EQUATORIAL COAL LIMITED
ABN 50 009 188 694
Mobile: +61 (0)417 914 137
www.eqxcoal.com.au

ASX ANNOUNCEMENT

POSITIVE CASHFLOW OUTLOOK FOR EQUATORIAL COAL

Key Highlights:

- **EQX to commence coal production in September 2008 with the 1st shipment expected in Q4 2008**
- **Recent thermal coal pricing at all-time highs**
- **EQX expects to net $10M per annum from Alam Duta permit**
- **Alam Duta project expected to be cash flow positive by the end of calendar year 2008**

18 August 2008: The Board of Equatorial Coal Limited (formerly EQiTX Limited) (ASX: EQX) is pleased to provide shareholders with an update on its Alam Duta project which is scheduled to go into production in the next month.

On 6 May 2008, the Company announced to ASX that it had signed an agreement with its Indonesian partner PT. Mega Coal Indomine (Mega Coal) to invest $US2.5M to take a 51% interest in the net profits from production of coal from the Alam Duta permit which is located near Kintap, in the Kabupaten of Tanah Laut in the Province of South Kalimantan. The announcement outlined the fact that the permit was well developed and ready to move into production in a very short time frame.

During due diligence 25 drill holes were completed in the Alam Duta permit area, totaling 1,060 metres. Drill holes ranged between 11.25 to 51.35 metres in depth and were all drilled vertically. Coal seam intersections range from 0.05 metres up to a maximum of 11.60 metres. The thickest seam was intersected in 5 of the drill holes and it is interpreted that these intercepts represent two separate seams (or a single seam with a thick parting). Based on the drill core samples from Alam Duta and from adjacent leases, coal quality is likely to average ~33% total moisture, <4% ash and <0.3% sulphur, with calorific value likely to be ~5,300-5,500 kcal/kg on an air dried basis (adb).

The recoverable tonnage has been estimated to total 4 million tonnes of sub bituminous coal and it is proposed that the mining on the Alam Duta permit will occur in two discrete pits, a smaller pit to the north and the main pit in the south.

As announced on 27 May 2008, the development of the mine site has been carried out by mining contractor PT. GSB Resources. Work has progressed well with construction of roads, accommodation, offices and workshop almost complete.

A bulk coal sample is currently being analysed so that we are able to provide guaranteed quality specifications to prospective buyers. It is this type of coal that is being actively sought by a range of Asian markets including China, the Philippines and South Korea as well as India. It is used predominantly as a fuel for coal fired power stations and over the past few years demand for the full range of qualities of thermal coal has risen dramatically and with that rise has come a substantial increase in the market price for the coal.

Alam Duta is expected to produce 1 million tonnes of coal per year for the next 4 years and based on the current pricing being achieved for similar coal from the same area, the expectation is that the coal will derive a net profit of approximately $A20 per tonne. This margin is helped by the fact that the permit is strategically located with excellent logistics to several nearby barge loading jetties. Based on EQX having rights to 51% of the profits from Alam Duta, EQX expects to net some $A10 million per annum from this permit alone and is looking to build on its coal holdings through an extensive exploration program in the near term.

Commenting on the imminent production from Alam Duta, EQX's new Managing Director, Jim Dracopoulos said, "Based on the current pricing for thermal coal, we expect the Alam Duta mine to be cash flow positive by the end of this calendar year and we continue to look for similar permits to Alam Duta to enable us to grow EQX's net cash as quickly as possible. This will position us for the development of some of the other permits we have in the Mega Coal portfolio that we believe will be shown to contain 20+ million tonnes of coal."

Any questions relating to this announcement should be directed to either EQX Managing Director Jim Dracopoulos on +62 811 854376 or to EQX Chairman Geoff Gander on 0417 914 137. More information on the Company is available at www.eqxcoal.com.au

ENDS