

## ASX Release

# EQX to enter the Resources Sector.

**23 July 2007, Perth:** The Board of Directors of EQiTX Limited (ASX:EQX) today announce that the Company has signed a binding Terms Sheet with a consortium that will enable EQX to take an 80% interest in five (5) mineral permits in Indonesia. The focus of the Company will become Coal Exploration and Production and, subject to shareholder approval, the Company will change its name, Board and Management to reflect this new line of business.

As announced to shareholders in August 2006, EQX began a review of the rationale behind its biotechnology business and since that time has been looking to find commercial partners to further progress the development of its two core assets, ZingoTX and VacTX.

Whilst progress has been made, it has become evident that to build significant shareholder value, the Company must look to expand its horizons beyond the biotechnology sector.

## Brief overview of the Indonesian Coal Opportunity

Currently there are approximately 57 billion tonnes of coal resources in Indonesia and 7 billion of these are classified as mineable reserves. Some 39% of these coal reserves are situated in southern half of Sumatra.

Specifically, the permits covered under the Terms Sheet are:

| Permit Type  | Permit Number   | Common Name   |
|--------------|-----------------|---------------|
| Exploitation | 545/18/DPE/2005 | Muara Lakitan |
| Exploitation | 545/19/DPE/2005 | Nimbung       |
| Exploitation | 545/20/DPE/2005 | Rawas Ilir    |
| Exploration  | 531/KPTS/T/2005 | Gunung Megang |
| Exploration  | 536/KPTS/T/2005 | Rambang Daku  |

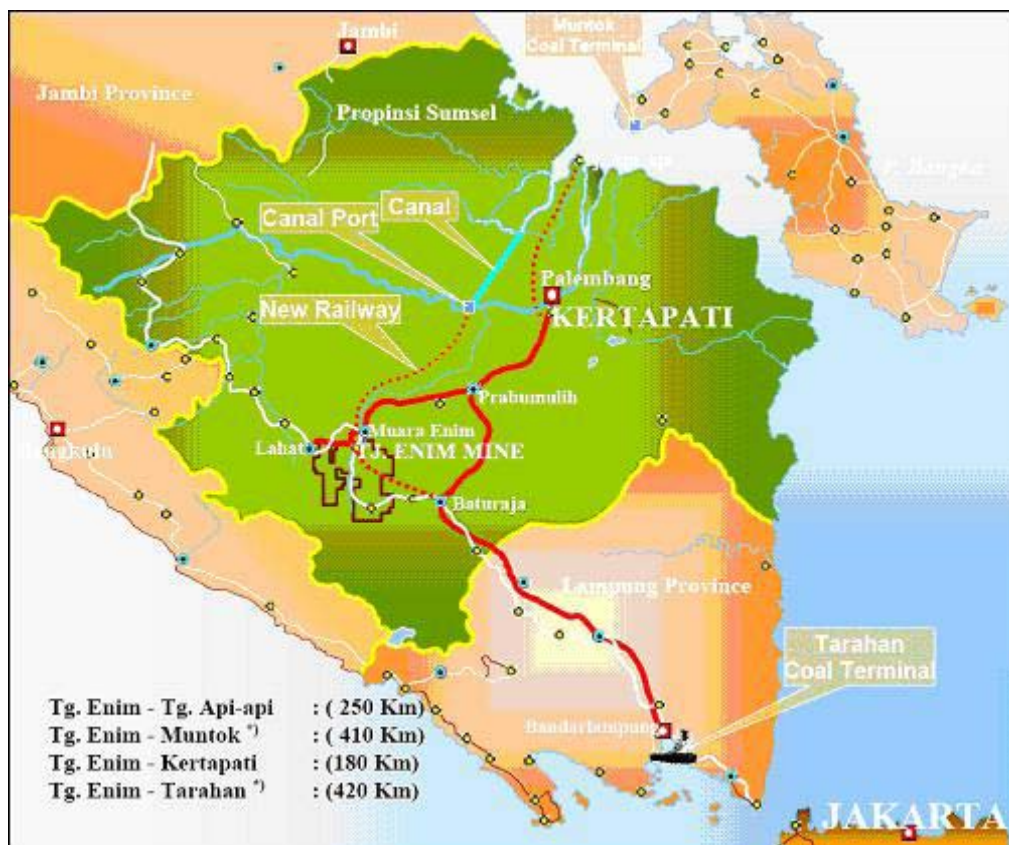
These cover approximately 66,000 hectares in southern Sumatra and their locations are outlined on the map below:

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## Details on the Terms Sheet

The material terms of the binding Terms Sheet are as follows:

- EQX will acquire the rights to 80% of the net profits generated from the production of coal from the five Indonesian mining permits from Capital Investment Partners Pty Ltd and Corporate and Resource Consultants Pty Ltd (vendors).
- EQX will carry out detailed due diligence on these permits (at its cost) to verify the information providing to the Company regarding the prospectivity and ownership of the mining permits.
- Assuming the due diligence process is completed successfully and shareholders approve the transaction, EQX will issue a total of 40 million shares and 40 million options to the vendors. The implied value of the shares will be \$0.20 each and the options will have an exercise price of \$0.30 and will expire three (3) years from the date they are issued.
- An additional 20 million shares will be issued to the vendors if the permits prove up at least 100 million tonnes of coal of which a minimum of 50 million tonnes are classified as "Indicated Resource".
- A fee of \$US200,000 will also be payable to Shackleton Capital Pty Ltd, the party that introduced EQX to the vendors, on the successful completion of the transaction.

Subject to due diligence, shareholder approval, the entry into a formal agreement, the successful completion of a capital raising of at least \$6 million and ASX providing conditional approval to the re-admission of EQX to the Official List as a resource company, the Company will change activities and focus on this new coal opportunity. As a result of the proposed change of the Company's activities to focus on the resources sector, EQX will be required to satisfy the requirements in Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list. Re-compliance with Chapters 1 and 2 of the ASX Listing Rules requires the issue of a prospectus, raising capital at a minimum of 20 cents and evidence of 400 EQX shareholders with parcels of shares worth at least \$2,000 each.

As discussed above, EQX intends to raise a minimum of \$6 million as part of this re compliance process via the issue of 30 million shares at \$0.20. The funds raised will be used for the proposed exploration programme on the five mining permits and to meet working capital requirements. EQX will engage Cunningham Securities Pty Ltd and Corporate & Resource Consultants Pty Ltd to assist in the capital raising process.

### **Details of the In Specie Distribution of the Biotechnology Assets**

Whilst EQX has not been able to develop either VacTX or ZingoTX to a commercial level, there is a possibility that these projects may ultimately generate some commercial value.

The existing Board has been in dialogue with a number of national and international companies that have been interested in investing in one or both projects and taking on the day to day management role required to develop the projects further.

Discussions are currently ongoing with one party with regards a potential investment in VacTX as well as another international organisation with regards a potential investment in ZingoTX.

These discussions will be ongoing but in order to preserve any potential upside in these projects, the Board has decided, subject to shareholder approval and the completion of the Company's acquisition of its Indonesian coal interest, to carry out an in specie distribution of these assets to all EQX shareholders as at the nominated Record Date. The Record Date will be 5 business days after the date of the General Meeting that seeks to approve resolutions pertaining to the issue of the vendor shares relating to the Coal transaction as well as approving the in specie distribution itself.

The biotechnology assets will be held in a public entity that will have a Board to oversee the two projects and the opportunities that develop for their potential commercialisation.

Whilst there is no guarantee that there will be any returns from these assets, this structure seeks to maximise, for shareholders, whatever returns are achieved over time.

The Company is also receiving taxation advice on this matter in order to try and minimise any taxation obligations arising from the proposed demerger to EQX shareholders and the Company will keep shareholders informed of this situation in the lead up to the General Meeting.

### **Anticipated Timetable**

The anticipated timetable for completion of the transaction and the balance of the matters referred to above is set out below:

|                                                                                                                       |                                |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Sign binding Terms Sheet with Vendors                                                                                 | 23 July 2007                   |
| Carrying out of Due Diligence by EQX                                                                                  | Late July – Mid September 2007 |
| Confirmation that successful Due Diligence has been completed and that the transaction is recommended to shareholders | 17 September 2007              |
| Despatch Notice of Meeting to shareholders to consider and approve resolutions relating to the proposed transaction   | 24 September 2007              |
| Suspension of EQX's securities from trading on ASX at the opening of trading                                          | 1 November 2007                |
| General Meeting to approve the change of activities of the Company and other relevant resolutions                     | 2 November 2007                |
| Issue of Prospectus to raise a minimum of \$6 million to fund the project                                             | 2 November 2007                |
| Record Date for In specie distribution of biotechnology assets                                                        | 9 November 2007                |
| Closure of Prospectus                                                                                                 | 16 November 2007               |
| Relisting of EQX on the ASX                                                                                           | 23 November 2007               |

PLEASE NOTE: DATES ARE SUBJECT TO CHANGE

### **Proforma Balance Sheet**

A Proforma Balance Sheet of EQX following the completion of the proposed transaction is provided in Annexure 1.

## **Proforma Capital Structure**

A Proforma Capital Structure of EQX is provided in Annexure 2.

## **Rationale for a change to the Resources Sector**

EQX has been focussed on the biotechnology sector for the past five years with interests in the areas of chronic diseases and age-related conditions. Over this time, EQX developed a portfolio of technologies to a stage where they could be of commercial interest to multinational pharmaceutical and biotechnology companies. The company's two main programs are the ZingoTX project to develop pharmacologically active compounds for pain management, and the VacTX project to develop and commercialise novel synthetic immunotherapeutics against a range of human conditions, including infectious diseases, cancer, allergies and autoimmune diseases.

Despite the best efforts of past Board and Management teams, neither project has proven to be a company maker and in August 2006 there was a major restructure of the Company and a deliberate effort to reduce the company's burn rate as well as to focus on finding larger partners to develop the two projects to their next commercial level.

Whilst the search for partners has shown some positive signs, it has become clear to the EQX Board that a new direction is needed to be taken to build shareholder value in EQX. After reviewing a number of opportunities, the Board has decided to invest further time and funds in carrying out due diligence on what has the potential to be a significant coal project in Indonesia.

The Directors believe that the proposed change of direction to focus of the resources sector, the appointment of senior management with significant experience in this sector and entering into the agreement to earn an interest in these mining permits will provide the Company and its shareholders with significant potential upside.

As already discussed, it is also proposed that the Company will do an in specie distribution of the biotechnology assets into a separate, unlisted, company and in doing so provide shareholders (registered as at the In Specie Record Date) with an opportunity to share in any upside that may arise if the existing biotechnology assets are developed to a commercial outcome with the assistance of a 3<sup>rd</sup> party.

## **Summary**

The EQX Board believes that this proposed change of direction has the potential to provide significant upside to EQX shareholders. All inquiries regarding this announcement should be directed to EQX, through the Company Secretary Scott Mison, who can be reached on 08 9421 2111.

## Annexure 1

### BALANCE SHEET

Set out below, for the purpose of illustration only, is an unaudited pro forma consolidated balance sheet of the Company as at 31 December 2006 taking into account the effect of the Offer made pursuant to MOU and assuming completion has occurred. The pro forma consolidated balance sheet illustrates the effect of the Offer as if the issue of securities occurred on 31 December 2006 (based on the assumptions below).

The financial information is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

|                                                  | Reviewed<br>Consolidated<br>December 06<br>\$ | Pro- forma<br>Consolidated<br>December 06<br>\$ |
|--------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| <b>Current Assets</b>                            |                                               |                                                 |
| Cash and cash equivalents                        | 221,713                                       | 6,250,913                                       |
| Trade and other receivables                      | 26,244                                        | 26,244                                          |
| Current tax assets                               | 166,436                                       | 166,436                                         |
| Prepayments                                      | 21,874                                        | 21,874                                          |
| <b>Total Current Assets</b>                      | <b>436,267</b>                                | <b>6,465,467</b>                                |
| <b>Non Current Assets</b>                        |                                               |                                                 |
| Plant and equipment                              | 7,963                                         | 7,963                                           |
| Exploration expenditure                          | -                                             | 8,250,000                                       |
| Available-for-sale financial assets              | 12,750                                        | 12,750                                          |
| Investment accounted for using the equity method | 1,291,389                                     | 1,291,389                                       |
| <b>Total Non Current Assets</b>                  | <b>1,312,102</b>                              | <b>9,562,102</b>                                |
| <b>Total Assets</b>                              | <b>1,748,369</b>                              | <b>16,027,569</b>                               |
| <b>Current Liabilities</b>                       |                                               |                                                 |
| Trade Payables                                   | 81,709                                        | 81,709                                          |
| Convertible notes                                | -                                             | 680,000                                         |
| Provisions                                       | 14,088                                        | 14,088                                          |
| <b>Total Current Liabilities</b>                 | <b>95,797</b>                                 | <b>775,797</b>                                  |
| <b>Total Liabilities</b>                         | <b>95,797</b>                                 | <b>775,797</b>                                  |
| <b>Net Assets</b>                                | <b>1,652,572</b>                              | <b>15,251,772</b>                               |
| <b>Equity</b>                                    |                                               |                                                 |
| Contributed equity                               | 51,572,775                                    | 65,171,975                                      |
| Accumulated losses                               | (50,304,604)                                  | (50,304,604)                                    |
| Other reserves                                   | 384,401                                       | 384,401                                         |
| <b>Total Equity</b>                              | <b>1,652,572</b>                              | <b>15,251,772</b>                               |

The pro forma consolidated balance sheet assumes:

- (a) the issue and allotment by the Company of 40,000,000 at an issue price of 20 cents as consideration to the vendors for the assets.
- (b) the issue and allotment by the Company of 30,000,000 at an issue price of 20 cents to raise a total of \$6,000,000 before costs.
- (c) the issue and allotment of 6,800,000 convertible notes at 10 cents to raise \$680,000 before costs.
- (d) the payment of \$400,800 for raising costs for both the convertible notes and issue of shares.



## Annexure 2

### Capital Structure

|                                       | No. of shares      | \$                |
|---------------------------------------|--------------------|-------------------|
| Opening balance                       | 45,464,170         | 51,572,775        |
| Issue of 40 million shares @ 20 cents | 40,000,000         | 8,000,000         |
| Issue of 30 million shares @ 20 cents | 30,000,000         | 6,000,000         |
| Associated costs                      |                    | (400,800)         |
| <b>Total Equity</b>                   | <b>115,464,170</b> | <b>65,171,975</b> |

In addition to the above equity, EQX also has the following securities that are not quoted on the ASX:

Convertible Notes, 8% p.a., redemption 6,800,000  
date 31 Dec 2008

Employee Options, exercise price \$0.20, 200,000  
expiry date 08 May 2008

Unlisted Options, exercise price \$0.25, 1,000,000  
expiry date 04 Aug 2011

Unlisted Options, exercise price \$0.20, 750,000  
expiry date 31 Dec 2010

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