



EQiTX LIMITED

ABN 50 009 188 694

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

General Information

EQiTX Limited

ABN 50 009 188 694

Directors

Geoffrey Gander (Executive Chairman)

Solomon Majteles (Non-Executive Director)

Hilton Nathanson (Non-Executive Director)

Company Secretary

Scott Mison

Registered Office

Level 34, Exchange Plaza

2 The Esplanade

Perth WA 6000

Australia

Solicitors

Steinepreis Paganin

Level 4, Next Building

16 Milligan Street

PERTH WA 6000

Auditors

Ernst & Young

The Ernst & Young Building

11 Mounts Bay Road

Perth WA 6000

Bankers

ANZ Banking Group Limited

Level 3

287 Collins Street

Melbourne Vic 3000

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Stock Exchange Listing

The Company is listed on the Australian Stock Exchange Limited

ASX Code: EQX

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Dear Shareholders,

I am pleased to present the EQiTX 2007 Annual Report, my first as Chairman of the Company.

The 2006/2007 year has been one of consolidation and reflection in terms of re positioning EQiTX Limited (EQX) for the future.

After several years of investment into the VacTX and ZingoTX biotechnology projects, a decision was made in August 2006 to restructure the business and take on a different approach with regards our efforts to commercialise both these initiatives. Commercialisation through business alliances rather than from within EQX was decided as the clear way forward and this decision was made with an eye on a combination of financial reality and the realisation that without the involvement of a major partner the likelihood of either project being commercially successfully was limited. With this decision made, we began the move of the EQX headquarters from Melbourne back to Perth and restructured the Board and Management team of the Company.

Progress with the new commercialisation strategy has been slow but not totally without progress and EQX is in discussions with two entities regarding the future of both VacTX and ZingoTX and we are hopeful that some commercial value will ultimately be returned to shareholders as these projects are further developed.

With these initiatives in place, there was clearly a need for the Board to reassess the future direction of the Company and source other projects or assets that would enable the process of rebuilding shareholder value in EQX. This focus has taken several months and has not been without its delays but I am delighted to confirm what was released to the Australian Stock Exchange on 23 July 2007, namely that the Board has recommended to shareholders that it is in the best interests of the Company to go through a change of direction and move into the resources sector.

On 23 July, EQX announced that it had signed a binding Terms Sheet with a consortium that will enable the Company 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. The Board is extremely excited about this 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. The permits that EQX has taken an interest in cover approximately 66,000 hectares in southern Sumatra and more details about their prospectivity are contained in the operations section of this report.

The Company also announced plans to raise a minimum of \$6 million as part of this change of direction and, subject to shareholder approval, intends to issue 30 million shares at a minimum of \$0.20 per share via a Prospectus. The funds raised will be used for the proposed exploration programme on the five mining permits and to meet ongoing working capital requirements.

A meeting of EQX shareholders will be held, probably in November 2007, with a view to considering a range of resolutions relating to the coal project as well as authorising the Board to carry out an inspecie distribution of the ZingoTX and VacTX projects into a separate entity. The inspecie process is designed to ensure that if any or either biotechnology project is able to be commercialised, the value from one or both of those assets will be shared with the EQX shareholders that participate in the inspecie distribution.

In what has been a somewhat difficult year, I do believe that we have made good progress in terms of rebuilding shareholder value in EQX and I look forward to the 2007/2008 year with great excitement and with the expectation that the move into coal exploration and production will prove to be a great success.

I thank all shareholders for their patience and continued support and also thank my fellow Directors, our staff and our advisors for their valuable contribution in making the 2006/2007 year one in which significant progress was made in terms of rebuilding shareholder value in EQX.

Kind Regards



Geoff Gander
Executive Chairman

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DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2007.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications experience and special responsibilities

Geoffrey Anthony Gander

B.Com

Executive Chairman

Appointed 3 August 2006

Mr Gander graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree. Over the past 20 years, Mr Gander has held various senior management roles in companies including Sales and Regional Marketing Manager at IBM Australia and General Manager of the Global Electronic Payments and ASX listed Company, Intellect Holdings Limited.

Mr Gander now works as an industry consultant to a range of private and public companies. In addition to his Executive Chairman role at EQiTX Limited, Geoff is also Chairman of the ASX listed Jupiter Energy Limited and Biron Apparel Limited and sits on the Board of 3Q Holdings Limited as a Non Executive Director. He is also a director of the privately held companies Highway1 (Australia) Pty Limited and Australian Financial Services & Securities Dealers Association Pty Limited.

Other Current Directorships of Listed Companies

Jupiter Energy Ltd, Biron Apparel Ltd and 3Q Holdings Ltd.

Former Directorships of Listed Companies in last three years

Paladio Group Ltd, Lindian Resources Ltd (formerly VPH Limited), Australian Waterwise Solutions Ltd and Entek Energy Ltd.

Hersh Solomon Majteles

LLB, FAICD

Non-Executive Director

Appointed 24 December 2001

Mr Majteles graduated in law from the University of Western Australia in 1970 and has been in private legal practice since 1972. He has more than 30 years experience in business, property, corporate and general commercial law. He has been a director of various private and publicly listed companies for more than 25 years.

Other Current Directorships of Listed Companies

Australian United Gold Limited.

Former Directorships of Listed Companies in last three years

None.

Hilton Darren Nathanson

B.Com, MBA

Non-Executive Director

Appointed 24 December 2001

After moving to the UK from Perth, Mr Nathanson worked at both Capel Cure Sharps and Goldman Sachs International. He subsequently secured control of stockbroking firm Eden Group and currently manages a European based investment fund with assets in excess of US\$1 billion. Mr Nathanson is based in London.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

Departing Directors

Dr Wayne Andrew Millen

BSc (HONS) PhD FRACI C CHEM AFAIM

Appointed 8 February 2006

Resigned 3 August 2006

Dr Millen was the founding Managing Director of Epitan Limited (now Clinuvel Pharmaceuticals Limited) and recently stepped down as Chairman. He has a PhD in chemistry and biochemistry and is a chartered chemist with over 30 years experience operating his own commercial enterprises.

Dr Millen has extensive experience in venture and development capital investment, with an emphasis on companies involved in technological innovation, and has been the lead investor and strategist in several private and public companies. He has established

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and managed a number of successful startup enterprises and brings to the company operational skills embracing corporate, technological and marketing disciplines.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

Professor Lawrence Mark von Itzstein

B.Sc (HONS), PH.D, FRACI, FAA

Non-Executive Director

Appointed 1 May 2002

Resigned 3 August 2006

Professor von Itzstein completed his Ph.D in organic chemistry at Griffith University in 1984. He is an internationally renowned carbohydrate chemist. A major achievement of his research group at Monash was the design and synthesis of Relenza[®], a new anti-influenza drug. As a result of this research, he was jointly awarded the prestigious Australia Prize for pharmaceutical design in 1996.

In February 2000 he established the Institute for Glycomics with support from the Queensland Government and the Griffith University. He was also Chairman of ZingoTX Pty Ltd.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

Dr Kevin John Fahey

M.Sc, PH.D, FASM

Non-Executive Director,

Appointed 1 July 2003

Resigned 3 August 2006

Dr Fahey is an immunologist who held executive research management positions in the USA for over 10 years. He was Executive Director of Biologicals Discovery for Pfizer for six years before returning to Australia in 2000 as Scientific Director - Research Investments for Pfizer Global R&D. Before joining Pfizer, Dr Fahey was Vice President and Director – Biological and Pre-Clinical Development for four years with SmithKline Beecham Animal Health (now GlaxoSmithKline) in Nebraska. Much of his early career was with the CSIRO Division of Animal Health where he undertook research for which he was awarded the CSIRO Chairman's Gold Medal. Dr Fahey is also Chairman of VacTX Pty Ltd.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

COMPANY SECRETARY

Scott Adrian Mison

B.Bus, CA, ACIS

Appointed 1 March 2007

Mr Mison holds a Bachelor of Business degree majoring in Accounting and Business Law, is a Member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia.

Mr Mison is currently the Group Financial Controller of Capital Investment Partners Pty Ltd, a corporate advisory firm which delivers a comprehensive range of investment banking services including strategic capital raising, merger and acquisition and financial advisory services, primarily to small-cap emerging listed companies.

Mr Mison is currently Company Secretary and Director of Biron Apparel Ltd and Company Secretary of Jupiter Energy Limited.

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John William Rawling

B.COM, CA

Resigned 1 March 2007

Mr Rawling is a chartered accountant with more than 20 years experience in the chartered accounting profession, statutory corporations and international and ASX listed companies.

Interests in the shares and options of the company and related bodies corporate

At the date of this report, the interest of the Directors in the shares and options of EQiTX Limited were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
H S Majteles	575,000	1,000,000
H D Nathanson	4,714,613	4,500,000
G A Gander	-	750,000

EARNINGS PER SHARE

Basic earnings per share (2.6) cents

Diluted earnings per share (2.6) cents

CORPORATE INFORMATION

Corporate Structure

EQiTX Limited is a company limited by shares that is incorporated and domiciled in Australia. EQiTX Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 12 of the financial statements.

Principal Activities

The principal activities of the Company are the management, funding and commercialisation of biotechnology research and development projects.

DIVIDENDS

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

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REVIEW OF OPERATIONS OPERATING AND FINANCIAL REVIEW

The year ending 30 June 2007 has been a year that has seen the Company focus on two very different initiatives.

Biotechnology Projects

In two separate announcements made during August 2006, the Company announced changes to the Board of Directors and the implementation of a cost reduction plan to preserve existing capital as well as a plan to focus purely on a business model that was driven solely by commercialisation of EQX's biotechnology projects through business alliances.

These changes meant a new Board and a significant reduction in staff, ensuring that the cash reserves that EQX had at its disposal would be sufficient to allow the new Board to fully review the existing biotechnology projects as well as any potential future acquisitions.

Discussions were opened, and in some cases re opened, with larger organisations that had the size and expertise to assist in the commercialisation of either ZingoTX and/or VacTX. Progress has been made on both fronts and the Board is hopefully that agreements will be reached with parties that will take an active role in the future development of both projects.

A Move into the Resource Sector

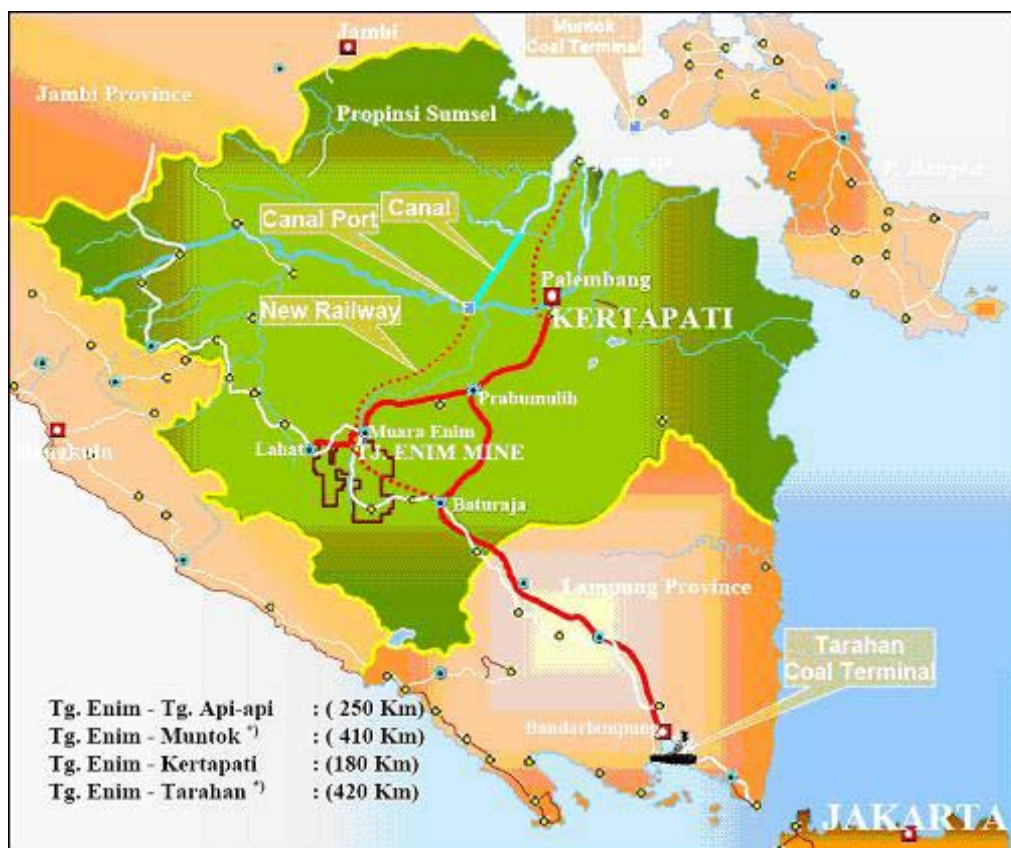
On 23 July 2007, the Board announced that the Company has signed a binding Terms Sheet with a consortium that would enable EQX to take an 80% interest in five (5) mineral permits in Indonesia. The focus of the Company, subject to shareholder approval, will become coal exploration and production and again, subject to shareholder approval, the Company will change its name, Board and Management to reflect this new line of business.

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:



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. The funds raised from the capital raising will be used for the proposed exploration programme on the five mining permits and to meet working capital requirements.

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. As already discussed above, the Board has been in dialogue with a number of national and international companies that have shown interest 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.

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Whilst these discussions will be ongoing, 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. The Record Date for the in specie distribution which will be used to determine specifically which shareholders retain an interest in the biotechnology assets will be a date that is 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 an appropriate structure 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 those EQX shareholders involved, 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 in November.

Financial Overview

Operating Results for the Year

The loss for the consolidated entity after income tax was \$1,188,474 (2006: loss of \$2,235,919). This result was in line with expectations and reflected the corporate restructure that occurred in August 2006.

Review of Financial Condition

During the year, the Company completed a corporate restructure and the cash burn rate was substantially reduced to approximately \$50,000 per month.

Cash Flows

The cash flows of the Company consist of: payments to employees and suppliers and the maintenance of the corporate head office, which manages existing projects as well as seeking out and investigating new opportunities.

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year under review, the Company raised \$680,000 to provide sufficient cash to fund the Company's ongoing operating cost for the next twelve months and to provide funding for the investigation and acquisition of future opportunities as they arise.

Placement

The company issued 6,800,000 Convertible Notes in January 2007 to raise \$680,000 before costs. Each convertible note has a face value of \$0.10 per note and is convertible into a fully paid ordinary share and bear interest at a rate of 8% per annum.

Grant of Options

The Company granted 1,850,000 unlisted options during the year. Details of those options are provided on page 11 of this report and in Notes 16, 18 and 26 to the financial statements.

Summary of Shares / Options on Issue – 30 June 2007

The Company has 46,464,170 listed shares on issue. There are also 1,850,000 unlisted options on issue, full details of which are included in Note 16 to the financial statements.

Unissued Shares

As at the date of this report, there were 1,750,000 unissued ordinary shares (1,850,000 at the reporting date). Refer to note 16 of the financial statements for further details of the options outstanding.

Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of Options

No shares were issued during the year on the exercise of options issued by the Company (2006: nil).

Shares issued as a result of the conversion of Convertible Notes

During the year, there were 1,000,000 shares issued as a result of the conversion of convertible notes.

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the period under review.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 23 July 2007, the Board announced that the Company has signed a binding Terms Sheet with a consortium that would enable EQX to take an 80% interest in five (5) mineral permits in Indonesia. The focus of the Company, subject to shareholder approval, will become coal exploration and production and again, subject to shareholder approval, the Company will change its name, Board and Management to reflect this new line of business.

Since year end there have been 3,150,000 convertible notes converted to ordinary shares. Leaving a balance of 2,650,000 convertible notes and 49,614,170 shares on issue.

On 27 September the board announced that initial legal due diligence into the ownership of the Indonesian coal permits covered under the Term Sheet announced to shareholders on 23 July 2007 has yet to be completed. As a result the Company has not been able to move into the planned detailed exploration program that is intended to verify the prospectivity of the permits.

This delay in completion of the initial due diligence will result in an overall delay to the timetable that was outlined in the July 23 announcement. It is therefore unlikely that the Company will be able to put the resolutions associated with a change of direction of the Company to the Annual General Meeting that will be held in November 2007. Instead, a General Meeting will be convened at the appropriate time to consider the resolutions associated with the proposed change of direction.

This delay has led the Board to consider other Indonesian coal opportunities and Directors are confident that an appropriate transaction will be completed in due course but that it may or may not be the specific opportunity outlined in the July 23 announcement.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments in the operations of the consolidated entity has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. As EQiTX Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of EQiTX Limited's securities.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

MEETINGS OF DIRECTORS

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

	Board of Directors		
	Attended	Eligible to attend	Held
<i>Current Directors</i>			
G A Gander	3	3	4
H S Majteles	4	4	4
H D Nathanson	3	4	4
<i>Departing Directors</i>			
W A Millen	1	1	4
L M von Itzstein	1	1	4
K J Fahey	1	1	4

Committee membership

Due to the small number and geographical spread of the Directors, it was determined that the Board would undertake all of the duties of properly constituted Audit & Compliance, Nomination and Remuneration Committees.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent receiving the highest remuneration.

For the purpose of this report, the term ‘executive’ encompasses the Chief Executive, senior executives and secretaries of the parent.

Remuneration Philosophy

The Board of Directors of EQiTX Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board’s remuneration policy has been implemented to ensure that the remuneration package properly reflects the person’s duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Company places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the company.

To assist in achieving these objectives, the Board has adopted the following principles in its remuneration framework:

- Provide competitive rewards to attract executives of the high calibre;
- Link executive rewards to shareholder value;
- Place a significant portion of executive remuneration ‘at risk’, dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in the new constitution adopted on 28 November 2002 which approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a Director of the Company. Directors who are called upon to perform extra services beyond the director’s ordinary duties may be paid additional fees for those services.

Non-executive directors have long been encouraged by the board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company on whose board he or she sits. The non-executive directors of the Company can participate in the Employee Share Option Plan which provides incentives where specified criteria are met.

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The remuneration of non-executive directors for the year ending 30 June 2007 is detailed in Table 1 on page 12 of this report.

Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board obtained independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the Chief Executive Officer and all senior executives.

Variable Remuneration – Long Term Incentives

Objective

The objectives of long term incentives are to:

- recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the company; and
- attract persons of experience and ability to employment with the company and foster and promote loyalty between the Company and its directors, employees and consultants

Structure

Long term incentives granted to senior executives are delivered in the form of options in accordance with the Employee Share Option Plan.

Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer group comparison as the company is at a very early stage in the implementation of the corporate strategy.

Relationship of Reward and Performance

The value of options are a significant portion of executives salary package. The ultimate value to the executives of the options depends on an increase in the share price of EQiTX Ltd. The change in the share price is the key performance criteria for the long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

Long Term Incentive to Performance

The objective of the long term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long term incentives are delivered in the form of options. The strike price of options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

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Employment Contracts

Remuneration and other terms of employment for the Executive Chairman have been formalised in service agreement. The main provisions of the agreement are set out below.

Geoff Gander, Executive Chairman (Effective – 1 August 2006)

Base Terms

- This agreement is effective from 1 August 2006 and will have a minimum term of 12 months
- Geoff Gander is retained through an agreement with his company Symdean Pty Ltd (Symdean)
- Executive Director Fees of \$30,000 per annum.
- Consulting fees will be carried out on a daily basis on a rate of \$1,200. The minimum monthly consulting fees will be \$6,000.
- 750,000 EQX unlisted options will be granted at the commencement of the agreement. These unlisted options will have an exercise price of \$0.20 and will expire on 31 December 2010. These options were approved at the 2006 EQX Annual General Meeting.

Termination

- If during this relationship, there is a significant change in the nature of the role, such that one or both of the parties no longer has either the capacity or requirement for that role, either party may withdraw from this Agreement by advising the other party in writing not less than sixty (60) days prior to the date of withdrawal. There shall be no liability on the part of any party to the other arising from the termination of this Agreement for any reason other than as listed in the section “Termination without Cause”.
- Notwithstanding the “Right of Withdrawal” clause above, if Symdean is satisfactorily performing its responsibilities under this Agreement but due to a change in circumstances within EQX (for example, a substantial change in ownership or a change in the structure of the Board or Senior Management etc.), and the Agreement with Symdean is terminated without cause, Symdean will be entitled to receive the following:
 - o 90 days notice of termination
 - o Payment of all outstanding Chairman and Consulting fees including the notice period above.

Scott Mison, Company Secretary (Effective – 1 March 2007)

Base Terms

- This agreement is effective from 1 March 2007 and has a no specified term
- Scott Mison is retained through an agreement with Capital Investment Partners, in which Mr Mison is the Group Financial Controller.
- The minimum monthly fee is \$5,000.

Termination

- The Agreement will be terminated by either party giving 1 month notice in writing.

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Remuneration of key management personnel

Table 1: Remuneration of Directors and Executives for the year ended 30 June 2007

2007	Short-term benefits		Post-employment benefits		Share-based payment		
Name	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Options \$	Total \$	% Performance related
<i>Non-executive directors</i>							
H S Majteles	25,562	-	2,300	-	96,000	123,862	77.5%
H D Nathanson	-	-	-	-	-	-	-
Sub-total non-executive directors	25,562	-	2,300	-	96,000	123,862	
<i>Executive directors</i>							
G A Gander	93,500	-	-	-	51,600	145,100	35.5%
L M von Itzstein (resigned 3 August 2006)	-	-	-	-	-	-	-
K J Fahey (resigned 3 August 2006)	5,233	-	-	-	-	5,233	-
W A Millen (resigned 3 August 2006)	2,568	-	-	-	-	2,568	-
<i>Other key management personnel</i>							
S E MacLeman (resigned 1 September 2006)	49,964	-	2,203	107,730	-	159,897	-
J Hewitt (resigned 14 August 2006)	22,106	3,712	645	27,185	-	53,648	-
J W Rawling (resigned 1 March 2007)	80,819	2,282	5,319	-	500	88,920	0.6%
S M Foran (resigned 1 August 2006)	12,478	-	706	12,141	-	25,325	-
S Mison	20,000	-	-	-	-	20,000	-
Totals	312,230	5,994	11,173	147,056	148,100	624,553	

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Remuneration of key management personnel

Table 2: Remuneration of Directors and Executives for the year ended 30 June 2006

2006	Short-term benefits		Post employment benefits		Share-based payment		
Name	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Options \$	Total \$	% Performance related
<i>Non-executive directors</i>							
H S Majteles	31,222	-	2,810	-	-	34,032	-
H D Nathanson	-	-	-	-	-	-	-
G E Harland (resigned 31 July 2005)	2,083	-	187	-	-	2,270	-
M B Nathanson (resigned 31 July 2005)	2,083	-	187	-	-	2,270	-
Sub-total non-executive directors	35,388	-	3,184	-	-	38,572	-
<i>Executive directors</i>							
G A Gander							
L M von Itzstein	47,500	-	2,475	-	-	49,975	-
K J Fahey	38,650	-	-	-	-	38,650	-
W A Millen	11,773	-	-	-	238,000	249,773	95.3%
<i>Other key management personnel</i>							
S E MacLeman	210,000	-	12,103	-	45,871	267,974	17.1%
J Hewitt	132,640	12,159	14,767	-	11,315	170,881	6.7%
J W Rawling	87,235	8,361	7,851	-	-	103,447	-
S M Foran	39,444	-	7,889	-	-	47,333	-
N J Ede (resigned January 2006)	82,310	-	12,096	-	11,315	105,721	10.7%
Totals	684,940	20,520	60,365	-	306,501	1,072,326	28.6%

Table 3: Options granted as part of remuneration for the year ended 30 June 2007

Fully vested options over ordinary shares were granted as follows:

	Vested	Granted	Value	Terms & Conditions for each Grant					% of remuneration consisting of options
	No.	No.	\$	Grant Date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date		
G A Gander	750,000	750,000	51,600	28 Nov 06	0.0688	0.20	31 Dec 2010		35.5%
H S Majteles	1,000,000	1,000,000	96,000	4 Aug 06	0.0960	0.25	4 Aug 2011		77.5%
J W Rawling	100,000	100,000	500	28 Nov 06	0.0050	0.20	30 June 2007		0.6%
Total	1,850,000	1,850,000	148,100						

No options were exercised during the year ended 30 June 2007.

All options granted during the year vest immediately on grant date and can be exercised at any time up until date of expiry.

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Table 4: Options granted as part of remuneration for the year ended 30 June 2006

Fully vested options over ordinary shares were granted as follows:

	Vested	Granted	Value	Terms & Conditions for each Grant				
	<i>No.</i>	<i>No.</i>	<i>\$</i>	<i>Grant Date</i>	<i>Fair value per option at grant date (\$)</i>	<i>Exercise price per option (\$)</i>	<i>Expiry Date</i>	<i>% of remuneration consisting of options</i>
W A Millen	1,000,000	1,000,000	96,000	08-Feb-06	0.096	0.25	8-Feb-2011	38.5%
W A Millen	1,000,000	1,000,000	79,000	08-Feb-06	0.079	0.35	8-Feb-2011	31.6%
W A Millen	1,000,000	1,000,000	63,000	08-Feb-06	0.073	0.40	8-Feb-2011	25.2%
S E								
MacLeman	500,000	500,000	45,871	12-Aug-05	0.092	0.30	01-Jul-10	17.1%
J Hewitt	75,000	75,000	11,315	01-Jul-05	0.151	0.30	01-Jul-10	6.7%
N J Ede*	75,000	75,000	11,315	01-Jul-05	0.151	0.30	01-Jul-10	10.7%
Total	3,650,000	3,650,000	\$306,501					

*Dr Ede left the company in January 2006 and, as they were not exercised within 90 days, the 75,000 unlisted options, which he had been granted, lapsed, valued at \$11,315.

Options granted as part of senior management remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. Refer to note 18 for details on the assumptions used in the valuation of the options. All options issued during the year vested immediately.

Following the restructure of the Company, which saw the departure of a number of Directors and employees, the Board resolved to vary the expiry date of 3,825,000 ESOP options to 30 June 2007.

There were no forfeitures during the period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of EQiTX Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 15 of this annual report.

AUDITOR INDEPENDENCE

The directors received the declaration included on page 17 of this annual report from the auditor of EQiTX Limited.

NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, Ernst & Young. 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 service provided means that audit independence was not compromised.

Ernst & Young received or are due to receive the following amount for the provision of non-audit services:

Tax compliance services	\$25,000
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This report has been made in accordance with a resolution of the Directors.



G A Gander
Chairman
Perth, Western Australia
28 September 2007

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of EQiTX Limited adhere to strict principles of corporate governance.

The Board of Directors of EQiTX Limited is responsible for the overall corporate governance of the consolidated entity, guiding and monitoring the business and affairs of EQiTX Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's corporate governance principles and policies are structured with reference to the Corporate Governance Councils best practice recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosures
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interest of stakeholders.

The Board's Corporate Governance Charter includes procedures for compliance with the ASX Listing Rule continuous disclosure requirements, trading in the Company's securities, the management of risk, and a Code of Conduct. EQiTX Limited's corporate governance practices were in place throughout the year ended 30 June 2007 and were largely consistent with the Corporate Governance Council's best practice recommendations.

For further information on corporate governance policies adopted by EQiTX Limited, refer to our website:

www.eqitx.com/documents/governance.pdf

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Director's Report under the section headed "Directors". Directors of EQiTX are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In the context of Director independence, to be considered independent, a non-executive Director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders.

In accordance with the definition of independence above, the following Directors of EQiTX Limited are considered to be independent:

Name	Position
H S Majteles	Non-Executive Director

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Date Appointed
G A Gander	3 August 2006
H S Majteles	24 December 2001
H D Nathanson	24 December 2001

Audit Committee

The Board has determined that, due to the size of the Board and the location of Directors, it is appropriate that the Board assumes all of the duties, tasks and responsibilities of the Audit and Compliance Committee. The need for

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a separate Committee will be reviewed by the Board from time to time to ensure that the functions of an Audit Committee are being performed effectively by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations.

EQiTX have requested the external auditor to attend the annual general meeting to be available to answer shareholder questions about the audit.

Certification of Financial Statements

With effect from the financial year ended 30 June 2005, the Executive Chair and the Company Secretary have provided an annual statement to the Board that, in their view, the financial reports present a true and fair view, in all material respects, of the financial position and operational results of the consolidated entity and the Company at that date, are based on a sound system of internal control and are in accordance with relevant accounting standards.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators.

Remuneration

Details of the Company's remuneration policy and the total remuneration, including monetary and non-monetary components, payable to each Director and specified executive is included in the Directors Report on page 12.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current financial year is included in the Remuneration Report, which is contained within the Directors' Report (page 9).

Explanation for departures from Best Practice Principles

Principle 2 Recommendation 2.1: A majority of the board should be independent directors.

Explanation of departure: A majority of the directors (two out of three) are not considered to be independent. However, the skills, experience and knowledge of these two directors makes their contribution to the Company and the Board such that it is appropriate for them to remain on the Board.

Principle 2 Recommendation 2.2: The Chairperson should be an independent Director.

Explanation of departure: Mr Geoff Gander is an Executive Chairman. The board considers it appropriate, given the change in direction of the Company, that it is appropriate for him to be Chairman, given his skills, experience and knowledge.

Principle 2 Recommendation 2.3: The roles of Chairperson and CEO should not be exercised by the same individual.

Explanation of departure: Mr Geoff Gander is an Executive Chairman. The board considers it appropriate, given the change in direction of the Company, that it is appropriate for him to be Chairman, given his skills, experience and knowledge.

Principle 2 Recommendation 2.4: The Board should establish a Nomination Committee

Explanation of departure: The full board considers those matters that would be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Principle 4 Recommendation 4.2: The Board should establish an Audit Committee

Principle 4 Recommendation 4.3: Structure the Audit Committee

Principle 4 Recommendation 4.4: The Audit Committee should have a formal charter

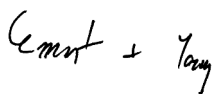
Explanation of departure: The Company does not have an Audit Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by the Audit Committee can be adequately handled by the full board.

Principle 9 Recommendation 9.2: The Board should establish a Remuneration Committee

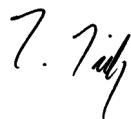
Explanation of departure: The Company does not have a Remuneration Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by the Remuneration Committee can be adequately handled by the full board.

Auditor's Independence Declaration to the Directors of EQiTX Limited

In relation to our audit of the financial report of EQiTX Limited for the financial year ended 30 June 2007, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'V. Tidy'.

V W Tidy
Partner
Perth
28 September 2007

Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	4(a)	28,170	269,565	10,209	459,230
Other income	4(b)	3,000	113,239	3,000	200
Research and development costs		(600)	(453,343)	-	-
Employment related costs		(536,078)	(1,186,931)	(536,078)	(1,119,801)
Travel related costs		(9,409)	(75,680)	(9,286)	(74,970)
Consultants costs		(179,731)	(209,660)	(107,565)	(176,718)
Office expenses		(51,686)	(111,689)	(51,337)	(103,522)
Corporate costs		(220,089)	(289,694)	(147,585)	(263,324)
Revaluation of available for sale financial assets		(1,950)	-	(1,950)	-
Impairment of non-current assets	4(g)	(90,000)	-	(243,340)	(1,008,965)
Other expenses		(22,905)	(4,802)	(22,724)	(4,410)
Loss before tax, finance costs and share of net losses of joint venture entity		(1,081,278)	(1,948,995)	(1,106,656)	(2,292,280)
Finance costs	4(c)	(23,906)	(3,395)	(23,906)	(3,395)
Share of net losses of joint venture entity	10	(83,290)	(714,000)	-	-
Loss before income tax		(1,188,474)	(2,666,390)	(1,130,562)	(2,295,675)
Income tax benefit	5	-	430,471	-	-
Loss after tax from operations		(1,188,474)	(2,235,919)	(1,130,562)	(2,295,675)
Net loss for the period		(1,188,474)	(2,235,919)	(1,130,562)	(2,295,675)
Loss attributable to members of the parent	6	(1,188,474)	(2,235,919)	(1,130,562)	(2,295,675)
Basic earnings / (loss) per Share (cents per share)	6	(2.6)	(5.3)		
Diluted earnings / (loss) per Share (cents per share)	6	(2.6)	(5.3)		

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	7	645,028	712,469	528,964	698,907
Trade and other receivables	8	31,238	43,432	27,442	77,905
Current tax assets	5	153,048	430,471	-	-
Prepayments		4,664	8,902	4,576	8,902
Total Current Assets		833,978	1,195,274	560,982	785,714
Non-current Assets					
Available-for-sale financial assets	9	10,801	12,750	10,801	12,750
Investment accounted for using the equity method	10	1,121,056	1,294,346	1,121,056	1,294,346
Investment in subsidiaries	11	-	-	154,155	224,205
Plant and equipment	12	7,963	20,277	7,963	20,277
Total Non-current Assets		1,139,820	1,327,373	1,293,975	1,551,578
TOTAL ASSETS		1,973,798	2,522,647	1,854,957	2,337,292
LIABILITIES					
Current Liabilities					
Trade and other payables	13	49,799	182,288	45,012	182,288
Provisions	14	-	37,253	-	37,253
Interest bearing loans	15	591,667	-	591,667	-
Total Current Liabilities		641,466	219,541	636,679	219,541
TOTAL LIABILITIES		641,466	219,541	636,679	219,541
NET ASSETS		1,332,332	2,303,106	1,218,278	2,117,751
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	16	51,631,975	51,572,775	51,631,975	51,572,775
Reserves	17	542,401	383,901	542,401	383,901
Accumulated losses		(50,842,044)	(49,653,570)	(50,866,099)	(49,838,925)
TOTAL EQUITY		1,332,332	2,303,106	1,218,278	2,117,751

The above balance sheet should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Service fees received		-	225,000	3,010	358,636
Receipt of government grants		-	113,039	-	-
Payments to suppliers and employees		(980,188)	(1,984,284)	(791,710)	(1,358,475)
Interest paid		(1,839)	(1,941)	(1,839)	(1,941)
Income tax received		277,411	-	-	-
Net cash flows from / (used in) operating activities	7	(704,616)	(1,648,186)	(790,539)	(1,001,780)
Cash flows from investing activities					
Interest received		28,170	45,603	11,591	30,723
Proceeds from sale of plant and equipment		-	200	-	200
Purchase of plant and equipment		-	(14,845)	-	(14,845)
Purchase of shares in controlled entity		-	-	-	(300,000)
Purchase of shares in joint venture entity		-	(1,000,000)	-	(1,000,000)
Net cash flows from / (used in) investing activities		28,170	(969,042)	11,591	(1,283,922)
Cash flows from financing activities					
Repayment of borrowings		(30,195)	(31,578)	(30,195)	(31,578)
Proceeds from issue of convertible notes		680,000	-	680,000	-
Payment of equity raising costs		(40,800)	-	(40,800)	-
Proceeds from issue of ordinary shares and options		-	1,180,000	-	1,180,000
Payment of share issue costs		-	(33,035)	-	(33,035)
Net cash flows from/(used in) financing activities		609,005	1,115,387	609,005	1,115,387
Net decrease in cash and cash equivalents		(67,441)	(1,501,841)	(169,943)	(1,170,315)
Cash and cash equivalents at beginning of financial year		712,469	2,214,310	698,907	1,869,222
Cash and cash equivalents at end of financial year	7	645,028	712,469	528,964	698,907

The above cash flow statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

Attributable to equity holders of the parent

	<i>Issued capital \$</i>	<i>Accumulated Losses \$</i>	<i>Equity component of convertible notes</i>	<i>Net unrealised gains reserve \$</i>	<i>Employee benefits reserve \$</i>	<i>Total \$</i>
CONSOLIDATED						
At 1 July 2005	50,425,810	(47,417,651)	-	67,050	17,400	3,092,609
Loss for the year	-	(2,235,919)	-	-	-	(2,235,919)
Total income / expense for the year	-	(2,235,919)	-	-	-	(2,235,919)
Issue of share capital	1,146,965	-	-	-	-	1,146,965
Net loss on available-for-sale investments	-	-	-	(7,050)	-	(7,050)
Cost of share-based payments	-	-	-	-	306,501	306,501
At 30 June 2006	51,572,775	(49,653,570)	-	60,000	323,901	2,303,106
Loss for the year	-	(1,188,474)	-	-	-	(1,188,474)
Total income / expense for the year	-	-	-	-	-	-
Issue of share capital	100,000	-	-	-	-	100,000
Share issue costs	(40,800)	-	-	-	-	(40,800)
Convertible note	-	-	10,400	-	-	10,400
Cost of share-based payments	-	-	-	-	148,100	148,100
At 30 June 2007	51,631,975	(50,842,044)	10,400	60,000	472,001	1,332,333
PARENT						
At 1 July 2005	50,425,810	(47,543,250)	-	67,050	17,400	2,967,010
Loss for the year	-	(2,295,675)	-	-	-	(2,295,675)
Total income / expense for the year	-	(2,295,675)	-	-	-	(2,295,675)
Issue of share capital	1,146,965	-	-	-	-	1,146,965
Net loss on available-for-sale investments	-	-	-	(7,050)	-	(7,050)
Cost of share-based payments	-	-	-	-	306,501	306,501
At 30 June 2006	51,572,775	(49,838,925)	-	60,000	323,901	2,117,751
Loss for the year	-	(1,117,174)	-	-	-	(1,117,174)
Total income / expense for the year	-	-	-	-	-	-
Issue of share capital	100,000	-	-	-	-	100,000
Share issue costs	(40,800)	-	-	-	-	(40,800)
Convertible note	-	-	10,400	-	-	10,400
Cost of share-based payments	-	-	-	-	148,100	148,100
At 30 June 2007	51,631,975	(50,956,099)	10,400	60,000	472,001	1,208,277

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

1 CORPORATE INFORMATION

The financial report of EQiTX Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

EQiTX Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in the Directors report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with international Financial Reporting Standards (IFRS). In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) and the Urgent Issues Group that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2006. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Australian Accounting Standards 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 ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arising from the release in August 2005 of AASB 7 <i>Financial Instruments Disclosure</i>	1-January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>Group and Treasury Share Transactions</i> .	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1 July 2007

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120.AASB 121. AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .	1 January 2008	As the Group currently has no service concession arrangements or public-private-partnership (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB 8 is disclosure standard so will have no direct impact on the amounts included in the Groups financial statements. However the new standard may have an impact on the segment disclosures including in the Group's financial report.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1 July 2007	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Group's financial statements. Changes to disclosure requirement will have no direct impact on the amounts included in the Group's financial statements. However the new standards may have an impact on the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretation 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) <i>Borrowing Costs</i> .	1 January 2009	As the Group does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4	1 July 2007	Refer to AASB 2007-4 above.	1 July 2007
AASB 7	<i>Financial Instruments: Disclosure</i>	New standard replacing disclosure requirements of AASB 132.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	<i>Operating Segments</i>	This new standard will replace AASB 114 <i>Segment Reporting</i> and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 101 (revised October 2006)	<i>Presentation of Financial statements</i>	The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1 January 2007	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. The revised standard may result in changes to the disclosures included in the Group's financial report.	1 July 2007
AASB 123 (revised June 2007)	<i>Borrowing Cost</i>	The revised version of AASB 123 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Interpretation 10	<i>Interim Financial Reporting and Impairment</i>	Addresses an inconsistency between AASB 134 <i>Interim Financial Reporting</i> and the impairment requirements related to goodwill in AASB 136 <i>Impairment of Assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 11	<i>Group and Treasury Share Transactions</i>	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 March 2007	Refer to AASB 2007 -1 above.	1 July 2007
AASB Interpretation 12	<i>Service Concession Arrangements</i>	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment	1 January 2008	Refer to AASB 2007-2 above	1 July 2008

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Interpretation 12 (revised June 2007)	<i>Service Concession Arrangements: Disclosures</i>	The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about services concession arrangements entered into by an entity, whether as a concession operator or a concession provider.	1 January 2008	Refer to AASB 2007-2 above	1 July 2008
IFRIC Interpretation 13	<i>Customer Loyalty Programmes</i>	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Company does not have any customers loyalty programmes and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008
IFRIC Interpretation 14	<i>IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements</i>	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Company does not have a defined benefit pension plan and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of EQiTX Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which EQiTX Limited has control.

A wholly owned subsidiary ImmunoTX Pty Ltd was incorporated on 27 June 2006 and has been included in the consolidated financial statements at cost. The Company did not trade during the financial year and hence did not contribute to the financial result of the consolidated entity.

(d) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 18.

The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of assets

The Group assess impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined.

(e) Investment in joint venture

The Group has an interest in a joint venture that is a jointly controlled entity. The Group's investment in its joint venture is accounted for under the equity method of accounting in the consolidated financial statements.

The financial statements of the joint venture are used by the Group to apply the equity method. The reporting dates of the joint venture and the Group are identical and both use consistent accounting policies.

Under the equity method, investments in the jointly controlled entity is carried in the consolidation balance sheet at cost plus post-acquisitions changes in the Groups share of net assets of the jointly controlled equity. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the jointly controlled entity.

The Group's share of the jointly controlled entity's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from joint ventures are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Investment in joint venture (continued)

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The reporting dates of the jointly controlled entity and the Group identical and the associates' accounting policies confirm to those used by the Group for like transactions and events in similar circumstances.

The investment in the joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the joint venture.

Where there has been a change recognised directly in the joint venture's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(f) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 6 years

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

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing 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.

Impairment losses are recognised in the income statement.

(g) 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 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Impairment of assets (continued)

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 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.

Impairment losses are included in the Income Statement in the line headed "Impairment of non-current assets".

(h) Investments

(i) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as Financial assets at fair value through profit or loss, held to maturity investments or loans and receivables. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the group will not be able to collect the debt. Bad debts are written off when identified.

(j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(n) Impairment of financial assets

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(o) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The plan currently in place to provide these benefits is the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(q) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Service Fees

Service fees are recognised on the provision of services in accordance with the relevant services agreements.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current periods taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Contributed equity

Ordinary shares are classified as equity. 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.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(x) Convertible notes

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Interest on the liability component of the instrument is recognised as an expense in profit and loss.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
3 SEGMENT INFORMATION				
The Company operates in the biotechnology industry segment, with all operations located in Australia.				
4 REVENUES AND EXPENSES				
(a) Revenue				
Rendering of services	-	230,000	-	434,545
Finance income - bank interest receivable	28,170	39,565	10,209	24,685
	<u>28,170</u>	<u>269,565</u>	<u>10,209</u>	<u>459,230</u>
(b) Other income				
Government grants received	-	113,039	-	-
Gain from disposal of plant and equipment	-	200	-	200
Other income	3,000	-	3,000	-
	<u>3,000</u>	<u>113,239</u>	<u>3,000</u>	<u>200</u>
Total Revenue and Other Income	<u>31,170</u>	<u>382,804</u>	<u>13,209</u>	<u>459,430</u>
The government grant represents funds received under an AusIndustry Commercial Ready Grant to support ZingoTX's compound ZTX50. Due to manufacturing issues, ZingoTX has terminated the AusIndustry Grant.				
(c) Finance costs				
Convertible note expense	22,067	-	22,067	-
Finance costs - Other loans	1,839	3,395	1,839	3,395
	<u>23,906</u>	<u>3,395</u>	<u>23,906</u>	<u>3,395</u>
(d) Depreciation included in income statement				
<i>Included in Office expenses:</i>				
Depreciation	5,254	9,216	5,254	9,216
(e) Lease payments included in income statement				
<i>Included in Office expenses:</i>				
Minimum lease payments - operating lease	29,309	47,638	29,309	47,638
(f) Employee benefits expense included in income statement				
<i>Included in Employment related expenses:</i>				
Wages and salaries	376,212	624,469	376,212	569,929
Workers' compensation costs	2,236	2,756	2,236	2,756
Superannuation costs	11,615	68,656	11,615	58,340
Expense of share-based payments	148,100	306,501	148,100	306,501
	<u>538,163</u>	<u>1,002,382</u>	<u>538,163</u>	<u>937,526</u>
(g) Impairment expense included in income statement				
Impairment in carrying value of controlled entities	-	-	70,050	294,965
Impairment in carrying value of joint venture entities	90,000	-	173,290	714,000
	<u>90,000</u>	<u>-</u>	<u>243,340</u>	<u>1,008,965</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
5 INCOME TAX				
The major components of income tax benefit are:				
Income Statement				
<i>Current income tax</i>				
Research and development tax offset due 2005	-	264,035	-	-
Research and development tax offset due 2006	-	166,436	-	-
Income tax benefit reported in income statement	-	430,471	-	-
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2007 and 2006 is as follows:				
Accounting profit before tax	(1,188,474)	(2,666,390)	(1,130,562)	(2,295,675)
At the statutory income tax rate of 30% (2006: 30%)	(356,542)	(799,917)	(339,169)	(688,703)
Adjustments in respect of current income tax of previous years				
Expenditure not allowable for income tax purposes	-	168,279	-	25,356
Impairment in value of non-current financial assets	-	-	21,015	302,690
Share of net losses of joint venture entity	24,987	214,200	-	-
Research and development tax offset 2005	-	(264,035)	-	-
Research and development tax offset 2006	-	(166,436)	-	-
Share-based payments	44,430	91,950	44,430	91,950
Unrecognised tax losses	287,125	325,488	273,724	268,707
Income tax benefit reported in income statement	-	(430,471)	-	-
Balance Sheet				
<i>Current Assets</i>				
Current tax asset	153,048	430,471	-	-
	2007	2006		
	\$	\$		
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
<i>Deferred income tax assets</i>				
Provisions and superannuation benefits	-	16,277		
Gross deferred income tax assets	-	16,277		
Amounts not recognised because realisation is not probable	-	(16,277)		
	-	-		
PARENT				
<i>Deferred income tax assets</i>				
Provisions and superannuation benefits	-	16,277		
Gross deferred income tax assets	-	16,277		
Amounts not recognised because realisation is not probable	-	(16,277)		
	-	-		

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

5 INCOME TAX (continued)

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability (2006: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

As at 30 June 2007, the consolidated Group has a net Deferred Tax Asset arising from significant available tax losses (calculated at 30%), which has not been recognised in the financial statements. Given the Company's proposed change in direction, it is unlikely the unrecognised losses will be available to the group.

The recoupment of available tax losses as at 30 June 2007 is contingent upon the following:

- (a) the Company and the consolidated Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (b) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (c) there being no changes in tax legislation which would adversely affect the Company and the consolidated Group from realising the benefit from the losses.

Given the Company's and each individual entities history of recent losses, the Group has not recognised a deferred tax asset with regard to unused tax losses, as it has not been determined whether the Company or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised. There are no unrecognised deductible temporary differences.

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options) and the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	<i>CONSOLIDATED</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$</i>	<i>\$</i>
Net loss attributable to equity holders of the parent	(1,188,474)	(2,235,919)
Net loss attributable to ordinary shareholders for diluted earnings per share	(1,188,474)	(2,235,919)
	<i>No.</i>	<i>No.</i>
Weighted average number of ordinary shares for basic and diluted earnings per share	45,521,704	41,988,828
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

All options to acquire ordinary shares are not considered dilutive for the year ended 30 June 2007 and the comparative period.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
7 CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	645,028	712,469	528,964	698,907
	<u>645,028</u>	<u>712,469</u>	<u>528,964</u>	<u>698,907</u>
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.				
The fair value of cash and cash equivalents is \$645,028 (2006: \$712,469).				
There are no unused borrowing facilities.				
Reconciliation from the net profit after tax to the net cash flows from operations				
Net loss	(1,188,474)	(2,235,919)	(1,130,562)	(2,295,675)
<i>Adjustments for:</i>				
Depreciation of plant and equipment	5,254	9,216	5,254	9,216
Share based payments	148,100	306,501	148,100	306,501
Impairment of other financial assets doubtful debt	-	-	13,388	1,008,965
Share of net losses of joint venture entity	173,290	714,000	-	-
Interest received	(28,170)	(39,565)	(10,209)	(24,685)
Profit on sale of investments	-	(200)	-	(200)
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in receivables and prepayments	193,854	(382,597)	144,789	22,172
(Decrease)/increase in payables	28,783	(32,133)	75,954	(40,585)
(Decrease)/increase in employee entitlements	(37,253)	12,511	(37,253)	12,511
Net cash used in operating activities	<u>(704,616)</u>	<u>(1,648,186)</u>	<u>(790,539)</u>	<u>(1,001,780)</u>
8 TRADE AND OTHER RECEIVABLES (CURRENT)				
Deposits held in trust (i)	-	11,836	-	11,836
Amounts other than trade debts due from related parties				
controlled entities	-	-	89	44,700
associated entities	147	147	147	147
Other receivables	31,091	31,449	27,206	21,222
	<u>31,238</u>	<u>43,432</u>	<u>27,442</u>	<u>77,905</u>

(i) Deposits held by lessor in respect of leased premises.

Terms and conditions relating to the above financial instruments:

- Other receivables are non interest bearing and have repayment terms between eight and ninety days.
- Details of the terms and conditions of related party receivables are set out in Note 23.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
9 AVAILABLE-FOR-SALE FINANCIAL ASSETS				
At fair value				
Shares – listed	10,801	12,750	10,801	12,750
	<u>10,801</u>	<u>12,750</u>	<u>10,801</u>	<u>12,750</u>

Available-for-sale financial assets consist of investments in ordinary shares (listed on ASX), and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market. The movement has been taken directly to the profit and loss.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in joint venture	<u>1,121,056</u>	<u>1,294,346</u>	<u>1,121,056</u>	<u>1,294,346</u>
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EQiTX Limited has a 42.2% interest in VacTX Pty Ltd, which is involved in the development and commercialisation of novel synthetic immunotherapeutics against a range of human conditions in Australia.

VacTX Pty Ltd is a small proprietary company incorporated in Australia that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment.

The reporting date of VacTX Pty Limited is the same as EQiTX Limited.

On consolidation, the group recognised an impairment loss of \$90,000 relating to the investment in the joint venture. The recoverable amount was based on the directors best estimate of fair values less costs to sell. The parent entity wrote down the value of the investment by an amount equal to the share of the losses recorded by the consolidated entity (note 22). There were no capital commitments or other commitments relating to the joint venture.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont.)

The following table illustrates summarised information of the investment in VacTX Pty Limited:

	<i>CONSOLIDATED</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$</i>	<i>\$</i>
<i>Share of joint venture's balance sheet:</i>		
Current assets	14,055	29,196
Non-current assets	1,199,109	1,278,456
Current liabilities	(2,108)	(13,306)
Non-current liabilities		-
Net assets	1,211,056	1,294,346
<i>Share of joint venture's losses:</i>		
Revenue	-	-
Loss before income tax	(83,290)	(714,000)
Income tax	-	-
Loss after income tax	(83,290)	(714,000)
<i>Carrying amount of investment in joint venture</i>		
Balance at the beginning of the financial year	1,294,346	1,008,346
Acquisition of interest	-	1,000,000
Impairment of investment in joint venture entity	(90,000)	-
Share of joint venture's net losses	(83,290)	(714,000)
Carrying amount of investment in joint venture at the end of the financial year	1,121,056	1,294,346
<i>Accumulated losses of the consolidated entity attributable to joint venture</i>		
Balance at the beginning of the financial year	(1,205,654)	(491,654)
Share of joint venture's net losses	(83,290)	(714,000)
Balance at the end of the financial year	(1,288,944)	(1,205,654)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
11 INVESTMENT IN SUBSIDIARIES (NON-CURRENT ASSETS)				
Controlled entities, unlisted	-	-	154,155	224,205
	Percentage of Equity Held by the Parent Entity		PARENT	
	2007	2006	2007	2006
	%	%	\$	\$
Investments in controlled entities comprise:				
ZingoTX Pty Ltd	54.7%	54.7%	2,005,909	2,005,909
ImmunoTX Pty Ltd	100.0%	100.0%	800	-
Impairment in carrying value (note 21)			(1,852,554)	(1,781,704)
Interest in Subsidiaries			154,155	224,205

ZingoTX Pty Ltd is involved in the development of drugs for the treatment of neuropathic pain and inflammation. An impairment of \$70,050 (2006: \$294,965) was booked during the year to ensure that the carrying value of the investment did not exceed the recoverable amount of the net tangible assets of the entity.

ImmunoTX Pty Ltd was incorporated in June 2006 as part of the restructure of the Group's synthetic vaccine project into a wholly owned entity. ImmunoTX Pty Ltd has no net assets at balance date.

12 PLANT AND EQUIPMENT

Office equipment, at cost	25,167	42,090	25,167	42,090
Less accumulated depreciation and impairment	(17,204)	(21,813)	(17,204)	(21,813)
Net carrying amount	7,963	20,277	7,963	20,277
Gross Carrying Amount				
At 1 July	42,090	56,815	42,090	56,815
Additions	-	14,845	-	14,845
Disposals	(1,635)	(3,895)	(1,635)	(3,895)
Write off ¹	(15,288)	(25,675)	(15,288)	(25,675)
Balance at end of financial year	25,167	42,090	25,167	42,090
Accumulated Depreciation and Impairment				
At 1 July	(21,813)	(42,167)	(21,813)	(42,167)
Depreciation expense	(5,254)	(9,216)	(5,254)	(9,216)
Disposals	1,195	3,895	1,195	3,895
Write off ¹	8,668	25,675	8,668	25,675
Balance at end of financial year	(17,204)	(21,813)	(17,204)	(21,813)
Net Carrying Amount	7,963	20,277	7,963	20,277

¹ Certain items of plant & equipment were written off during the year as the directors determined that no more future economic benefits were expected from continued use.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
13 TRADE AND OTHER PAYABLES (CURRENT)				
Trade payables (i)	10,170	28,819	5,383	28,819
Other payables (i)	39,629	153,469	39,629	153,469
	<u>49,799</u>	<u>182,288</u>	<u>45,012</u>	<u>182,288</u>

(i) Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 6 months.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

14 PROVISIONS (CURRENT)

Provision for annual leave	-	37,253	-	37,253
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15 INTEREST BEARING LOANS

Convertible notes	591,667	-	591,667	-
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The company issued 6,800,000 Convertible Notes in January 2007 to raise \$680,000 before costs. Each convertible note has a face value of \$0.10 per note and is convertible into a fully paid ordinary share and bear interest at a rate of 8% per annum with a redemption date of 31 December 2008. As at balance date there were 5,800,000 convertible notes on issue.

The fair value of the liability portion of the convertible notes is estimated using an equivalent interest rate for the issuer of the instrument with similar terms but without the conversion option.

16 CONTRIBUTED EQUITY

Ordinary shares

Issued and fully paid	51,631,975	51,572,775	51,631,975	51,572,775
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Effective 1 July 1998, the Corporations Legislation abolished the concepts of authorised capital and par value shares. Accordingly the company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Shares	\$	Shares	\$
<i>Movement in ordinary shares on issue</i>				
At 1 July 2005	39,564,170	50,425,180	39,564,170	50,425,180
Issued on 1 January 2006 for cash on share placement	5,900,000	1,180,000	5,900,000	1,180,000
Less costs of share issue	-	(33,305)	-	(33,305)
At 30 June 2006	45,464,170	51,572,775	45,464,170	51,572,775
Cost of convertible note issue	-	(40,800)	-	(40,800)
Conversion of convertible notes	1,000,000	100,000	1,000,000	100,000
At 30 June 2007	<u>46,464,170</u>	<u>51,631,975</u>	<u>46,464,170</u>	<u>51,631,975</u>

Share options

During the financial year, 1,850,000 options were issued over ordinary shares as follows:

Details	No. of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
H S Majteles	1,000,000	04 Aug 06	04 Aug 06	04 Aug 11	\$0.25
G A Gander	750,000	28 Nov 06	28 Nov 06	31 Dec 10	\$0.20
Employee incentive options – J Rawlings	100,000	28 Nov 06	28 Nov 06	30 June 07	\$0.20

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

16 CONTRIBUTED EQUITY (continued)

At the end of the financial year, there were 24,125,750 unissued ordinary shares over which options were outstanding:

Details	No. of Options	Expiry Date	Exercise Price
Listed options	19,000,000	30 June 07	\$0.20
Employee incentive options	200,000	30 June 07	\$0.20
Employee incentive options	500,000	30 June 07	\$0.25
Employee incentive options	1,500,000	30 June 07	\$0.35
Employee incentive options	825,000	30 June 07	\$0.30
Employee incentive options	1,000,000	30 June 07	\$0.25
Employee incentive options	100,000	30 June 07	\$0.20
Unlisted options	750,000	31 Dec 10	\$0.20
Unlisted options	1,000,000	04 Aug 11	\$0.25
	<u>24,125,750</u>		

Since 30 June 2007, no further options have been issued or exercised.

17 RESERVES

Other Reserves

CONSOLIDATED

PARENT

	Convertible note reserve	Net unrealised gains reserve \$	Employee equity benefits reserve \$	Total \$	Convertible note reserve	Net unrealised gains reserve \$	Employee equity benefits reserve \$	Total \$
At 30 June 2006	-	60,000	323,901	383,901	-	60,000	323,901	383,901
Share based payment	-	-	148,100	148,100	-	-	148,100	148,100
Convertible notes	10,400	-	-	10,400	10,400	-	-	10,400
Net loss on available-for-sale financial assets	-	-	-	-	-	-	-	-
At 30 June 2007	<u>10,400</u>	<u>60,000</u>	<u>472,001</u>	<u>542,401</u>	<u>10,400</u>	<u>60,000</u>	<u>472,001</u>	<u>542,401</u>

Nature and purpose of reserves

Net unrealised gains reserve

This reserve records movements for available-for-sale financial assets to fair value.

Employee equity benefits reserve

The employee share option plan reserve is used to record the value of equity benefits provided to eligible employees as part of their remuneration. Refer to note 18 for further details of this plan.

Convertible note reserve

The convertible note reserve is used to record the difference in the fair value of the convertible notes estimated using an equivalent interest rate with similar terms but without the conversion option.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

18 SHARE BASED PAYMENTS

Employee share option plan

The expense recognised for services received during the year under the EQiTX Limited employee share option plan is \$148,100 (2006: \$306,501).

The EQiTX Limited Employee Share Option Plan was established whereby EQiTX may, at the discretion of the EQiTX Board, grant options over unissued shares of EQiTX Limited to directors, executives, employees and consultants of the consolidated entity. The options are issued for nil consideration, will not be quoted on the ASX, cannot be transferred and are granted at the discretion of the EQiTX Board. The options are issued for a term of five years. Options issued under the ESOP vest immediately.

The fair value of the options are estimated at the date of grant using the Black-Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2007.

	<i>04 Aug 06</i>	<i>28 Nov 06</i>	<i>28 Nov 06</i>
Dividend yield (%)	-	-	-
Expected volatility (%)	80.00	80.00	80.00
Risk-free interest rate (%)	5.85	5.85	5.85
Expected life of option (years)	5.00	5.00	0.5
Share price at grant date (\$)	0.15	0.13	0.13

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

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

No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2007, no options were exercised over ordinary shares (2006: Nil).

The weighted average fair value of options granted during the period was \$0.086 (2006:\$0.090)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

18 SHARE BASED PAYMENTS (continued)

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP.

	<i>2007 No.</i>	<i>2007 WAEP</i>	<i>2006 No.</i>	<i>2006 WAEP</i>
Outstanding at the beginning of the year	5,025,000	\$0.30	1,450,000	\$0.29
Granted during the year	100,000	\$0.20	3,650,000	\$0.30
Forfeited during the year	(1,000,000)	\$0.50	(75,000)	\$0.30
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	4,125,000	\$0.30	5,025,000	\$0.30
Exercisable at the end of the year	4,125,000	\$0.30	5,025,000	\$0.30

Following the restructure of the Company during the year, which saw the departure of a number of directors and employees, the board resolved to vary the expiry date of the all ESOP options to 30 June 2007.

Share options issued under the ESOP and outstanding at the end of the year have the following exercise prices:

<i>Expiry date</i>	<i>Exercise price</i>	<i>2007 No.</i>	<i>2006 No.</i>
30 June 2007	\$0.20	200,000	200,000
30 June 2007	\$0.25	500,000	500,000
30 June 2007	\$0.35	500,000	500,000
30 June 2007	\$0.30	250,000	250,000
30 June 2007	\$0.30	575,000	575,000
30 June 2007	\$0.25	1,000,000	1,000,000
30 June 2007	\$0.35	1,000,000	1,000,000
30 June 2007	\$0.40	-	1,000,000
30 June 2007	\$0.20	100,000	-
Total		4,125,000	5,025,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits and available-for-sale financial assets.

The main purpose of these financial instruments is to finance the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no exposure to market risk for changes in interest rates as it has no long-term debt obligations. However the convertible notes have a fixed interest rate of 8% per annum.

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

The greater part of the Group's receivables balances are represented by GST input tax credits, which are received on a quarterly basis, and deposits held in trust in respect of leases for office premises.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, 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.

There are no significant concentrations of credit risk within the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

20 FINANCIAL INSTRUMENTS

Fair Values

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2006: fair values).

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	<1year \$	Total \$	Weighted average effective interest rate %
Year ended 30 June 2007			
<i>CONSOLIDATED</i>			
<i>Floating rate</i>			
Cash assets	645,028	645,028	5.4%
	5.4%		
<i>Fixed rate</i>			
Interest bearing liabilities	591,667	591,667	8.0%
	8.0%		
<i>PARENT</i>			
<i>Floating rate</i>			
Cash assets	528,964	698,907	5.4%
	5.4%		
<i>Fixed rate</i>			
Interest bearing liabilities	591,667	591,667	8.0%
	8%		
Year ended 30 June 2006			
<i>CONSOLIDATED</i>			
<i>Floating rate</i>			
Cash assets	712,469	712,469	5.2%
	5.2%		
<i>PARENT</i>			
<i>Floating rate</i>			
Cash assets	698,907	698,907	5.2%
	5.2%		

The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

21 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

There were no lease commitments at balance date. The prior year lease commitment was for the previous premises in Melbourne. The lease was taken over by another external party, with no penalties to EQiTX.

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	-	33,861	-	33,861
After one year but not more than five years	-	16,164	-	16,164
More than five years	-	-	-	-
	-	50,025	-	50,025
Remuneration commitments				
Within one year	-	155,071	-	155,071
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
	-	155,071	-	155,071

Amounts disclosed as remuneration commitments include commitments arising from the employment contracts of executives referred to in note 26 that are not recognised as liabilities and are not included in the executives' remuneration. There were no commitments in respect of directors.

There are no contingent liabilities.

22 IMPAIRMENT TESTING OF INVESTMENTS

(a) Investment in joint venture

An impairment loss of \$90,000 on the investment in the joint venture was recognised in the 2007 financial year. The recoverable amount was based on the directors' assessment of fair value less costs to sell.

The Directors also wrote down the carrying value of the investment held by the parent entity by \$83,290 being the share of losses recorded by the joint venture entity.

(b) Investment in controlled entities

The Directors have formed the view that the recoverable amount of the investment is not lower than the carrying value of the investment in controlled entities ZingoTX Pty Ltd and ImmunoTX Pty Ltd at 30 June 2007. The directors determined that it was appropriate to write down the carrying value of the investment to equate to the parent entity's share of the net tangible assets held in ZingoTX Pty Ltd and ImmunoTX Pty Ltd.

An impairment loss of \$70,050 on investment in subsidiary was recognised in the 2007 financial year. The impairment loss has been recognised in the income statement in the line "Impairment of non-current assets". In determining recoverable amount, fair value less costs to sell has been used. The directors consider that the net assets of the subsidiary is a reasonable approximation of fair value less costs to sell.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

23 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of EQiTX Limited and the subsidiaries listed in the following table.

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Equity interest</i>		<i>Investment \$</i>	
		<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
ImmunoTX Pty Ltd	Australia	100.0	100.0	800	-
ZingoTX Pty Ltd (see Note 12)	Australia	54.7	54.7	2,005,909	2,005,909
				<u>2,006,709</u>	<u>2,005,909</u>

EQiTX Limited is the ultimate parent entity.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 8:

<i>Related party</i>		<i>Service fees received from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		\$	\$	\$
<i>CONSOLIDATED</i>				
Joint ventures in which the parent is a venturer:				
VacTX Pty Ltd	2007	-	147	-
	2006	230,000	147	-
<i>PARENT</i>				
Joint ventures in which the parent is a venturer:				
VacTX Pty Ltd	2007	-	147	-
	2006	230,000	147	-
Subsidiaries:				
ZingoTX Pty Ltd	2007	-	89	-
	2006	205,545	44,700	-

Entity with significant influence over the Group

There are no entities with a significant influence over the Group.

Joint venture in which the entity is a venturer

VacTX Pty Ltd

The Group has a 42.2% interest in the assets, liabilities and outputs of VacTX Pty Ltd (2006: 42.2%).

Terms and conditions of transactions with related parties

Service fees received from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash. Repayment is on demand from EQiTX.

There have been no guarantees provided or received for any related party receivables.

For the year end 30 June 2007, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2006: \$nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates in. When assessed as required the Group raises such a provision.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

24 EVENTS AFTER THE BALANCE SHEET DATE

On 23 July 2007, the Board announced that the Company has signed a binding Terms Sheet with a consortium that would enable EQX to take an 80% interest in five (5) mineral permits in Indonesia. The focus of the Company, subject to shareholder approval, will become coal exploration and production and again, subject to shareholder approval, the Company will change its name, Board and Management to reflect this new line of business.

Between 1 July 2007 and 28 September 2007 there have been 3,150,000 convertible notes converted to fully paid ordinary shares.

On 27 September the board announced that initial legal due diligence into the ownership of the Indonesian coal permits covered under the Term Sheet announced to shareholders on 23 July 2007 has yet to be completed. As a result the Company has not been able to move into the planned detailed exploration program that is intended to verify the prospectivity of the permits.

This delay in completion of the initial due diligence will result in an overall delay to the timetable that was outlined in the July 23 announcement. It is therefore unlikely that the Company will be able to put the resolutions associated with a change of direction of the Company to the Annual General Meeting that will be held in November 2007. Instead, a General Meeting will be convened at the appropriate time to consider the resolutions associated with the proposed change of direction.

This delay has led the Board to consider other Indonesian coal opportunities and Directors are confident that an appropriate transaction will be completed in due course but that it may or may not be the specific opportunity outlined in the July 23 announcement.

25 AUDITORS' REMUNERATION

	<i>CONSOLIDATED</i>		<i>PARENT</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	\$	\$	\$	\$
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 entity	32,250	32,500	32,250	32,500
• other services in relation to the entity and any other entity in the consolidated entity				
- tax compliance	25,000	8,500	25,000	8,500
	57,250	41,000	57,250	41,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

26 KEY MANAGEMENT PERSONNEL

(a) Details of Directors and Executives

(i) Directors

Geoffrey Gander	Chairman (executive) - appointed 1 August 2006
Hilton Nathanson	Director (non-executive)
Sol Majteles	Director (non-executive)
Dr Kevin Fahey	Director (non-executive) - resigned 3 August 2006
Prof Mark von Itzstein	Director (non-executive) - resigned 3 August 2006
Dr Wayne Millen	Chairman (non-executive) - resigned 3 August 2006

(ii) Executives

Sue MacLeman	Chief Executive Officer – resigned 1 September 2006
Joy Hewitt	Chief Commercialisation Officer -resigned 14 August 2006
John Rawling	Company Secretary and CFO – resigned 1 March 2007
Sue Foran	Research and Development Manager - resigned 1 August 2006
Scott Mison	Company Secretary - appointed 1 March 2007

There have been no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.

(b) Key management personnel compensation

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	318,224	705,460	318,224	705,460
Post-employment benefits	11,173	60,365	11,173	60,365
Termination benefits	147,056	-	147,056	-
Share-based payments	148,100	306,501	148,100	306,501
	<u>624,553</u>	<u>1,072,326</u>	<u>624,553</u>	<u>1,072,326</u>

EQiTX Limited has applied the option under Corporations Amendments Regulation 2006 to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report.

These transferred disclosures have been audited.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

26 KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of Key Management Personnel

30 June 2007

	Balance at beg of period 01-Jul-06	Granted as Remune- ration	Options Exercised	Net Change Other #	Balance at end of period 30-Jun-07	Not Vested & Not Exercisable	Vested & Exercisable
(i) Listed Options							
Directors							
Geoff Gander	-	-	-	-	-	-	-
Dr Wayne Millen	3,000,000	-	-	-	3,000,000	-	3,000,000
Hilton Nathanson	4,500,000	-	-	-	4,500,000	-	4,500,000
Sol Majteles	1,080,000	-	-	-	1,080,000	-	1,080,000
Dr Kevin Fahey	-	-	-	-	-	-	-
Prof Mark von Itzstein	-	-	-	-	-	-	-
Executives							
Sue MacLeman	-	-	-	-	-	-	-
Joy Hewitt	-	-	-	-	-	-	-
Nicholas Ede	-	-	-	-	-	-	-
Scott Mison	-	-	-	-	-	-	-
Total	8,580,000	-	-	-	8,580,000	-	8,580,000
(ii) Unlisted Options							
Directors							
Geoff Gander	-	750,000	-	-	750,000	-	750,000
Dr Wayne Millen	-	-	-	-	-	-	-
Hilton Nathanson	-	-	-	-	-	-	-
Sol Majteles	-	1,000,000	-	-	1,000,000	-	1,000,000
Dr Kevin Fahey	2,000,000	-	-	-	2,000,000	-	2,000,000
Prof Mark von Itzstein	1,100,000	-	-	-	1,100,000	-	1,100,000
Executives							
Sue MacLeman	750,000	-	-	-	750,000	-	750,000
Joy Hewitt	75,000	-	-	-	75,000	-	75,000
John Rawling	-	100,000	-	-	100,000	-	100,000
Total	3,925,000	1,850,000	-	-	5,775,000	-	5,775,000

Includes lapsed options

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of Key Management Personnel (continued)

30 June 2006	Balance at beg of period 01-Jul-05	Granted as Remune- ration	Options Exercised	Net Change Other #	Balance at end of period 30-Jun-06	Not Vested & Not Exercisable	Vested & Exercisable
(i) Listed Options							
Directors							
Dr Wayne Millen	-	3,000,000	-	-	3,000,000	-	3,000,000
Hilton Nathanson	4,500,000	-	-	-	4,500,000	-	4,500,000
Sol Majteles	1,080,000	-	-	-	1,080,000	-	1,080,000
Dr Kevin Fahey	-	-	-	-	-	-	-
Prof Mark von Itzstein	-	-	-	-	-	-	-
Executives							
Sue MacLeman	-	-	-	-	-	-	-
Joy Hewitt	-	-	-	-	-	-	-
Nicholas Ede	-	-	-	-	-	-	-
Total	5,580,000	3,000,000	-	-	8,580,000	-	8,580,000
(ii) Unlisted Options							
Directors							
Dr Wayne Millen	-	-	-	-	-	-	-
Hilton Nathanson	-	-	-	-	-	-	-
Sol Majteles	-	-	-	-	-	-	-
Dr Kevin Fahey	2,000,000	-	-	-	2,000,000	-	2,000,000
Prof Mark von Itzstein	1,100,000	-	-	-	1,100,000	-	1,100,000
Executives							
Sue MacLeman	250,000	500,000	-	-	750,000	-	750,000
Joy Hewitt	-	75,000	-	-	75,000	-	75,000
Nicholas Ede	-	75,000	-	(75,000)	-	-	-
Total	3,350,000	650,000	-	(75,000)	3,925,000	-	3,925,000

Includes lapsed options

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

26 KEY MANAGEMENT PERSONNEL (continued)

(d) Shareholdings of Key Management Personnel

Shares held in EQiTX Limited (number)

30 June 2007	<i>Balance 01-Jul-06 Ord</i>	<i>Granted as Remuneration Ord.</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-07 Ord</i>
Directors					
Geoff Gander	-	-	-	-	-
Dr Wayne Millen	-	-	-	-	-
Hilton Nathanson	4,714,613	-	-	-	4,714,613
Sol Majteles	575,000	-	-	-	575,000
Dr Kevin Fahey	16,010	-	-	(16,010)	-
Prof Mark von Itzstein	7,000	-	-	-	7,000
Executives					
Sue MacLeman	-	-	-	-	-
Joy Hewitt	10,000	-	-	(10,000)	-
John Rawling	-	-	-	-	-
Scott Mison	-	-	-	30,000	30,000
Total	5,322,623	-	-	30,000	5,342,623

30 June 2006	<i>Balance 01-Jul-05 Ord</i>	<i>Granted as Remuneration Ord.</i>	<i>On Exercise of Options Ord</i>	<i>Net Change Other Ord</i>	<i>Balance 30-June-06 Ord</i>
Directors					
Dr Wayne Millen	-	-	-	-	-
Hilton Nathanson	4,714,613	-	-	-	4,714,613
Sol Majteles	510,000	-	-	65,000	575,000
Dr Kevin Fahey	16,010	-	-	-	16,010
Prof Mark von Itzstein	7,000	-	-	-	7,000
Executives					
Sue MacLeman	-	-	-	-	-
Joy Hewitt	10,000	-	-	-	10,000
Nicholas Ede	-	-	-	-	-
John Rawling	-	-	-	-	-
Total	5,257,623	-	-	65,000	5,322,623

All equity transactions with directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

KEY MANAGEMENT PERSONNEL (continued)

(e) Other transactions and balances with directors and executives

Corporate consulting services at normal commercial rates totalling \$66,000 were provided by Symdean Pty Ltd, of which Geoff Gander is a director. At year end, \$6,000 remained outstanding (2006: \$nil).

Technical consulting services at normal commercial rates totalling \$3,150 were provided by Kevin Fahey & Associates Pty Ltd, of which Dr Kevin Fahey is a director. At year end, \$nil remained outstanding (2006: \$1,650).

Consulting services at normal commercial rates totalling \$15,890 were provided by pharmaBank Pty Ltd, an entity associated with Dr Wayne Millen. At year end, \$nil remained outstanding (2006: \$6,225).

All services were provided under normal commercial terms and conditions.

There were no other transactions with Directors and Executives.

Directors' Declaration

In accordance with a resolution of the directors of EQiTX Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2007.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'GG', with a horizontal line extending to the right.

Geoff Gander
Director

Perth, 28 September 2007

Independent auditor's report to the members of EQiTX Limited

We have audited the accompanying financial report of EQiTX Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 9 to 14 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider 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.

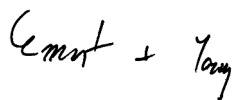
Independence

In conducting our audit we have met 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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

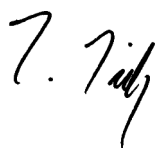
Auditor's Opinion

In our opinion:

1. the financial report of EQiTX Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of EQiTX Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
3. the remuneration disclosures that are contained on pages 9 to 14 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.



Ernst & Young



V W Tidy
Partner
Perth
28 September 2007

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 31 August 2007.

TWENTY LARGEST SHAREHOLDERS

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital
Citicorp Nominees Pty Limited	9,638,225	19.43%
Paul Gabriel Sharbanee	4,500,000	9.07%
Larchmont Services Limited	1,540,833	3.11%
Alexander Bernard Van Dam	1,350,000	2.72%
HSBC Custody Nominees Aust	1,306,540	2.63%
Stevsand Nominees Pty Ltd	1,221,000	2.46%
Gilad Hayeem	1,005,000	2.03%
Eagle River Holdings	1,000,432	2.02%
ANZ Nominees Ltd <Cash Income A/C>	961,256	1.94%
David Kyte	850,000	1.71%
Mikado Corporation Pty Ltd <JFC Super A/C>	810,000	1.63%
Cunningham Securities Pty Ltd	750,000	1.51%
Northlight Nominees Pty Ltd	730,000	1.47%
Tayglan Pty Ltd	724,200	1.46%
John Kerry McKinna	700,582	1.41%
Shah Nominees Pty Ltd <Louis Carsten S/F>	662,000	1.33%
Surfboard Pty Ltd <ARW S/F No.1 A/C>	637,500	1.28%
Simon Nominees Pty Ltd <HS Majteles S/F A/C>	575,000	1.16%
Jeremy Benjamin	525,000	1.06%
Alfonso Di Lanzo	500,000	1.10%
Total	29,987,568	60.44%

DISTRIBUTION OF MEMBER HOLDINGS

Size of Holding	Listed Ordinary Shares	
	No. of Holders	No. of Shares
1 – 1,000	428	221,831
1,001 – 5,000	370	987,198
5,001 – 10,000	123	1,036,644
10,001 – 100,000	199	7,907,171
100,000 and over	61	39,461,326
Total Holders	1,181	49,614,170

There are 779 shareholders holding less than a marketable parcel of shares.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	No. of Ordinary Shares	Percentage of Issued Capital
Paul Gabriel Sharbanee	5,439,020	11.96%
Hilton Darren Nathanson	4,714,613	10.37%

ASX Additional Information (continued)

VOTING RIGHTS

All shares carry one vote per share without restriction.

UNLISTED OPTIONS ON ISSUE

Options issued by the Company which are not listed on the Australian Stock Exchange are as follows:

- 1,000,000 options exercisable on or before 4 August 2011 at an exercise price of \$0.25 each. 1 holder;
- 750,000 options exercisable on or before 31 December 2010 at an exercise price of \$0.20 each. 1 holder.