



EQUATION CORP LIMITED
(Company Registration No. 197501110N)

ACQUISITION OF GRANITE

1. Introduction

The Board of Directors of Equation Corp Limited (the "**Company**") wishes to announce that Equation Resources Pte Ltd ("**ERPL**"), a 70% owned subsidiary of the Company, has today entered into a Sale and Purchase and Co-operation Agreement (the "**Agreement**") with **PT KAWASAN DINAMIKA HARMONITAMA ("KDH")** for the acquisition of 51% of the rights, interest in and ownership to granite on part of a land (defined below as "**Mining Area**") located in the District of Meral, Karimun Regency, Province of Riau Islands, Indonesia (the "**Land**") owned by KDH.

2. Rationale for the Proposed Transaction

As part the efforts to enhance the value of the Company, the management is constantly looking for suitable new business opportunities for the Company to pursue for its viability and growth.

In this regard, the Company's management is considering the acquisition described above, which it believes will expand the Company's business areas.

3. Background of KDH

KDH is duly established under Indonesian law as an ordinary limited liability company. KDH has the rights to occupy the Land which is suitable for the mining of granite. KDH is also the holder of the relevant regional mining permit which confers on KDH the right to mine for granite in the mining area which is located on the Land (the "**Mining Area**") and the right to sell the granite so obtained within and out of Indonesia.

4. Key terms of the Agreement

4.1 Under the terms of the Agreement, ERPL will pay:-

- a) S\$9,185,383 as consideration to purchase 51% of the rights, interest in and ownership of the granite on the Mining Area; and
- b) S\$814,617 as contribution to the cost of the use of the Plant and Machinery for the exploration and exploitation of the Land and the extraction of granite.

4.2 The total consideration payable shall be S\$10 million, payable to KDH and/or its nominees as follows:-

- a) S\$2 million by way of a deposit upon the signing of the memorandum of understanding on 10 October 2008;
- b) S\$500,000 by way of cash on the date of the Agreement;

- c) S\$2 million by the issue of 68,259,385 New Equation Shares at the issue price of S\$0.0293¹ per New Equation Share each fully paid on completion; and
 - d) S\$5.5 million by way of cash either on 30 June 2009 or 2 months from completion, whichever is earlier.
- 4.3 It is a condition of the Agreement that ERPL will work with and cooperate with KDH to extract granite from the Mining Area, process the granite and sell the granite.
- 4.4 The extraction and processing of the granite will be carried out by KDH while the sale of the granite will be arranged and carried out by ERPL. ERPL shall bear part of the cost of extraction, processing and selling the granite.
- 4.5 The profit from the sale of the granite will be shared by ERPL (51%) and KDH (49%).
- 4.6 It is also a condition of the Co-operation Agreement that Mr Tay Juhari, the Commissioner of KDH, and Mr Tay Yao Tung, a major shareholder of KDH, shall execute a Deed of Confirmation and Undertaking in favour of ERPL whereby Mr Tay Juhari and Mr Tay Yao Tung jointly and severally warrants and undertakes to ERPL that:-
- a) KDH shall at all times for the duration of the Agreement, possess the valid and relevant authorizations, licences, permits and approvals necessary for the necessary mining activities
 - b) KDH shall ensure that the authorizations, licences, permits and approvals mentioned above shall be renewed promptly (where necessary) so as to fulfill its obligations under the Agreement and shall ensure that all such authorizations, licences, permits and approvals remain in full force and effect and that all conditions, if any, imposed under such authorizations, licences, permits and approvals are complied with.
 - c) KDH is entitled to occupy the Mining Area for the duration of the Agreement.
 - d) In the 24 months after the completion of the Agreement, the profit for such sale of granite for each 12 month period shall not be less than S\$2 million.

5. Financial effects of the Transaction

The effect of the transaction on the net tangible assets per share of the Company for the most recently completed financial year ended 30 June 2008, assuming that the proposed transaction had been effected at the end of that financial year is a decrease of 0.03 cents to 3.49 cents, representing a decrease of 0.85% over the actual 3.52 cents.

The effect of the proposed transaction on the earnings per share of the Company for the most recently completed financial year ended 30 June 2008, assuming that the transaction had been effected at the beginning of that financial year is not applicable as no profit is applicable to the asset.

The Consideration will be funded by the shareholders of ERPL. The Company will fund its portion of the Consideration by the issue of shares in the Company and the proceeds from the Rights Issue which the Company completed in February 2008.

¹ The agreed issue price is the weighted average price for trades done in relation to the shares in the Company on the SGX-ST on the 3 market days preceding the date of the Co-operation Agreement (21 January 2009, 29 January 2009 and 30 January 2009) on which there were trading activities on such shares.

6. Requirements of the Listing Manual Section B, Rules of Catalist

(A) Rule 1006(a) – Net asset comparison

Not applicable for the acquisition of assets.

(B) Rule 1006(b) – Net profit comparison

Not applicable as there are no profits attributable to the assets proposed to be acquired.

(C) Rule 1006(c) – Consideration comparison

Company's share price as at 30/01/09 ²	= S\$0.0257
No. of Company's shares in issue	= 1,256,351,254
Company's market capitalisation as at 30/01/09 ²	= S\$32,288,227
Consideration for 70% of the assets	= S\$7,000,000
Relative figure	= S\$7,000,000/S\$32,288,227 = 21.7%

(D) Rule 1006(d) – Equities in issue comparison

No. of shares in the Company in issue	= 1,256,351,254 shares
Portion of the Consideration to be satisfied by the issue of Company's shares	= S\$2,000,000
Issue price of Company's shares	= S\$0.0293
No. of shares in the Company to be issued	= 68,259,385
Relative figure	= 68,259,385/1,256,351,254 = 5.4%

As the relative figure under Rule 1006 is more than 5% but does not exceed 75%, therefore, the proposed acquisition is regarded as a discloseable transaction under Rule 1010 of the Listing Manual, Section B, Rules of Catalist.

² the weighted average price for trades done on SGX-ST on 30 January 2009 is used as 30 January 2009 is the last market day prior to the date of the Co-operation Agreement on which there was any trading activity.

7. Interests of directors or controlling shareholders

None of the Directors of the Company or the Controlling Shareholder has any interest, direct or indirect, in the proposed transaction save for their interest (if any) in the share capital of the Company

A copy of the executed Agreement is available for inspection during normal business hours at the registered office of the Company at 8 Cross Street #11-00 PWC Building Singapore 048424, for a period of three months from the date of this Announcement.

By Order of the Board

Toh Hock Ghim
Director
5 February 2009

This announcement has been reviewed by the Company's sponsor, KW Capital Pte. Ltd., for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor is: -

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