

30 January 2009

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD TO 31 DECEMBER 2008

The Board of Equatorial Coal Limited (ASX: EQX) provides shareholders with its Quarterly Activities Report for the 3 month period ending 31 December 2008. Also included are subsequent events that have occurred up to the date of the release of this report, namely 30 January 2009.

Update on Coal Mining Activities:

The Alam Duta mine site in South Kalimantan is producing coal and during January 2009, sufficient coal for the first barge sale was hauled to a contract port operator for sale. Indications of interest have been received from numerous 3rd parties and the initial stockpile of coal is expected to be sold in early February. The Company is also working to finalise an off take agreement that will cover the sale of all the coal produced at Alam Duta for at least the next 3 months. In relation to expected margin on sales, demand for thermal coal has softened in recent months and therefore sales prices reflect this weakening demand. Costs of production have risen due mainly the increased logistics costs associated with the Company having to use a port that is located further away from the mine site than the port that was originally considered. This change of port is as a result of the original port having been shut down since December 2008. It is hoped that this port will be reopened in the next month.

Alam Duta production is currently some 4 months behind schedule and for most of the quarter being reported, this was, in part, due to delays at site caused by heavy rain. The region's average annual rainfall of 2.0m of rain fell in both October and November 2008 but thankfully December 2008 saw a dramatic reduction in rainfall to around

600mm. Whilst this quantity is still approximately 3 times the average monthly rainfall for the area, the respite was enough to allow significant progress to be made at the operation and by early January the continued improvement in the weather allowed the haul road out of the mining area to be upgraded sufficiently to see the beginning of the orderly haulage of coal to port.

As was announced during December 2008, the contract for mining services with the contractor PT. GSB Resources (GSB) was terminated due to non-performance of the contractor. This disruption also contributed to delays in getting into production but since the termination the mining activities and operational personnel have been brought "in-house", with our staff formulating and managing a smooth transition process.

The majority of the earthmoving equipment operated by GSB was rented equipment, and although most of that equipment has been retained on site, several of the prime pieces of the overburden fleet brought in by GSB have not been able to perform to expectation, and as a result, a detailed review is being undertaken to assess the optimal equipment portfolio moving forward. It is more than likely that some of the original GSB equipment will need to be replaced by more appropriate machinery.

Current production plans are for a total of 70,000 tonnes of coal for the period January to March 2009 (ie c. 25,000 tonnes per month), building up to around 45,000 tonnes per month for the period of April to June 2009. To achieve these targets any additional mining equipment that is required to be mobilized to site will need to be contracted for during February 2009.

Mobilising this additional equipment to site will require a commitment in terms of a mobilisation charge and monthly rental fees. The equipment review noted is taking into account the performance criteria of the proposed equipment, the mine plan, the production targets, and the rental fees. The final decision as to whether to commit to the additional equipment requires consideration of the Company's current working capital position, the contracted coal sales for February 2009 and beyond, the expected margins on those sales and the status of the amounts owing to EQX from our local Indonesian partner, PT Mega Coal Indomine (Mega Coal).

In relation to the funds owing from Mega Coal, these now total \$US4.5m, and are due for repayment in full. The \$US4.5m is made up of two refundable deposits EQX has paid to Mega Coal in relation to two separate coal mining opportunities that the Company has now agreed with Mega Coal not to progress with. The initial \$US2.5m was due for repayment on 31 December 2008 and the second \$US2m deposit fell due for repayment on 23 January 2009. Mega Coal has acknowledged that all \$US4.5m is now due and payable to EQX and Mega Coal is working with other 3rd parties that are interested in



acquiring these same mining opportunities. The EQX Board has met with one of these parties and has also made it clear to Mega Coal that the repayment of the funds is a major priority for the Company at this time.

Should the Company decide to hold off from committing to the additional earthmoving equipment until some of the funds owing by Mega Coal are received, with a firm commitment for the return of the balance of the funds, then the Company may be required to suspend mining activities at Alam Duta. Such suspension of activities would allow the Company to preserve cash reserves until sufficient working capital is available to commit to the expenditure associated with the new equipment, and for funding of ongoing operational costs.

The Board recognizes the investment made to date at Alam Duta and is keen to continue production at the site, but only on the basis that the coal that is mined can be sold in a timely manner and at prices that are commercially acceptable. In light of the various difficulties experienced over the past 4 months, the Company believes that it is only prudent to have a sufficient working capital buffer to allow for operational and financial risks such as further heavy rainfall, further softening of the coal market, under-performance of equipment, congestion at the barge-port and/or an increase in operational costs or fees. This buffer can only exist as a result of the repayment of monies due from Mega Coal.

A decision is expected to be made on the status of the mine, and the delivery of the new equipment, in early February 2009 and shareholders will be kept updated on this matter.

Update on Corporate Activities:

EQX Directors have been in Jakarta for discussions with Mega Coal with a view of agreeing to a way forward that ensures EQX shareholders interests are best protected. As part of these meetings, the EQX Board also reviewed the ongoing viability of MOU 2, which is another mining project in South Kalimantan, near Alam Duta. The Board has agreed with Mega Coal that in light of these recent discussions, EQX will withdraw from MOU 2 and as a result a further \$US2m deposit will now be refundable by Mega Coal, meaning that Mega Coal will now owe EQX a total of \$US6.5m (c. \$A10m).

Whilst coal project opportunities continue to be presented to the Company on an ongoing basis, in the short-term the Company is focused on the return of all of its funds from Mega Coal as well as maximizing returns from the Alam Duta mine. Upon



successfully achieving these two goals, the Company will consider further project opportunities with a view to building upon its existing Indonesian coal business.

Biotechnology Assets:

The Board of ImmuneTX Limited continues to work on commercialization opportunities for both projects and progress continues to be made with regards the further commercialization of VacTX. Once details of the next phase of this development become more formalized, shareholders will be updated.

It has to be said that there has been less interest shown by 3rd parties in the further development of ZingoTX but the ImmuneTX Limited Board will continue to look at commercialization opportunities for this project as they arise.

Corporate Structure:

As at 31 December 2008, the Company had 165,564,170 listed shares (trading as EQX) and 16,500,000 unlisted options. These options are, in the main, subject to vesting hurdles and should they vest, have exercise prices between 20 cents and 40 cents with the majority (11.75m) having an exercise price of 30 cents. Most options (13.75m) expire on 30 July 2013. The 700,000 convertible notes due on 31 December 2008 were redeemed as at 29 December 2008 for a cash outflow of c \$80,000.

Cash reserves of the Company as at 31 December 2008 stood at approximately \$A1.65m with another \$US6.5m (\$A10m) owing to EQX in outstanding deposits, all of which are now due to be repaid by Mega Coal.

Summary:

Coal markets have softened in recent months but industry predictions are for continued and growing demand for Indonesian sub-bituminous coal coming from India, China, Philippines and the Indonesian domestic market. The Alam Duta mine appears to be over the bulk of its delays and the Company looks forward to driving sales forward in 2009. With softer coal prices, margins are the key issue that the Company is focused on in terms of coal production in the short term.



EQX has withdrawn from all MOU's with Mega Coal except for the Alam Duta mine, and is in discussions with Mega Coal in relation to the recovery of the outstanding funds at the earliest possible time. Any subsequent project opportunities will only be considered once EQX has recovered all the amounts it is owed, and after the Alam Duta project proves to be cash-flow positive on a consistent basis.

Any questions relating to this quarterly report should be directed to the Company on (08) 9322 8222.

Geoff Gander
Chairman



Main Alam Duta mining area

ENDS
