and a net profit of approximately \$28.2 million for the Company.

⁷ Mr Glassock was appointed on 19 July 2012 and has been excluded from the table above as no emoluments were paid in the 2012 financial year.

⁸ During the financial year, an annualised insurance premium of \$25,625 was paid by the Group to provide an indemnity for directors and officers against any potential liability and the associated legal costs of a proceeding. This has not been included in the table above.

2011	Short-term benefits			Post-employment benefits	Share-based payments	Total	Percentage performance related
	Salary & fees	Cash Bonus	Other				
	\$	\$	\$	\$	\$	\$	%
Directors							
Mr Ian Middlemas	36,000	-	-	3,240	-	39,240	-
Mr John Welborn ¹	229,166	150,000	13,669	20,625	923,167	1,336,627	11.22
Mr Peter Woodman	15,000	-	100,000 ⁹	1,350	264,500	380,850	26.26
Mr Mark Pearce	15,000	-	-	1,350	211,500	227,850	-
Mr Geoff Gander ²	3,750	-	-	338	-	4,088	-
Executives							
Mr Brendon Morton ³	14,166	5,000	1,568	1,275	-	22,009	22.72
Mr Sean Halpin ⁴	67,043	5,000	-	-	-	72,043	6.94
Mr Hugo Schumann ⁵	123,397	70,000	-	-	181,302	374,699	18.68
Mr Greg Swan ⁶	-	-	-	-	196,304	196,304	100.00
Mr Roger Staley ⁷	201,666	-	9,140	18,150	135,726	364,682	-
Mr Jonathan Hericourt ⁸	64,146	-	-	-	-	64,146	-
Total	769,334	230,000	124,377	46,328	1,912,499	3,082,538	

Notes:

¹ Mr Welborn was appointed director on 6 August 2010.

² Mr Gander resigned as director on 8 July 2010.

³ Mr Morton was appointed 1 June 2011.

⁴ Mr Halpin was appointed 28 February 2011.

⁵ Mr Schumann was appointed 19 July 2010.

⁶ Mr Swan provides services through a services agreement with Apollo Group Pty Ltd. Under the agreement, Apollo Group Pty Ltd provides administrative and accounting services and a fully serviced office to the Company for a monthly retainer of \$19,000 (\$21,500 from 1 July 2011). Apollo Group Pty Ltd is a company controlled by Mr Pearce.

⁷ Mr Staley was appointed 2 August 2010.

⁸ Mr Hericourt was appointed 28 February 2011.

⁹ Mr Woodman was granted a success fee of \$100,000 by the Board upon the completed acquisition of the two exploration projects.

¹⁰ During the financial year, an annualised insurance premium of \$23,220 was paid by the Group to provide an indemnity for directors and officers against any potential liability and the associated legal costs of a proceeding. This has not been included in the table above.

OPTIONS AND RIGHTS GRANTED TO KEY MANAGEMENT PERSONNEL

Details of unlisted options and performance rights granted by the Company to each KMP of the Group during the financial year are as follows:

2012	Options/Rights	Grant Date ³	Expiry Date	Exercise Price	Grant Date Fair Value ¹	Number Granted	Number Vested ⁴
Directors							
Mr John Welborn ²	Rights	25-Jan-12	30-Sep-14	-	\$2.32	300,000	-
Mr John Welborn ²	Rights	25-Jan-12	31-Dec-15	-	\$2.32	700,000	-
Executives							
Mr Sean Halpin	Rights	27-Jan-12	30-Jun-13	-	\$2.29	50,000	-
Mr Sean Halpin	Rights	27-Jan-12	30-Sep-14	-	\$2.29	100,000	-
Mr Sean Halpin	Rights	27-Jan-12	31-Dec-15	-	\$2.29	150,000	-
Mr Hugo Schumann	Rights	1-Feb-12	30-Sep-14	-	\$2.28	60,000	-
Mr Hugo Schumann	Rights	1-Feb-12	31-Dec-15	-	\$2.28	90,000	-
Mr Andrew Steers	Rights	27-Jan-12	30-Jun-13	-	\$2.29	100,000	-
Mr Andrew Steers	Rights	27-Jan-12	30-Sep-14	-	\$2.29	150,000	-
Mr Andrew Steers	Rights	27-Jan-12	31-Dec-15	-	\$2.29	250,000	-

Notes:

¹ For details on the valuation of the Performance Rights, including models and assumptions used, please refer to Note 23 to the financial statements. Each Performance Right converts into one Ordinary Share of Equatorial.

² Rights granted to Mr Welborn were not granted as part of an employment contract.

³ Grant date refers to the deemed date that performance rights were granted to the recipient in accordance with applicable accounting standards.

⁴ Number vested refers to the number of performance rights that have vested at the date of this report.

Details of the value of Unlisted Options granted, exercised or lapsed for each KMP of the Group during the financial year are as follows:

2012	Value of Options Granted during the Year	Value of Options exercised during the year	Value of Options lapsed during the year	Value of Options included in remuneration report for the year	Remuneration for the year that consists of options
	\$	\$	\$	\$	%
Directors					
Mr John Welborn	-	2,460,000 ¹	-	243,833	16.65
Mr Peter Woodman	-	412,500 ²	-	-	-
Mr Mark Pearce	-	738,000 ³	-	-	-
Executives					
Mr Hugo Schumann	-	-	-	50,898	15.46
Mr Roger Staley	-	-	-	44,774	20.21
Total	-	3,610,500	-	339,505	-

Notes:

¹ 1,000,000 Options were exercised on the 2nd May 2012, with \$0.25 paid per share and nil unpaid per share. The value of options exercised is calculated using the closing bid price (\$2.71) less the exercise price (\$0.25) on that date.

² 250,000 Options were exercised on the 25th November 2011, with \$0.25 paid per share and nil unpaid per share. The value of options exercised is calculated using the closing bid price (\$1.90) less the exercise price (\$0.25) on that date.

³ 300,000 Options were exercised on the 2nd May 2012, with \$0.25 paid per share and nil unpaid per share. The value of options exercised is calculated using the closing bid price (\$2.71) less the exercise price (\$0.25) on that date.

DIRECTORS' REPORT (CONTINUED)

EMPLOYMENT CONTRACTS WITH DIRECTORS AND KMP

MR JOHN WELBORN - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Welborn, Managing Director and Chief Executive Officer, has a contract with the Company for an initial fixed period of two years which commenced with effect from 6 August 2010. Upon completion of the initial fixed period the contract has a rolling annual term. The Company must give notice to Mr Welborn not less than 3 months prior to the end of each annual term if it does not wish to renew his employment period for a further term of one year. After completion of the initial fixed period, if the Company gives notice to terminate the contract earlier than 3 months prior to the end of any annual period, Mr Welborn will be entitled to normal salary and other entitlements up to the end of that annual period provided that the amount does not exceed 6 month's pay. Mr Welborn currently receives a fixed remuneration component, excluding superannuation entitlements, of \$400,000 per annum and a discretionary annual bonus of up to \$150,000 per annum to be paid upon Mr Welborn achieving key performance indicators, as agreed with the Board.

MR ANDREW STEERS - CHIEF FINANCIAL OFFICER

Mr Steers, Chief Financial Officer, has a contract of employment with the Company dated 12 December 2011. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The contract has a rolling annual term and may be terminated by the Company by giving 3 months' notice. Mr Steers receives a fixed remuneration component, excluding superannuation entitlements, of \$234,000 per annum and a discretionary bonus of up to \$40,000 per annum to be paid upon Mr Steers achieving key performance indicators, as agreed by the Board.

MR MARK GLASSOCK - GENERAL MANAGER - GEOLOGY

Mr Glassock, General Manager – Geology, has a contract of employment with the Company dated 12 July 2012. The contract specifies the duties and obligations to be fulfilled by the General Manager – Geology. The contract has a rolling annual term and may be terminated by the Company by giving 3 months' notice. Mr Glassock receives a fixed remuneration component, excluding superannuation entitlements, of \$250,000 per annum and a discretionary bonus of up to \$50,000 per annum to be paid upon Mr Glassock achieving key performance indicators, as agreed by the Board. Mr Glassock was granted the following Performance Rights in accordance with his employment contract:

- (a) 50,000 performance rights exercisable for Nil consideration each on or before 30 June 2013;
- (b) 100,000 performance rights exercisable for Nil consideration each on or before 30 September 2014; and
- (c) 150,000 performance rights exercisable for Nil consideration each on or before 31 December 2015.

All performance Rights vest after the achievement of various milestones as approved in the Equatorial Resources Limited Employee Performance Rights Plan.

MR HUGO SCHUMANN - GROUP EXECUTIVE – BUSINESS DEVELOPMENT

Mr Schumann, Group Executive – Business Development, has a contract of employment with the Company dated 25 June 2010. The contract specifies the duties and obligations to be fulfilled by the Group Executive – Business Development. The contract may be terminated by the Company by giving 3 months' notice. No amount is payable in the event of termination for gross negligence or incompetence in regard to the performance of duties. Mr Schumann receives a fixed remuneration component of \$150,000 per annum and a discretionary annual bonus of up to \$70,000 per annum to be paid upon Mr Schumann achieving key performance indicators, as agreed with by the Board.

END OF REMUNERATION REPORT.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	5	3
Mr John Welborn	5	5
Mr Peter Woodman	5	4
Mr Mark Pearce	5	3

There were no board committees during the financial year.

NON-AUDIT SERVICES

During the year, Ernst & Young (Australia), the Company's auditor, received or are due to receive approximately \$37,966 (2011: Nil) for the provision of non-audit services consisting of tax compliance and advisory services provided to the Company and any other entities in the consolidated group

Furthermore, Ernst & Young (Republic of Congo), a related party of the Company's auditor, Ernst & Young (Australia), received or are due to receive approximately \$50,442 (2011: \$16,836) for the provision of non-audit services consisting of tax compliance and advisory services provided to the Company's subsidiary, Congo Mining Limited SARL.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided (tax compliance and advisory services) means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 18 of the Directors' Report.

Signed in accordance with a resolution of the directors.



JOHN WELBORN
 Managing Director

Perth, 21 September 2012

The information in this report that relates to Exploration Results, other than Geophysical Exploration Results, is based on information compiled by Mr Mark Glassock, who is a member of the Australian Institute of Geoscientists. 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.

The information in this report that relates to Metallurgical Test Results is based on information compiled by Dr John Clout who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Clout is a consultant to Equatorial Resources Limited. Dr Clout 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'. Dr Clout consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Equatorial Resources Limited

In relation to our audit of the financial report of Equatorial Resources Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young
Ernst & Young
P McIver

P McIver
Partner
Perth
21 September 2012


**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		\$	\$
Continuing operations			
Revenue	2	3,244,794	1,485,830
Other income	2	28,213,371	3,648
Exploration and evaluation expenses		(27,425,448)	(4,981,728)
Feasibility expenses		(842,486)	-
Corporate expenses		(4,269,304)	(3,869,486)
Administrative expenses		(4,050,422)	(1,145,273)
Business development expenses		(255,878)	(99,583)
Finance costs	3	(906)	(10,141)
Other expenses	3	(594,398)	(321,993)
Loss before income tax		(5,980,677)	(8,938,726)
Income tax expense	4	(1,463,233)	-
Loss after tax from continuing operations		(7,443,910)	(8,938,726)
Profit after tax from discontinued operation	18	-	2,491,976
Loss for the year		(7,443,910)	(6,446,750)
Loss attributable to members of Equatorial Resources Ltd		(7,443,910)	(6,446,750)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(197,635)	104,197
Exchange differences relating to discontinued operation taken to profit after tax from discontinued operation		-	(1,463,555)
Net fair value gain/(loss) on available for sale financial assets		28,391,574	(216,002)
Net realised gain on available for sale financial assets transferred to other income		(28,175,572)	-
Other comprehensive gain/(loss) for the year, net of tax		18,367	(1,575,360)
Total comprehensive loss for the year		(7,425,543)	(8,022,110)
Loss for the period is attributable to:			
Members of the parent		(7,443,910)	(6,446,750)
		(7,443,910)	(6,446,750)
Total comprehensive loss for the period is attributable to:			
Members of the parent		(7,425,543)	(8,022,110)
		(7,425,543)	(8,022,110)
Earnings per share			
<i>Continuing and Discontinued Operations:</i>			
Basic & Diluted loss per share (cents per share)	19	(6.61)	(8.02)
<i>Continuing Operations:</i>			
Basic & Diluted loss per share (cents per share)	19	(6.61)	(11.11)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	2012	2011
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	79,963,913	56,246,310
Trade and other receivables	7	2,561,850	2,577,433
Prepayments		355,545	87,244
Total Current Assets		82,881,308	58,910,987
Non-current Assets			
Available-for-sale financial assets	8	-	3,266,500
Property, plant and equipment	9	6,103,832	2,814,871
Exploration and evaluation assets	10	7,147,240	7,148,050
Intangible assets	11	140,296	-
Total Non-current Assets		13,391,368	13,229,421
TOTAL ASSETS		96,272,676	72,140,408
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,295,266	1,967,152
Provisions		60,399	23,570
Income tax payable		1,463,233	-
Total Current Liabilities		5,818,898	1,990,722
TOTAL LIABILITIES		5,818,898	1,990,722
NET ASSETS		90,453,778	70,149,686
EQUITY			
Contributed equity	13	172,276,851	143,940,782
Reserves	14	4,335,078	4,923,145
Accumulated losses	15	(86,158,151)	(78,714,241)
TOTAL EQUITY		90,453,778	70,149,686

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary Shares	Investments Available-For-Sale Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	143,940,782	(216,002)	5,034,950	104,197	(78,714,241)	70,149,686
Net loss for the year	-	-	-	-	(7,443,910)	(7,443,910)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	(197,635)	-	(197,635)
Net unrealised gain on available-for-sale financial assets	-	28,391,574	-	-	-	28,451,294
Net realised gain on available for sale financial assets transferred to other income	-	(28,175,572)	-	-	-	(28,235,292)
Total comprehensive loss for the period	-	216,002	-	(197,635)	(7,443,910)	(7,425,543)
Transactions with owners recorded directly in equity						
Share issue costs (cash)	(39,670)	-	-	-	-	(39,670)
Exercise of options	4,740,739	-	(2,872,813)	-	-	1,867,926
Share based payments	23,635,000	-	2,266,379	-	-	25,901,379
Balance at 30 June 2012	172,276,851	-	4,428,516	(93,438)	(86,158,151)	90,453,778
Balance at 1 July 2010	72,856,513	-	1,036,500	1,463,555	(72,267,491)	3,089,077
Net loss for the year	-	-	-	-	(6,446,750)	(6,446,750)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	104,197	-	104,197
Exchange differences on discontinued operation taken to profit after tax from discontinued operation	-	-	-	(1,463,555)	-	(1,463,555)
Net unrealised loss on available-for-sale financial assets	-	(216,002)	-	-	-	(216,002)
Total comprehensive loss for the period	-	(216,002)	-	(1,359,358)	(6,446,750)	(8,022,110)
Transactions with owners recorded directly in equity						
Share placements	72,079,600	-	-	-	-	72,079,600
Share issue costs (cash)	(3,085,193)	-	-	-	-	(3,085,193)
Share issue costs (non-cash)	(1,737,013)	-	1,737,013	-	-	-
Exercise of options	438,875	-	(109,500)	-	-	329,375
Share based payments	3,388,000	-	2,370,937	-	-	5,758,937
Balance at 30 June 2011	143,940,782	(216,002)	5,034,950	104,197	(78,714,241)	70,149,686

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers, employees and others		(31,751,656)	(7,144,533)
Interest paid		(906)	(10,141)
Interest received		2,734,885	931,839
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(29,017,677)	(6,222,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation assets	17	-	(471,505)
Payments for property, plant and equipment		(4,135,355)	(4,044,192)
Net cash inflow on disposal of discontinued operation	18(b)	-	1,028,421
Payments for intangible assets		(182,398)	-
Proceeds from sale of property, plant and equipment		-	20,812
Payments for available-for-sale financial assets		(9,632,698)	(3,382,502)
Proceeds from sale of available-for-sale financial assets		64,825,773	-
NET CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES		50,875,322	(6,848,966)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,867,926	72,408,975
Payments for share issue costs		(45,767)	(3,097,432)
Proceeds from borrowings		-	100,000
Repayment of borrowings		-	(600,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,822,159	68,811,543
Net increase in cash and cash equivalents		23,679,804	55,739,742
Net foreign exchange differences		37,799	(84,860)
Cash and cash equivalents at beginning of period		56,246,310	591,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	79,963,913	56,246,310

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Equatorial Resources Limited ("Equatorial" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2012 are stated to assist in a general understanding of the financial report.

Equatorial is a company limited by shares and is incorporated and domiciled in Australia. Equatorial's shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 21 September 2012.

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. The financial report is presented in Australian dollars, unless otherwise stated.

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

(B) STATEMENT OF COMPLIANCE

The financial report complies with AASBs and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes to follow.

AASBs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2012. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ul style="list-style-type: none"> (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> a. The change attributable to changes in credit risk are presented in other comprehensive income (OCI) b. The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> 	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> IFRS 1 First-time Adoption of International Financial Reporting Standards <ul style="list-style-type: none"> • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements <ul style="list-style-type: none"> • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment <ul style="list-style-type: none"> • Classification of servicing equipment IAS 32 Financial Instruments: Presentation <ul style="list-style-type: none"> • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting <ul style="list-style-type: none"> • Interim financial reporting and segment information for total assets and liabilities 	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p>	1 July 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

(C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(D) FOREIGN CURRENCIES

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

GROUP COMPANIES

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(F) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(G) INVESTMENTS AND OTHER FINANCIAL ASSETS

CLASSIFICATION

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

RECOGNITION AND DERECOGNITION

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

SUBSEQUENT MEASUREMENT

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available for sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the statement of comprehensive income as gains and losses on disposal of investment securities.

IMPAIRMENT

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is transferred from equity to the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as held for sale are not reversed through the statement of comprehensive income.

(H) PROPERTY, PLANT AND EQUIPMENT

COST AND VALUATION

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

DEPRECIATION AND AMORTISATION

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2012	2011
Major depreciation and amortisation periods are:		
Leasehold Land:	Life of mine	Life of mine
Buildings:	5 - 20 years	5 - 20 years
Plant and equipment:	2-10 years	2-10 years
Work in Progress:	-	-

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

DERECOGNITION

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(I) INTANGIBLE ASSETS

Intangible Assets acquired by the group, such as Telecommunications Access Rights, have a finite useful life and are recorded at cost less accumulated amortisation.

Amortisation is charged over the useful life of the finite asset according to consumption benefits.

	2012	2011
Major amortisation periods are:		
Telecommunications Access Rights:	5 years	n/a

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EXPLORATION AND DEVELOPMENT EXPENDITURE

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(K) PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(L) PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(M) REVENUErecognition

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office ("ATO").

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(N) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

TAX CONSOLIDATION

Equatorial and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(O) EMPLOYEE ENTITLEMENTS

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(P) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(Q) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(R) SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(S) BUSINESS COMBINATIONS

Acquisitions of subsidiaries that are regarded as carrying on a business are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(T) ACQUISITION OF ASSETS

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(U) DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

(V) IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(X) ISSUED AND UNISSUED CAPITAL

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(Y) SHARE-BASED PAYMENTS

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 23.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(Z) USE AND REVISION OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Impairment of assets (Note 7 and Note 9); and
- Share-Based Payments (Note 23).

2. REVENUE AND OTHER INCOME

	2012	2011
	\$	\$
REVENUE		
Interest income	3,244,794	1,485,830
OTHER INCOME		
Net gain on sale of property, plant and equipment	-	3,648
Net gain on sale of available for sale financial assets	28,175,572	-
Net realised foreign exchange gains	37,799	-
	28,213,371	3,648

3. EXPENSES

	2012	2011
	\$	\$
FINANCE COSTS		
Interest expense	906	10,141
DEPRECIATION AND AMORTISATION INCLUDED IN STATEMENT OF COMPREHENSIVE INCOME		
Depreciation of plant and equipment	1,330,618	120,156
Amortisation of intangible assets	33,564	-
	1,364,182	120,156
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	6,632,529	1,764,980
Superannuation costs	97,655	48,581
Share-based payments expense	2,266,379	2,370,937
Other employee benefits	471,354	51,595
	9,467,917	4,236,093
OTHER EXPENSES		
Impairment of plant and equipment	-	18,237
Impairment of refundable deposits	-	51,494
Net realised foreign exchange losses	-	83,002
Withholding tax expense	594,398	169,260
	594,398	321,993

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

4. INCOME TAX

	2012	2011
	\$	\$
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME		
Current income tax		
Current income tax expense in respect of the current year	1,463,233	260,474
Adjustments in respect of current income tax of previous years	-	169,399
Deferred income tax		
Relating to origination and reversal of temporary differences	(8,830,000)	106,742
Adjustments in respect of deferred income tax of previous years	(1,885,795)	-
Benefit from previously unrecognised temporary differences of a prior period	-	(263,224)
Deferred tax assets not brought to account	10,715,795	(273,391)
Income tax reported in the statement of comprehensive income	1,463,233	-

(A) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT/(LOSS) BEFORE INCOME TAX

	2012	2011
	\$	\$
Accounting loss before income tax		
At the domestic income tax rate of 30% (2011: 30%)	(1,794,203)	(1,934,025)
Foreign Expenditure not brought into account	178,060	2,270,733
Effect of tax rate in foreign jurisdictions	(1,488,073)	(273,391)
Income not assessable for income tax purposes	(4,865,267)	(465,808)
Expenditure not allowable for income tax purposes	782,680	769,707
Adjustments in respect of current income tax of previous years	-	169,399
Adjustments in respect of deferred income tax of previous years	(1,885,795)	-
Previously unrecognised temporary differences of a prior period	-	(263,224)
Deferred tax assets not brought to account	10,715,795	(273,391)
Foreign Tax Offset	(179,964)	-
Income tax expense attributable to profit/(loss)	1,463,233	-

(B) DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax at balance date relates to the following:

	2012	2011
	\$	\$
Deferred Tax Assets		
Accrued expenditure	237,920	84,803
Capital allowances	12,303,975	11,070
Provisions	14,148	7,071
Tax losses available to offset against future taxable income	-	1,584,333
DTA used to offset DTL	(319,170)	(166,197)
Deferred tax assets not brought to account	(12,236,873)	(1,521,080)
Deferred Tax Liabilities		
Accrued interest	319,170	166,197
DTA used to offset DTL	(319,170)	(166,197)

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(C) TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Equatorial.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2012 (2011: Nil).

	2012	2011
	\$	\$

FRANKING CREDIT BALANCE

Franking credits available to shareholders of Equatorial Resources Limited for subsequent financial years

	-	-
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6. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Cash on Hand	1,841,913	14,167,012
Deposits at Call	78,122,000	42,079,298
	79,963,913	56,246,310

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	\$	\$
Deposits on Plant and Equipment	48,111	1,017,963
Accrued Interest	1,063,899	553,990
GST receivable	131,559	377,868
Sundry Debtors	10,909	-
	1,254,478	1,949,821
Refundable deposits	1,353,909	679,106
Impairment allowance	(46,537)	(51,494)
	1,307,372	627,612
Trade and Other Receivables	2,561,850	2,577,433

(A) RECONCILIATION OF IMPAIRMENT ALLOWANCE:

	2012	2011
	\$	\$
Balance at 1 July	(51,494)	-
Impairment provided for during the year	-	(51,494)
Foreign exchange movement	4,957	-
Balance at 30 June	(46,537)	(51,494)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

8. AVAILABLE-FOR-SELL FINANCIAL ASSETS (NON-CURRENT)

	Note	2012	2011
		\$	\$
<i>At fair value:</i>			
Shares – Australian listed	8(a)	-	3,266,500
Options – Australian listed	8(a)	-	-
		-	3,266,500

(A) RECONCILIATION OF AVAILABLE-FOR-SELL FINANCIAL ASSETS

	2012	2011
	\$	\$
<i>Shares – Australian Listed</i>		
Balance at 1 July	3,266,500	-
Acquisition at cost	24,940,206	3,482,502
Net unrealised gain/(loss) recognised in reserve	28,451,294	(216,002)
Proceeds on Sale	(56,658,000)	-
Balance at 30 June	-	3,266,500
<i>Options – Australian Listed</i>		
Balance at 1 July	-	-
Acquisition at cost	8,227,493	-
Net unrealised loss recognised in reserve	(59,720)	-
Proceeds on Sale	(8,167,773)	-
Balance at 30 June	-	-
Available for Sale Investments	-	3,266,500

9. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	\$	\$
LEASEHOLD LAND		
At cost	57,058	63,136
BUILDINGS		
At cost	636,393	98,050
Accumulated depreciation and impairment	(92,056)	(5,820)
Net carrying amount	544,337	92,230
PLANT AND EQUIPMENT		
At cost	5,978,254	1,981,497
Accumulated depreciation and impairment	(1,275,713)	(116,262)
Net carrying amount	4,702,541	1,865,235
WORK IN PROGRESS		
At cost	799,896	794,270
Total Property, Plant and Equipment	6,103,832	2,814,871

(A) RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Land</i>	<i>Buildings</i>	<i>Plant & Equipment</i>	<i>Work in Progress</i>	<i>Total</i>
	\$	\$	\$	\$	\$
2012					
Carrying amount at beginning	63,136	92,230	1,865,235	794,270	2,814,871
Additions	-	-	1,781,407	3,315,704	5,097,111
Transfers In/Out	-	581,115	2,647,506	(3,228,621)	-
Disposals	-	-	-	-	-
Depreciation	-	(92,078)	(1,238,540)	-	(1,330,618)
Impairment ¹	-	-	-	-	-
Foreign Exchange Movement	(6,078)	(36,930)	(353,067)	(81,457)	(477,532)
Carrying amount at 30 June 2012	57,058	544,337	4,702,541	799,896	6,103,832
	<i>Leasehold Land</i>	<i>Buildings</i>	<i>Plant & Equipment</i>	<i>Work in Progress</i>	<i>Total</i>
	\$	\$	\$	\$	\$
2011					
Carrying amount at beginning	-	-	2,715	-	2,715
Additions	63,136	98,050	2,009,913	794,270	2,965,369
Disposals	-	-	(16,837)	-	(16,837)
Depreciation	-	(5,934)	(114,222)	-	(120,156)
Impairment	-	-	(18,237)	-	(18,237)
Foreign Exchange Movement	-	114	1,903	-	2,017
Carrying amount at 30 June 2011	63,136	92,230	1,865,235	794,270	2,814,871

Notes:

¹ No impairment indicators have been identified for each class of Property, Plant and Equipment as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

10. EXPLORATION AND EVALUATION ASSETS

	2012	2011
	\$	\$
AREAS OF INTEREST		
Mayoko-Moussondji Iron Project	5,003,068	5,003,635
Badondo Iron Project	2,144,172	2,144,415
Carrying amount at end of year ¹	7,147,240	7,148,050

(A) RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT

	Note	2012	2011
		\$	\$
Carrying amount at beginning		7,148,050	-
Additions	17	-	7,148,454
Foreign exchange movement ²		(810)	(404)
Carrying amount at end of year ¹		7,147,240	7,148,050

Notes:

¹ The ultimate recoupment of costs carried for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The carrying values above are based upon the Group's assumption that the exploration licenses will be renewed when required, subject to the company meeting its agreed budgets and work programs. No impairment indicators have been identified by management and the exploration program continues on each area of interest.

² Foreign exchange movement results from translation from functional currency to presentation currency at reporting date.

11. INTANGIBLE ASSETS (NON-CURRENT)

	2012	2011
	\$	\$
TELECOMMUNICATIONS ACCESS RIGHTS		
At cost	171,935	-
Accumulated amortisation and impairment	(31,639)	-
Net carrying amount	140,296	-

(A) RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT

	2012	2011
	\$	\$
Carrying amount at beginning	-	
Additions	184,128	-
Amortisation	(33,564)	-
Foreign exchange movement	(10,268)	-
Carrying amount at end of year	140,296	-

12. TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Trade creditors	2,161,646	
Accrued expenses	2,017,374	
Other payables	116,246	
	4,295,266	1,967,152

13. CONTRIBUTED EQUITY

	<i>Note</i>	2012	2011
		\$	\$
ISSUED AND UNISSUED CAPITAL			
117,235,353 (2011: 101,517,922) fully paid Ordinary Shares		171,396,851	143,060,782
2,000,000 (2011: 2,000,000) unissued milestone shares ¹	17	880,000	880,000
		172,276,851	143,940,782

Notes:

¹ As part consideration for the acquisition of Congo Mining Limited SARL in the prior year, the Company agreed to issue 2,000,000 Ordinary Shares to the vendors no later than 45 days after Equatorial Resources Ltd makes an announcement to the ASX of the discovery of a 100Mt Mineral Resource. Refer to Note 17 for further details.

(A) MOVEMENTS IN ORDINARY SHARES DURING THE PAST TWO YEARS WERE AS FOLLOWS

<i>Date</i>	<i>Details</i>	<i>Note</i>	Number of Ordinary Shares	\$
01 Jul 11	Opening balance		101,517,922	143,060,782
26 Aug 11	Share Issue		11,380,631	23,635,000
	Exercise of options		4,336,800	1,867,926
	Transfers from share based payment reserve		-	2,872,813
	Share issue expenses		-	(39,670)
30 June 12	Closing Balance		117,235,353	171,396,851
01 Jul 10	Opening balance		49,512,922	72,856,513
31 Aug 10	Share placement		10,000,000	2,500,000
31 Aug 10	Vendor shares	17	5,700,000	2,508,000
05 Oct 10	Share placement		9,780,000	8,019,600
10 Dec 10	Share placement		11,200,000	20,160,000
25 Jan 11	Share placement		3,000,000	5,400,000
31 Mar 11	Share placement		11,000,000	33,000,000
04 Apr 11	Share placement		1,000,000	3,000,000
	Exercise of options		325,000	329,375
	Transfers from share based payment reserve		-	109,500
	Share issue expenses		-	(4,822,206)
30 June 11	Closing Balance		101,517,922	143,060,782

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

13. CONTRIBUTED EQUITY (CONTINUED)

(B) RIGHTS ATTACHING TO ORDINARY SHARES

The rights attaching to fully paid Ordinary Shares ("Ordinary Shares") arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Options in accordance with Note 14(c) will rank equally in all respects with the Company's existing Ordinary Shares. Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

SHARES

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

MEETINGS OF MEMBERS

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

VOTING

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

CHANGES TO THE CONSTITUTION

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

LISTING RULES

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

14. RESERVES

	Note	2012	2011
		\$	\$
Share based payments reserve	14(b)	4,428,516	5,034,950
Investments available-for-sale reserve	14(e)	-	(216,002)
Foreign currency translation reserve	14(f)	(93,438)	104,197
		4,335,078	4,923,145

(A) NATURE AND PURPOSE OF RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

INVESTMENTS AVAILABLE-FOR-SALE RESERVE

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the investments available for sale reserve as described in Note 1(g). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

SHARE BASED PAYMENTS RESERVE

The share based payments reserve is used to record the fair value of options and performance rights issued by the Group.

(B) MOVEMENTS IN SHARE BASED PAYMENTS RESERVE DURING THE PAST TWO YEARS WERE AS FOLLOWS

Date	Details	Number of Unlisted Options	Number of Performance Rights	\$
01 Jul 11	Opening Balance	11,386,800	-	5,034,950
15 Feb 12	Grant of Performance Rights	-	4,400,000	-
15 Jun 12	Lapse of Rights	-	(620,000)	-
	Exercise of options	(4,336,800)	-	(2,872,813)
	Share based payment expense	-	-	2,266,379
30 June 12	Closing Balance	7,050,000	3,780,000	4,428,516
01 Jul 10	Opening Balance	725,000	-	1,036,500
06 Sep 10	Grant of \$0.25 Unlisted options	2,500,000	-	-
06 Sep 10	Grant of \$0.40 Unlisted options	3,950,000	-	-
06 Sep 10	Grant of \$0.60 Unlisted options	3,950,000	-	-
25 Jan 11	Share issue expenses paid in options	586,800	-	1,737,013
	Exercise of options	(325,000)	-	(109,500)
	Share based payment expense	-	-	2,370,937
30 June 11	Closing Balance	11,386,800	-	5,034,950

(C) TERMS AND CONDITIONS OF UNLISTED OPTIONS

The Unlisted Options are granted based upon the following terms and conditions:

- Each Unlisted Option entitles the holder to subscribe for one Ordinary Share upon exercise of each Unlisted Option;
- The Unlisted Options have the following exercise prices and expiry dates:
 - 100,000 options exercisable on or before 31 December 2012 at an exercise price of \$2.835 each;
 - 150,000 options exercisable on or before 30 July 2013 at an exercise price of \$3.00 each;
 - 200,000 options exercisable on or before 30 July 2013 at an exercise price of \$2.00 each;
 - 100,000 options exercisable on or before 30 July 2013 at an exercise price of \$4.00 each;
 - 3,350,000 options exercisable on or before 30 June 2013 at an exercise price of \$0.40 each; and
 - 3,150,000 options exercisable on or before 31 December 2013 at an exercise price of \$0.60;
- Subject to any vesting conditions, the Unlisted Options are exercisable at any time prior to the Expiry Date;
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Unlisted Options will be made by the Company.

(D) TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The Performance Rights are granted based upon the following terms and conditions:

- Each Performance Right entitles the holder to subscribe for one Ordinary Share upon the vesting performance milestone being achieved by the Company;
- The Performance Rights have the following exercise prices and expiry dates:
 - 455,000 performance rights expiring on 30 June 2013 at no exercise price;
 - 1,220,000 performance rights expiring on 30 September 2014 at no exercise price; and
 - 2,105,000 performance rights expiring on 31 December 2015 at no exercise price.
- Ordinary Shares issued on exercise of the Performance Rights rank equally with the Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Performance Rights will be made by the Company.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

14. RESERVES (CONTINUED)

(E) MOVEMENTS IN INVESTMENTS AVAILABLE-FOR-SALE RESERVE DURING THE PAST TWO YEARS WERE AS FOLLOWS

	2012	2011
	\$	\$
Investments Available-for-Sale Reserve		
Balance at 1 July	(216,002)	-
Net fair value movement	28,391,574	(216,002)
Reclassification adjustment on sale of investment	(28,175,572)	-
Balance at 30 June	-	(216,002)

(F) MOVEMENTS IN FOREIGN CURRENCY TRANSLATION RESERVE DURING THE PAST TWO YEARS WERE AS FOLLOWS

	2012	2011
	\$	\$
Foreign Currency Translation Reserve		
Balance at 1 July	104,197	1,463,555
Exchange differences	(197,635)	104,197
Transfer on deconsolidation of entity	-	(1,463,555)
Balance at 30 June	(93,438)	104,197

15. ACCUMULATED LOSSES

	2012	2011
	\$	\$
Balance at 1 July		
Net profit/(loss) for the year	(78,714,241)	(72,267,491)
Balance at 30 June	(7,443,910)	(6,446,750)
	(86,158,151)	(78,714,241)

16. CASH FLOW STATEMENT

(A) RECONCILIATION OF THE NET LOSS AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

	2012	2011
	\$	\$
Loss for the year attributable to members of the parent	(7,443,910)	(6,446,750)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	1,364,183	120,156
Provision for employee entitlements	50,370	23,570
Share based payment expense	2,266,379	2,370,937
Impairment of plant and equipment	-	18,237
Impairment of refundable deposit	-	51,494
Net gain on disposal of non-current assets	-	(3,647)
Gain on deconsolidation of controlled entity	-	(2,491,976)
Gain on sale of Available for Sale Investments	(28,175,572)	-
Net foreign exchange loss	202,318	246,991
Income Tax Expense	1,463,233	-
Change in operating assets and liabilities		
Increase in trade and other receivables and prepayments	(1,291,387)	(1,672,697)
Increase in operating trade and other payables	2,546,709	1,560,850
Net cash outflow from operating activities	(29,017,677)	(6,222,835)
RECONCILIATION OF CASH		
Cash at bank and on hand	79,963,913	56,246,310
	79,963,913	56,246,310

(B) NON-CASH FINANCING AND INVESTING ACTIVITIES

	Note	2012	2011
		\$	\$
Non-cash financing and investing activities:			
Settlement of available for sale financial asset acquisition with shares		23,635,000	-
Settlement of asset acquisition with shares	17	-	3,388,000
Settlement of share issue costs for placement with options	14(b)	-	1,737,013

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

17. ACQUISITION OF EXPLORATION AND EVALUATION ASSETS

During the prior year, Equatorial acquired 100% of Congo Mining Limited SARL ("CML"), the owner of two highly prospective exploration licences located in the Republic of Congo. Accordingly, the transaction was recorded as an asset acquisition. The total cost of the acquisition was \$7,148,454 and comprised an issue of equity instruments and cash as follows:

- (i) US\$3,200,000 (A\$3,760,454) cash;
- (ii) 5,700,000 vendor shares with a fair value of \$2,508,000, based on the quoted price of the Ordinary Shares of Equatorial at the acquisition date; and
- (iii) 2,000,000 milestone shares to be issued not later than 45 days after Equatorial makes an announcement to the ASX of the discovery of a 100Mt Mineral Resource ("100Mt Resource Milestone"), with a fair value of \$880,000, based on the quoted price of the Ordinary Shares of Equatorial at the acquisition date.

	Note	Fair values on acquisition
		\$

Exploration and evaluation assets	10(a)	7,148,454
Net assets acquired		7,148,454

Costs of the acquisition:

US\$3,200,000 cash		3,760,454
5,700,000 Ordinary Shares	13(a)	2,508,000
2,000,000 milestone shares ¹	13	880,000
Total cost of the acquisition		7,148,454

Net cash outflow on acquisition:

Cash paid during year ended 30 June 2010		(3,288,949)
Cash paid during year ended 30 June 2011		(471,505)
Net cash outflow		(3,760,454)

Notes:

¹ The acquisition date fair value of the milestone shares has been determined to be \$880,000, as management believe that it is probable that the 100Mt Resource Milestone will be satisfied, based on the Company's previously announced Exploration Target (refer ASX release dated 30 November 2010). As such the quoted price of the Ordinary Shares of Equatorial at the acquisition date has been applied to 100% of the milestone shares.

18. DISCONTINUED OPERATION

During the previous year, the Company completed a settlement agreement with PT. Mega Coal Indomine ("Mega Coal") regarding historical disputes relating to coal assets previously held by the Company in Indonesia.

The Company received US\$1,000,000 from Mega Coal as a settlement payment, which represents a payment, net of all collection fees and charges, in full and final settlement of all disputes in relation to the Company's historical Indonesian operations.

Equatorial has executed a settlement agreement with Mega Coal accepting this payment as full and final settlement of all disputes between the Company and Mega Coal in relation to Equatorial's historical operations in Indonesia. The Company is now in the process of liquidating the relevant subsidiary companies.

(A) RESULTS OF DISCONTINUED OPERATION

	Note	2012	2011
		\$	\$
RESULTS OF DISCONTINUED OPERATION			
Other income		-	1,028,500
Expenses		-	-
Results from operating activities		-	1,028,500
Income tax expense		-	-
Results after tax from operating activities		-	1,028,500
Profit on disposal of discontinued operation	18(b)	-	1,463,476
Profit/(loss) after tax from discontinued operation		-	2,491,976

(B) PROFIT AND CASH INFLOW ON DISPOSAL OF DISCONTINUED OPERATION

	30 June 2012	30 June 2011
	\$	\$
PROFIT ON DISPOSAL OF DISCONTINUED OPERATION		
Consideration received:		
Settlement proceeds received in cash	-	1,028,500
Total value of consideration received on disposal	-	1,028,500
Net assets relinquished:		
Cash and cash equivalents	-	79
Refundable deposits	-	-
Total value of assets relinquished	-	79
Foreign currency translation reserve taken to statement of comprehensive income	-	(1,463,555)
Profit on disposal of discontinued operation	-	1,463,476

NET CASH FLOW ON DISPOSAL OF DISCONTINUED OPERATION

Settlement proceeds received in cash	-	1,028,500
Cash relinquished on disposal of discontinued operations	-	(79)
Net cash inflow on disposal of discontinued operation	-	1,028,421

(C) NET ASSETS OF DISCONTINUED OPERATION

	2012	2011
	\$	\$
ASSETS:		
Cash and cash equivalents		
Cash and cash equivalents	-	79
Total Assets	-	79
Net Assets Relinquished	-	79

(D) EARNINGS PER SHARE OF DISCONTINUED OPERATION

	2012	2011
Discontinued Operations:		
Basic profit per share (cents per share)		
Basic profit per share (cents per share)	-	3.10
Diluted profit per share (cents per share)	-	2.78

19. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of:

- basic earnings per share;
- earnings per share from continuing operations; and
- earnings per share from discontinued operations

	2012	2011
	\$	\$
Basic Earnings:		
Net (loss) used in calculating basic earnings per share:		
Net (loss) used in calculating basic earnings per share:	(7,443,910)	(6,446,750)
Earnings from continuing operations:		
Net (loss) from continuing operations:	(7,443,910)	(8,938,726)
Earnings from discontinued operations:		
Net profit from discontinued operations:	-	2,491,976
	<i>Number of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>
	2012	2011
Weighted average number of Ordinary Shares	112,680,364	80,429,347
Potentially dilutive weighted average number of Ordinary Shares	126,163,945	89,798,326

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

19. EARNINGS PER SHARE (CONTINUED)

(A) NON-DILUTIVE SECURITIES

As at balance date, 2,000,000 unissued milestone shares 7,050,000 Unlisted Options and 3,780,000 Performance Rights (which represent 12,830,000 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(B) CONVERSIONS, CALLS, SUBSCRIPTIONS OR ISSUES AFTER 30 JUNE 2012

There have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

20. RELATED PARTIES

(A) SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest	
		2012	2011
		%	%
Equatorial (Africa) Pty Ltd	Australia	100	100
ImmunoTX Pty Ltd ²	Australia	-	100
Equatorial Resources Pte. Ltd ³	Singapore	100	100
Titan Resources Pte. Ltd ³	Singapore	100	100
PT Krypton Mining ³	Indonesia	51	51
PT Mustang Mining ³	Indonesia	70	70
Congo Mining Ltd SARL ¹	Republic of Congo	100	100
Equatorial Exploration Pty Ltd ⁴	Australia	100	-
Equatorial (ROC) Pty Ltd ⁵	Australia	100	-
EEPL Holdings ⁶	Mauritius	100	-
Equatorial (Gabon) Limited ⁷	Gabon	100	-

Notes:

¹ Acquired on 31 August 2010.

² Deregistered on 22 January 2012.

³ During the year the Company continued proceedings to wind up its Singapore and Indonesian Controlled entities.

⁴ Registered on 6 February 2012

⁵ Registered on 16 February 2012

⁶ Registered on 19 April 2012

⁷ Registered on 14 September 2011

(B) ULTIMATE PARENT

Equatorial is the ultimate parent of the Group.

(C) KEY MANAGEMENT PERSONNEL

Details relating to KMP, including remuneration paid, are included at Note 22.

(D) TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with KMP, including remuneration and equity holdings, are included at Note 22.

21. PARENT ENTITY DISCLOSURES

	2012	2011
	\$	\$
FINANCIAL POSITION		
Assets		
Current Assets	81,310,995	57,632,464
Non-Current Assets	47,824,651	18,574,568
Total Assets	129,135,646	76,207,032
Liabilities		
Current Liabilities	3,327,851	655,940
Total Liabilities	3,327,851	655,940
Equity		
Contributed equity	172,276,851	143,940,782
Accumulated losses	(50,897,572)	(73,208,638)
Share based payments reserve	4,428,516	5,034,950
Investments available for sale reserve	-	(216,002)
Total Equity	125,807,795	75,551,092
FINANCIAL PERFORMANCE		
Profit/(Loss) for the year	22,311,066	(2,406,425)
Other comprehensive income	216,002	-
Total comprehensive income	22,527,068	(2,406,425)

(A) OTHER INFORMATION

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 27 for details of contingent assets and liabilities.

22. KEY MANAGEMENT PERSONNEL

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

The KMP of the Group during or since the end of the financial year were as follows:

CURRENT DIRECTORS

Mr Ian Middlemas	Chairman (Non-Executive)
Mr John Welborn	Managing Director
Mr Mark Pearce	Non-Executive Director
Mr Peter Woodman	Non-Executive Director

OTHER KEY MANAGEMENT PERSONNEL

Mr Andrew Steers	Chief Financial Officer (<i>appointed 25 January 2012</i>)
Mr Mark Glassock	General Manager – Geology (<i>appointed 19 July 2012</i>)
Mr Hugo Schumann	Group Executive – Business Development
Mr Brendon Morton	Chief Financial Officer (<i>resigned 16 December 2011</i>)
Mr Sean Halpin	General Manager - Geology (<i>resigned 17 July 2012</i>)
Mr Roger Staley	Exploration Manager - Mayoko (<i>resigned 3 February 2012</i>)
Mr Jonathon Hericourt	Country Manager – Republic of Congo (<i>resigned 9 November 2011</i>)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

22. KEY MANAGEMENT PERSONNEL (CONTINUED)

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

	2012	2011
	\$	\$
Short-term employee benefits	1,916,976	1,123,711
Post-employment benefits	86,453	46,328
Share-based payments	1,206,551	1,912,499
Total compensation	3,209,980	3,082,538

(C) OPTION AND RIGHT HOLDINGS OF KEY MANAGEMENT PERSONNEL

2012	Held at 1 July 2011	Granted as Remuneration	Options Exercised	Net Change Other	Held at 30 June 2012	Vested and exercisable at 30 June 2012
Directors						
Mr Ian Middlemas	-	-	-	-	-	-
Mr John Welborn	4,500,000	1,000,000	(1,000,000)	-	4,500,000	3,500,000
Mr Peter Woodman	1,000,000	-	(250,000)	(250,000) ¹	500,000	500,000
Mr Mark Pearce	800,000	-	(300,000)	-	500,000	500,000
Executives						
Mr Andrew Steers	- ²	500,000	-	-	500,000	-
Mr Hugo Schumann	800,000	150,000	-	-	950,000	800,000
Mr Brendon Morton	-	-	-	-	- ³	- ³
Mr Sean Halpin	-	300,000	-	-	300,000	-
Mr Roger Staley	600,000	-	-	(200,000) ¹	400,000 ³	400,000 ³
Mr Jonathan Hericourt	-	-	-	-	- ³	- ³

Notes:

¹ Off market transfer of options to unrelated third party.

² As at date of appointment.

³ As at date of resignation.

2011	Held at 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Held at 30 June 2011	Vested and exercisable at 30 June 2011
Directors						
Mr Ian Middlemas	-	-	-	-	-	-
Mr John Welborn	- ¹	4,500,000	-	-	4,500,000	1,000,000
Mr Peter Woodman	-	1,000,000	-	-	1,000,000	1,000,000
Mr Mark Pearce	-	800,000	-	-	800,000	800,000
Mr Geoff Gander	275,000	-	-	-	275,000 ²	275,000 ²
Executives						
Mr Hugo Schumann	- ¹	900,000	-	(100,000) ³	800,000	-
Mr Greg Swan	-	700,000	-	-	700,000	400,000
Mr Brendon Morton	- ¹	-	-	-	-	-
Mr Sean Halpin	- ¹	-	-	-	-	-
Mr Roger Staley	- ¹	700,000	(100,000)	-	600,000	-
Mr Jonathan Hericourt	- ¹	-	-	-	-	-

Notes:

¹ As at date of appointment.

² As at date of resignation.

³ Off market transfer of options to unrelated third party.

(D) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2012	Held at 1 July 2011	Share Placement	Other Purchases	Exercise of Options	Net Change Other	Held at 30 June 2012
Directors						
Mr Ian Middlemas	5,210,000	-	-	-	-	5,210,000
Mr John Welborn	2,000,000	-	-	1,000,000	-	3,000,000
Mr Peter Woodman	100,000	-	-	250,000	-	350,000
Mr Mark Pearce	750,000	-	-	300,000	-	1,050,000
Executives						
Mr Andrew Steers	- ¹	-	-	-	-	-
Mr Hugo Schumann	-	-	-	-	-	-
Mr Brendon Morton	-	-	-	-	-	- ²
Mr Sean Halpin	-	-	-	-	-	-
Mr Roger Staley	103,000	-	-	-	-	103,000 ²
Mr Jonathan Hericourt	-	-	-	-	-	- ²

Notes:
¹ As at date of appointment.

² As at date of resignation.

2011	Held at 1 July 2010	Share Placement ³	Other Purchases	Exercise of Options	Net Change Other	Held at 30 June 2011
Directors						
Mr Ian Middlemas	5,210,000	-	-	-	-	5,210,000
Mr John Welborn	- ¹	2,000,000	-	-	-	2,000,000
Mr Peter Woodman	100,000	-	-	-	-	100,000
Mr Mark Pearce	750,000	-	-	-	-	750,000
Mr Geoff Gander	387,519	-	-	-	-	387,519 ²
Executives						
Mr Hugo Schumann	- ¹	50,000	-	-	(50,000)	-
Mr Greg Swan	-	50,000	30,000	-	-	80,000
Mr Brendon Morton	- ¹	-	-	-	-	-
Mr Sean Halpin	- ¹	-	-	-	-	-
Mr Roger Staley	- ¹	-	3,000	100,000	-	103,000
Mr Jonathan Hericourt	- ¹	-	-	-	-	-

Notes:
¹ As at date of appointment.

² As at date of resignation.

³ Subsequent to shareholder approval at a General Meeting on 18 August 2010, the directors and executives participated in a share placement at \$0.25 per share on terms and conditions no more favourable than to other participants in the placement.

(E) LOANS FROM KEY MANAGEMENT PERSONNEL

No loans were provided to or received from KMP during the year ended 30 June 2012 (2011: Nil).

(F) OTHER TRANSACTIONS

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a director and beneficial shareholder, was paid \$245,367 for the provision of serviced office facilities and administration services (2011: \$271,088). The amount is based on a monthly retainer due and payable in arrears, with no fixed term. This item has been recognised as an expense in the statement of comprehensive income.

23. SHARE-BASED PAYMENTS
(A) RECOGNISED SHARE-BASED PAYMENT EXPENSE

From time to time, the Group provides Unlisted Options or Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

			2012	2011
			\$	\$
Expense arising from equity-settled share-based payment transactions			2,266,379	2,370,937

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

23. SHARE-BASED PAYMENTS (CONTINUED)

(B) SUMMARY OF UNLISTED OPTIONS AND PERFORMANCE RIGHTS GRANTED AS SHARE-BASED PAYMENTS

The following unlisted options and performance rights were granted as share-based payments during the last two years:

2012 Series	Issuing Entity	Security Type	Number	Grant Date	Expiry Date	Exercise Price	Grant Date Fair Value
Series 1	Equatorial Resources Ltd	Rights	300,000	25 Jan 12	30 Sep 14	Nil	\$2.32
Series 2	Equatorial Resources Ltd	Rights	700,000	25 Jan 12	31 Dec 15	Nil	\$2.32
Series 3	Equatorial Resources Ltd	Rights	535,000	27 Jan 12	30 Jun 13	Nil	\$2.29
Series 4	Equatorial Resources Ltd	Rights	970,000	27 Jan 12	30 Sep 14	Nil	\$2.29
Series 5	Equatorial Resources Ltd	Rights	1,505,000	27 Jan 12	31 Dec 15	Nil	\$2.29
Series 6	Equatorial Resources Ltd	Rights	10,000	1 Feb 12	30 Jun 13	Nil	\$2.28
Series 7	Equatorial Resources Ltd	Rights	80,000	1 Feb 12	30 Sep 14	Nil	\$2.28
Series 8	Equatorial Resources Ltd	Rights	120,000	1 Feb 12	31 Dec 15	Nil	\$2.28
Series 9	Equatorial Resources Ltd	Rights	30,000	15 Feb 12	30 Jun 13	Nil	\$2.38
Series 10	Equatorial Resources Ltd	Rights	60,000	15 Feb 12	30 Sep 14	Nil	\$2.38
Series 11	Equatorial Resources Ltd	Rights	90,000	15 Feb 12	31 Dec 15	Nil	\$2.38

2011 Series	Issuing Entity	Security Type	Number	Grant Date	Expiry Date	Exercise Price	Grant Date Fair Value
Series 1	Equatorial Resources Ltd	Options	2,000,000	18 Aug 10	30 Jun 12	\$0.25	\$0.2650
Series 2	Equatorial Resources Ltd	Options	500,000	6 Sep 10	30 Jun 12	\$0.25	\$0.3250
Series 3	Equatorial Resources Ltd	Options	3,000,000	18 Aug 10	30 Jun 13	\$0.40	\$0.2640
Series 4	Equatorial Resources Ltd	Options	950,000	6 Sep 10	30 Jun 13	\$0.40	\$0.3210
Series 5	Equatorial Resources Ltd	Options	2,900,000	18 Aug 10	31 Dec 13	\$0.60	\$0.2530
Series 6	Equatorial Resources Ltd	Options	1,050,000	6 Sep 10	31 Dec 13	\$0.60	\$0.3070
Series 7	Equatorial Resources Ltd	Options	586,800	25 Jan 11	5 Oct 12	\$0.82	\$2.9601

The following table illustrates the number and weighted average exercise prices (WAEP) of Options and Performance Rights granted as share-based payments at the beginning and end of the financial year:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at beginning of year	11,386,800	\$0.58	725,000	\$2.78
Granted by the Company during the year	4,400,000	-	10,986,800	\$0.46
Cancelled by the Company during the year	(620,000)	-	-	-
Exercised during the year	(4,336,800)	\$0.43	(325,000)	\$1.35
Outstanding at end of year	10,830,000	\$0.44	11,386,800	\$0.58

(C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

At 30 June 2012, the weighted average remaining contractual life of Unlisted Options and Performance Rights on issue that had been granted as share-based payments was 1.77 years (2011: 1.92 years).

(D) RANGE OF EXERCISE PRICES

At 30 June 2012, the range of exercise prices of Unlisted Options and Performance Rights on issue that had been granted as share-based payments was Nil to \$4.00 (2011: \$0.25 to \$4.00).

(E) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of Unlisted Options and Performance Rights granted as share-based payments by the Group during the year ended 30 June 2012 was \$2.30 (2011: \$0.4171).

(F) OPTION AND RIGHTS PRICING MODEL

The fair values of the equity-settled Unlisted Options and Performance Rights granted are estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

No share options have been granted by the Group during the year ended 30 June 2012.

The table below lists the inputs to the valuation model used for unlisted options and performance rights granted by the Group during the last two years:

2012 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Security Type	Right	Right	Right	Right	Right	Right
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Grant date share price	\$2.25	\$2.25	\$2.34	\$2.34	\$2.34	\$2.35
Dividend yield ¹	-	-	-	-	-	-
Volatility ²	N/A	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A	N/A
Grant date	25 Jan 12	25 Jan 12	27 Jan 12	27 Jan 12	27 Jan 12	1 Feb 12
Expiry date	30 Sep 14	31 Dec 15	30 Jun 13	30 Sep 14	31 Dec 15	30 Jun 13
Expected life of option/right ³	2.68 years	3.93 years	1.42 years	2.68 years	3.93 years	1.41 years
Fair value at grant date	\$2.32	\$2.32	\$2.29	\$2.29	\$2.29	\$2.28

2012 Inputs	Series 7	Series 8	Series 9	Series 10	Series 11
Security Type	Right	Right	Right	Right	Right
Exercise price	Nil	Nil	Nil	Nil	Nil
Grant date share price	\$2.35	\$2.35	\$2.37	\$2.37	\$2.37
Dividend yield ¹	-	-	-	-	-
Volatility ²	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A
Grant date	1 Feb 12	1 Feb 12	15 Feb 12	15 Feb 12	15 Feb 12
Expiry date	30 Sep 14	31 Dec 15	30 Jun 13	30 Sep 14	31 Dec 15
Expected life of option/right ³	2.66 years	3.92 years	1.37 years	2.62 years	3.88 years
Fair value at grant date	\$2.28	\$2.28	\$2.38	\$2.38	\$2.38

2011 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Security Type	Options						
Exercise price	\$0.25	\$0.25	\$0.40	\$0.40	\$0.60	\$0.60	\$0.82
Grant date share price	\$0.405	\$0.475	\$0.405	\$0.475	\$0.405	\$0.475	\$3.61
Dividend yield ¹	-	-	-	-	-	-	-
Volatility ²	105%	105%	105%	105%	105%	105%	100%
Risk-free interest rate	4.47%	4.50%	4.50%	4.53%	4.50%	4.53%	4.96%
Grant date	18 Aug 10	6 Sep 10	18 Aug 10	6 Sep 10	18 Aug 10	6 Sep 10	25 Jan 11
Expiry date	30 Jun 12	30 Jun 12	30 Jun 13	30 Jun 13	31 Dec 13	31 Dec 13	5 Oct 12
Expected life of option ³	1.87 years	1.82 years	2.87 years	2.82 years	3.37 years	3.32 years	1.70 years
Fair value at grant date	\$0.2650	\$0.3250	\$0.2640	\$0.3210	\$0.2530	\$0.3070	\$2.9601

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

24. AUDITORS' REMUNERATION

The auditor of Equatorial Resources Limited is Ernst & Young.

	2012	2011
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	43,905	33,392
• taxation services provided to the entity and any other entity in the consolidated group	37,966	-
Amounts received or due and receivable by Ernst & Young (Republic of Congo) for:		
• an audit or review of Congo Mining Limited SARL, a subsidiary of Equatorial Resources Ltd	28,247	-
• taxation services provided to Congo Mining Ltd SARL, a subsidiary of Equatorial Resources Ltd	50,442	16,836
	160,560	50,228

25. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

(A) RECONCILIATION OF NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION

	2012	2011
	\$	\$
Australia	150,500	22,156
Republic of Congo	13,240,868	9,940,765
	13,391,368	9,962,921

Non-Current Assets for this purpose consist of property, plant and equipment, exploration and evaluation assets and intangible assets.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(A) OVERVIEW

The Group's principal financial instruments comprise receivables, payables, available for sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the directors will review this policy periodically going forward.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(B) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

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

	2012	2011
	\$	\$
Cash and cash equivalents	79,963,913	56,246,310
Trade and other receivables	2,561,850	2,577,433
	82,525,763	58,823,743

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2012 and the date of this report, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments for the Group, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months	6-12 Months	1-5 Years	≥5 Years	Total
	\$	\$	\$	\$	\$
2012					
Financial Assets					
Cash and cash equivalents	79,963,913	-	-	-	79,963,913
Trade and other receivables	2,561,850	-	-	-	2,561,850
	82,525,763	-	-	-	82,525,763
Financial Liabilities					
Trade and other payables	4,295,266	-	-	-	4,295,266
Income tax payable	-	1,463,233	-	-	1,463,233
	4,295,266	1,463,233	-	-	5,758,499
2011					
Financial Assets					
Cash and cash equivalents	56,246,310	-	-	-	56,246,310
Trade and other receivables	2,577,433	-	-	-	2,577,433
Available-for-sale financial assets	3,266,500	-	-	-	3,266,500
	62,090,243	-	-	-	62,090,243
Financial Liabilities					
Trade and other payables	1,967,152	-	-	-	1,967,152
	1,967,152	-	-	-	1,967,152

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(D) INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2012	2011
	\$	\$
Interest-bearing financial instruments		
Cash at bank and on hand	79,963,913	56,246,310
	79,963,913	56,246,310

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 5.58% (2011: 5.11%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

INTEREST RATE SENSITIVITY

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	<i>Profit or loss</i>		<i>Other Comprehensive Income</i>	
	<i>+ 100 basis points</i>	<i>- 100 basis points</i>	<i>+ 100 basis points</i>	<i>- 100 basis points</i>
2012				
Cash and cash equivalents	798,783	(798,783)	-	-
2011				
Cash and cash equivalents	549,464	(549,464)	-	-

(E) FOREIGN CURRENCY RISK

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current year primarily arose from controlled entities of the Company whose functional currency is the Central African CFA franc. The Central African Franc is fixed against the Euro. Foreign currency risk arises on translation of the net assets of these controlled entities to Australian dollars and on intercompany account balances. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

<i>Foreign Currency</i>	<i>2012</i>		<i>2011</i>	
	<i>AUD equivalent</i>	<i>AUD equivalent</i>	<i>AUD equivalent</i>	<i>AUD equivalent</i>
Financial Assets				
Cash and cash equivalents	81,775	356,070		
Trade and other receivables	1,366,392	835,606		
	1,448,167	1,191,676		
Financial Liabilities				
Trade and other payables	2,477,807	1,203,922		
	2,477,807	1,203,922		
Net Exposure	(1,029,640)	(12,246)		

The Group's exposure to foreign currency risk throughout the prior year primarily arose from controlled entities of the Company whose functional currency was the US dollar. These controlled entities are now considered discontinued operations and have been deconsolidated pending deregistration.

The Group does not have any material exposure to financial instruments denominated in foreign currencies.

FOREIGN EXCHANGE RATE SENSITIVITY

At the reporting date, had the Australian Dollar appreciated or depreciated against the Central African CFA franc as illustrated in the table below, equity and profit and loss would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	<i>Profit or loss</i>		<i>Other Comprehensive Income</i>	
	<i>10% increase</i>	<i>10% decrease</i>	<i>10% increase</i>	<i>10% decrease</i>
2012				
AUD to XAF	93,604	(102,964)	-	-
2011				
AUD to XAF	1,205	(1,205)	-	-

(F) EQUITY PRICE RISK

The Group is no longer exposed to equity price risk arising from its single equity investment in African Iron which was held for strategic rather than trading purposes. The Group sold this investment during the year, and thus, the maximum exposure being equal to the carrying amount of the Group's equity investments at 30 June 2012 is Nil (2011: \$3,266,500).

EQUITY PRICE SENSITIVITY

A sensitivity of 20% has been selected as this is considered reasonable given the current volatility of global equity markets. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. This analysis assumes that all other variables remain constant.

	<i>Profit or loss</i>		<i>Other Comprehensive Income</i>	
	<i>20% increase</i>	<i>20% decrease</i>	<i>20% increase</i>	<i>20% decrease</i>
2012				
Available-for-sale financial assets	-	-	-	-
2011				
Available-for-sale financial assets	-	-	653,300	(653,300)

(G) COMMODITY PRICE RISK

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(H) CAPITAL MANAGEMENT

The Group defines its Capital as total equity of the Group, being \$90,453,778 for the year ended 30 June 2012 (2011: \$70,149,686). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(I) FAIR VALUE

The net fair value of financial assets and financial liabilities approximates their carrying value.

- The fair value of available-for-sale financial assets were calculated during the current and prior year using quoted prices in active markets (Level 1).

Quoted market price represents the fair value determined based on quoted prices on active markets at the reporting date without any deduction for transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2012 (CONTINUED)

27. CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2012 financial year.

(ii) Contingent Liability

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2012 financial year.

28. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2012;

	Note	Payable within 1 year	Payable within 1 year less than 5 years	Total
		\$	\$	\$
2012				
CAPITAL COMMITMENTS				
Property, plant & equipment	28(a)	-	-	-
OPERATING COMMITMENTS				
Drilling contract commitments	28(b)	5,608,126	-	5,608,126
Other operating commitments	28(c)	3,860,315	1,044,166	4,904,481
Total Commitments		9,468,441	1,044,166	10,512,607
 2011				
CAPITAL COMMITMENTS				
Property, plant & equipment		948,764	-	948,764
OPERATING COMMITMENTS				
Drilling contract commitments		5,654,278	-	5,654,278
Total Commitments		6,603,042	-	6,603,042

(A) CAPITAL COMMITMENTS

The consolidated Group had no obligations to purchase property, plant and equipment as at 30 June 2012 (2011: \$948,764).

(B) OPERATING COMMITMENTS

The commitments disclosed above represent the Company's estimate of its contracted commitment to Wallis Drilling Pty Ltd ("Wallis Drilling") for the Mayoko-Moussondji drilling program.

During the period, the initial contract between the Company and Wallis Drilling Pty Ltd ("Wallis Drilling") was extended for a total commitment of 50,000 metres of RC Drilling. As at 30 June 2012, 13,863 metres (2011: Nil) had been completed of the 50,000 metre total. During the year, all of the contracted metres of diamond drilling had been completed, and the Alton 650 diamond drill rig is due to be demobilized from Mayoko in the coming months.

The contracted commitments are based on numerous assumptions including average hole depth, average standby times, consumables rates, type/size of drilling and productivity.

(C) OTHER OPERATING COMMITMENTS

Other operating commitments include contracts for the provision of serviced offices, accommodation facilities in the ROC and chartered transportation to the Company's project locations. The disclosed amounts are based on the current terms of agreements and based on current levels of operating activities. Agreements entered into by the Group generally provide early termination clauses for the cancellation of agreements allowing the Group to modify the ongoing level of exploration at an amount significantly less than the disclosed commitment.

29. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Consolidated Entity.

DIRECTORS' DECLARATION



In accordance with a resolution of the directors of Equatorial Resources Limited:

1. In the opinion of the Directors:
 - (a) the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and consolidated group); and
 - (b) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.
3. The directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the Board

A handwritten signature in black ink that reads "JP Welborn".

JOHN WELBORN
Managing Director

Perth, 21 September 2012

INDEPENDENT AUDITOR'S REPORT



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent audit report to members of Equatorial Resources Limited

Report on the financial report

We have audited the accompanying financial report of Equatorial Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDITOR'S REPORT



Opinion

In our opinion:

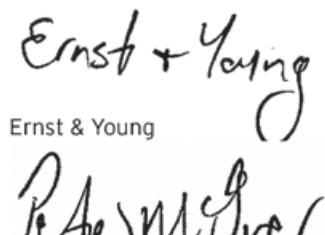
- a. the financial report of Equatorial Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included on pages 12 to 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Equatorial Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young' above a signature of 'P McIver'.

P McIver
Partner
Perth
21 September 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Equatorial is responsible for the corporate governance of the Group. This statement reports on the Group's key governance principles and practices.

1. BOARD OF DIRECTORS

1.1 ROLE OF THE BOARD AND MANAGEMENT

The Board represents shareholders' interests in continuing a successful business, which seeks to return value to shareholders in the medium and long term. By focusing on the medium and long term value to shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for setting and evaluating the strategic objectives of the Group. The Board sets, and monitors achievement against, the goals and objectives of management in order to meet the Group's strategic objectives. Responsibility for management of the Group's business activities is delegated to the Managing Director who is accountable to the Board.

The Board is structured to guide and monitor the Group to ensure that management is focused and resourced in such a way to best achieve its strategic objectives. Given the current size and operations of the business, the Board currently undertakes a more active than passive role.

The Board has sole responsibility for the following:

- Appointment and removal of the Managing Director and any other senior executives;
- Determine the remuneration, including short and long term incentives, of the Managing Director and other senior executives;
- Determine the strategic direction of the Group and measure performance of management against approved strategies;
- Review the adequacy and effectiveness of resources available to management to properly carry out approved strategies and business plans;
- Adopt operating and capital expenditure budgets at the commencement of each financial year and monitor the progress by both financial and non-financial key performance indicators;
- Monitor the Group's medium term capital and cash flow requirements;
- Approve and monitor financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determine if satisfactory arrangements are in place for auditing the Group's financial affairs, including competency and independence;
- Review systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensure that policies, procedures and systems of compliance are consistent with the Group's objectives and meet best practice standards for a similar company, and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 COMPOSITION OF THE BOARD AND NEW APPOINTMENTS

The Company currently has the following Board members:

- Mr Ian Middlemas Chairman (Non-Executive)
- Mr John Welborn Managing Director and Chief Executive Officer
- Mr Peter Woodman Non-Executive Director
- Mr Mark Pearce Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

The Board has assessed the independence status of the directors and has determined that there are three independent directors, being Messrs Middlemas, Woodman and Pearce.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

Apollo Group Pty Ltd, a company associated with Mr Pearce, is paid a monthly retainer to provide company secretarial and accounting services to the Company. The Board considers that this relationship is not material or significant enough to impact the independent judgment of Mr Pearce.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Group's scope of activities, intellectual ability to contribute to the board duties and physical ability to undertake the board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's constitution the tenure of directors (other than Managing Director) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A Managing Director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 COMMITTEES OF THE BOARD

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4 CONFLICTS OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict has arisen, the director(s) concerned will not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all board members.

2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all directors and employees of the Group.

2.1 CODE OF CONDUCT FOR DIRECTORS

The Board has adopted a Code of Conduct for directors to promote ethical and responsible decision-making by the directors. The code is based on a code of conduct for directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- a director must act honestly, in good faith and in the best interests of the Company as a whole;
- a director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- a director must use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- a director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company;
- a director must not make improper use of information acquired as a director;
- a director must not take improper advantage of the position of director;
- a director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- a director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a board;
- confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law;
- a director should not engage in conduct likely to bring discredit upon the Company; and
- a director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 CODE OF ETHICS AND CONDUCT

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 DEALINGS IN COMPANY SECURITIES

The Group's Securities Trading Policy imposes trading restrictions on when KMP and other employees of the Group may deal in the Company's securities, in order to reduce the risk of insider trading.

The Securities Trading Policy prohibits KMP and other employees from dealing in the Company's securities if he or she has information that he or she knows, or ought to reasonably know, is inside information. 'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

The Securities Trading Policy also provides prescribed closed periods during which KMP are prohibited from dealing in the Company's securities (subject to certain limited exceptions). The 'closed periods' are based around the release of material information including results from feasibility studies, exploration and corporate activities.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

In addition, if an employee or KMP has information that he or she knows, or ought reasonably to know, is inside information, the employee or KMP must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably to know, that the other person would or would be likely to deal in the Company's securities or procure another person to deal in the Company's securities. This prohibition applies regardless of how the employee or KMP learns the information (e.g. even if the employee or KMP overhears it or is told in a social setting).

KMP must obtain written clearance from an approving officer at least 2 business days prior when a KMP intends to deal in company securities. KMP must then notify the Company Secretary of any dealings in the Company's securities within two business days of such deal occurring.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

These restrictions have been developed having regard to the current nature of the Company's activities, being exploration and development rather than production. Should the Company move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of operating results.

2.4 INTERESTS OF OTHER STAKEHOLDERS

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental and labour laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. DISCLOSURE OF INFORMATION

3.1 CONTINUOUS DISCLOSURE TO ASX

The Continuous Disclosure Policy requires all executives and directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

- a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
- b) The information is confidential; or
- c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;
 - vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information; and
 - vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 COMMUNICATION WITH SHAREHOLDERS

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- Annual Report;
- Half Yearly Report;
- ASX Quarterly Reports; and
- Company presentations.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. RISK MANAGEMENT AND INTERNAL CONTROLS

4.1 APPROACH TO RISK MANAGEMENT AND INTERNAL CONTROLS

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

4.2 RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that management has developed and implemented a sound system of risk management and internal control.

In 2012 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

4.3 INTEGRITY OF FINANCIAL REPORTING

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4 ROLE OF EXTERNAL AUDITOR

The Group's practice is to invite the Auditor (who now must attend) to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

5. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

In 2012, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

6. REMUNERATION ARRANGEMENTS

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide executive directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2012 financial year, the Group complied with the ASX Principles and Recommendations for Corporate Governance other than those outlined below;

<i>Recommendation Reference</i>	<i>Notification of Departure</i>	<i>Explanation for Departure</i>
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Group is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.2, 3.3, 3.4	A policy concerning diversity has not been established	The Board's policy is to employ the best candidate for a specific position, regardless of gender, and considers that the Company is not currently of a size to justify a policy regarding diversity and objectives regarding gender diversity. At the date of this report the Company has no female senior executives or directors.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed.	The Board considers that the Group is not of a size, nor is its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1	A separate Remuneration Committee has not been formed.	The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

The shareholder information set out below was applicable as at 30 September 2012.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders are listed below:

	<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
1	HSBC CUSTODY NOMINEES <AUSTRALIA>	26,158,560	22.31
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	20,002,499	17.06
3	NATIONAL NOMINEES LIMITED	12,318,151	10.51
4	CITICORP NOMINEES PTY LIMITED	7,355,549	6.27
5	ARREDO PTY LTD	5,210,000	4.44
6	AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	4,439,001	3.79
7	MR JOHN PAUL WELBORN + MS CAROLINE ANNE WELBORN <WELBORN FAMILY A/C>	3,000,000	2.56
8	NEFCO NOMINEES PTY LTD	2,240,000	1.91
9	AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	2,059,595	1.76
10	RJP FAMILY PTY LTD <ROBERT J PULLAR FAMILY A/C>	2,026,811	1.73
11	MR FLORENT DECKOUS KOUKUMINA	1,520,000	1.30
12	MR ERNEST SARONGA MASSAWE	1,501,998	1.28
13	MOUNTAINSIDE INVESTMENTS PTY LTD	1,500,000	1.28
14	BOUCHI PTY LTD	1,450,000	1.24
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,014,062	0.86
16	HSBC CUSTODY NOMINEES <AUSTRALIA>	822,799	0.70
17	MR MARK PEARCE + MRS NATASHA PEARCE <NMPL FAMILY A/C>	800,000	0.68
18	AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	620,000	0.53
19	SONMIT PTY LTD <BUGSY A/C>	512,500	0.44
20	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	500,000	0.43
Total Top 20		95,051,525	81.08
Others		22,183,828	18.92
Total Ordinary Shares on Issue		117,235,353	100%

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders by size of holding:

<i>Distribution</i>	<i>Ordinary Shares</i>	
	<i>Number of Shareholders</i>	<i>Number of Shares</i>
1 - 1,000	938	245,307
1,001 - 5,000	298	844,494
5,001 - 10,000	178	1,450,962
10,001 - 100,000	255	8,768,795
More than 100,000	67	105,925,795
Totals	1,736	117,235,353

There were 625 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 13(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received from the following:

	<i>Number of Shares</i>
M&G Investments (UK)	19,987,529
Blackrock Group (UK)	12,010,230
Vanguard Precious Metals and Mining Fund	9,522,584
JPMorgan Chase & Co. and its affiliates	6,790,585

ASX ADDITIONAL INFORMATION (CONTINUED)

5. ON-MARKET BUY BACK

There are currently no on-market buy back programs for any of Equatorial Resources Limited's listed securities.

6. EXPLORATION INTERESTS

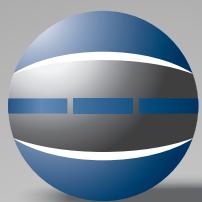
As at 30 September 2010, the Company has an interest in the following projects:

Project Name	Location	Permit/Lease Number	Percentage Interest	Status
Mayoko-Moussondji Iron Project	Republic of Congo	Decree No. 2012-931	100%	Granted
Badondo Iron Project	Republic of Congo	Decree No. 2012-937	100%	Granted
Moussindji Iron Prospecting Permit	Republic of Congo	Decree No. 5514	100%	Granted
Oubouesse Iron Prospecting Permit	Republic of Congo	Decree No. 14-456	100%	Granted

7. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

	Mr John Paul Welborn	Mr Andrew Steers	Mr Jim Dracopulous	Mr Hilton Darren Nathanson	Mr Geoffrey Anthony Gander	Mr Scott Adrian Mison	Others (holding less than 20%)	Total	Number of Holders
Unlisted Options exercisable at \$0.40 each on or before 30 June 2013	1,500,000	-	-	-	-	-	1,850,000	3,350,000	8
Unlisted Options exercisable at \$0.60 each on or before 31 December 2013	2,000,000	-	-	-	-	-	1,150,000	3,150,000	6
Unlisted Options exercisable at \$2.00 each on or before 30 July 2013	-	-	200,000	-	-	-	-	200,000	1
Unlisted Options exercisable at \$2.835 each on or before 31 December 2012	-	-	-	100,000	-	-	-	100,000	1
Unlisted Options exercisable at \$3.00 each on or before 30 July 2013	-	-	-	-	100,000	50,000	-	150,000	2
Unlisted Options exercisable at \$4.00 each on or before 30 July 2013	-	-	-	-	100,000	-	-	100,000	1
Performance Rights expiring on 30 June 2013 at no exercise price	-	100,000	-	-	-	-	305,000	405,000	20
Performance Rights expiring on 30 September 2014 at no exercise price	300,000	150,000	-	-	-	-	670,000	1,120,000	22
Performance Rights expiring on 31 December 2015 at no exercise price	700,000	250,000	-	-	-	-	1,005,000	1,955,000	22



EQUATORIAL RESOURCES LTD

Equatorial Resources Limited

ABN 50 009 188 694

**Level 2, BGC Centre, 28 The Esplanade,
Perth, WA, Australia 6000**

Phone: +61 8 9466 5030

Fax: +61 8 9466 5029