EQUATORIAL COAL

EQUATORIAL COAL LIMITED
ABN 50 009 188 694

Unit 9, 38 Colin Street
West Perth WA 6005

PO Box 1282
West Perth WA 6872

Telephone: +61 8 9322 8222
Facsimile: +61 8 9322 8244

www.eqxcoal.com.au

22 September 2009

Dear EQX shareholder,

As you may be aware, Equatorial Coal Limited (EQX or the Company) recently issued an Entitlement Issue Prospectus for a non-renounceable entitlement issue of 1 Share for every 1 Share held by EQX Shareholders registered at 5.00 pm (WST) on 29 September 2009. These Entitlement Shares will be issued at a price of 1 cent per Share and the Prospectus is seeking to raise up to approximately $1,655,640 (Offer).

The indicative timetable for the Offer is as follows:

ASX announcement and lodgement of Appendix 3B	10 September 2009
Lodgement of Prospectus with ASIC and ASX	18 September 2009
Notice sent to Shareholders	On or before 22 September 2009
Ex date	23 September 2009
Record Date for determining Entitlements	5.00 pm (WST) on 29 September 2009
Prospectus despatched to Shareholders	2 October 2009
Closing Date*	5.00 pm (WST) on 19 October 2009
Shares quoted on a deferred settlement basis	20 October 2009
ASX notified of under subscriptions	22 October 2009
Despatch of holding statements	Before 12.00 pm (WST) on 27 October 2009
Date of quotation of Shares issued under the Offer*	28 October 2009

* The Directors may extend the Closing Date by giving at least 6 business days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

All of the Shares offered under the Prospectus will rank equally with the Shares on issue at the date of the Prospectus. The Prospectus contains further information regarding the rights and liabilities attaching to the Shares.

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue the Prospectus. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The closing price of EQX shares on the trading day prior to the lodgment of the Prospectus was 4.6 cents, so the entitlement is attractively priced and gives existing EQX shareholders an excellent opportunity to increase their stake in the Company.

It is intended that the funds raised via the Offer will be used primarily to continue the evaluation of coal operations in Indonesia as well as begin the review of other corporate projects.

The capital structure of the Company on completion of the Offer (assuming all Shares offered under the Prospectus are issued and no Options are exercised prior to the Record Date) will be as follows:

SHARES	**Number**
Shares currently on issue	165,564,170
Shares offered pursuant to the Offer	165,564,170
Total Shares on issue after completion of the Offer	**331,128,340**

OPTIONS	**Number**
Options (unlisted) (exercise price 20 cents / expiry date 31 December 2010)	**750,000**
Options (unlisted) (exercise price 25 cents / expiry date 4 August 2011)	**1,000,000**
Options (unlisted) (exercise price 30 cents / expiry date 31 December 2012)	**1,000,000**
Options (unlisted) (exercise price 20 cents / expiry date 30 July 2013)	**2,000,000**

Options (unlisted) (exercise price 30 cents / expiry date 30 July 2013)1	**1,500,000**
Options (unlisted) (exercise price 40 cents / expiry date 30 July 2013)	**1,000,000**
Options offered pursuant to the Offer	**Nil**
Total Options on issue after completion of the Offer	**7,250,000**

All the above Options are vested and capable of being exercised prior to the Record Date in order to participate in the Offer, but it is not expected that any Options will be exercised prior to the closing of the Offer.

The Offer is fully underwritten by Cunningham Peterson Sharbanee Securities Pty Ltd (CPS Securities). Pursuant to the underwriting agreement the Company has agreed to pay CPS Securities an underwriting fee of 5% (excluding GST). Based on the amount being raised pursuant to the Prospectus this equates to a maximum fee of $82,782.

As a shareholder you are entitled to take up Entitlement Shares on a 1 for 1 basis. For example, this means if you currently hold 10,000 EQX shares as at 29 September 2009 then you are entitled to subscribe for up to an additional 10,000 entitlement shares at 1 cent per share.

The Prospectus, together with a personalised entitlement and acceptance form, will be sent to Eligible Shareholders on the date set out in the timetable above. Instructions on how and when to apply under the Offer are set out in the Prospectus. The Prospectus has also been lodged with ASX and is available on the ASX website at www.asx.com.au and on the Company's website at www.eqxcoal.com.au.

The Company has applied to ASX for quotation of the Shares to be issued pursuant to the Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

A few important points:

- If you are unsure what to do, please seek advice from your broker or professional financial advisor before you do anything.
- The Entitlement Shares will only be issued to shareholders that are registered at the Record Date. If you are contemplating increasing your current shareholding in the Company in order to get access to a larger entitlement issue, you will need to have purchased your additional EQX shares on or before this date.

- Shareholders who wish to apply for more than their Entitlement Shares will need to apply for additional Shares under the Shortfall Offer (ie Entitlement shares not taken up by other EQX shareholders) and are invited to complete the appropriate field on their personalised Entitlement and Application Form accompanying this Prospectus and return it to the Company together with a cheque for the value of Shares applied for. Whilst priority for any shortfall allocation will be given to existing shareholders, as the offer is fully underwritten there is no guarantee your application for these shortfall shares will be successful.

If you have any questions relating to this letter, please contact Equatorial Coal Limited on 08 9322 8222.

Sincerely

Geoff Gander
Chairman