

Equatorial Resources Limited - 2012 Annual Report to Shareholders

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Perth, Australia (ABN Newswire) - [Equatorial Resources Limited](#) (ASX:EQX) is pleased to provide the Company 2012 Annual Report to shareholders.

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

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-MOUSSONDJI 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.

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.

To view the complete Equatorial Resources Annual Report, please click the link below:
<http://media.abnnewswire.net/media/en/docs/ASX-EQX-609954.pdf>

About Equatorial Resources Limited:

[Equatorial Resources Limited](#) (ASX:EQX) is focused on the exploration and development of two 100% owned potentially large-scale iron ore projects located in the politically stable and investment friendly Republic of Congo (ROC) in the emerging global iron ore province of Central West Africa.

The Mayoko-Moussondji Iron Project, located in the southwest region of the ROC, has an estimated global exploration target of between 2.3 and 3.9 billion tonnes¹ of iron mineralisation at a grade of 30% to 65% Fe. The project has access to a rail line running directly to the deep-water port of Pointe-Noire, where the Company's operational office is located.

The Badondo Iron Project, in the northwest region of ROC, covers 998km² and includes a ridgeline more than 7km long of outcropping iron mineralisation. The project is located within a regional cluster of world-class iron ore exploration projects including Sundance Resources' Mbalam and Nabeba projects.

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