



EQUITECH

C O R P O R A T I O N

2007 ANNUAL REPORT

#603, 22 Sir Winston Churchill Avenue St Albert, Alberta Canada
T (780) 460-1242 F (780) 460-1762
www.equitechcorporation.com

Dear Shareholders

April 25, 2008

The focus for 2007 was to identify important compounds that would have a significant benefit if they could be made faster acting using our technology. A number of candidate compounds were targeted. They were then reformulated to make them faster acting and processed through our animal model with encouraging results. Recently, with the data from the successful animal trials, we have begun approaching potential partners to ascertain their interest in a licensing arrangement for these reformulations. Part of the licensing arrangement would require these partners to finance the regulatory work required as well as appropriate human clinical trials.

As previously reported, in 2005 we successfully completed human clinical trials on ZAG-1701 pain medication tablets. The results of this 26 patient trial provided efficacy of the product but also proved the validity of our technology to make drugs faster acting in humans when they are in pain. It also verified that the animal model we were using was a high predictor of what would actually happen in humans.

In 2007 we continued to explore the opportunity to license ZAG-1701 to an established pharmaceutical entity that would complete the larger human clinical trial, obtain final regulatory approval and commence marketing of the product. During the year we had a number of productive discussions, but have not been able to complete a licensing arrangement to date.

Going forward it is our intent to continue exploring a licensing/partnership arrangement with new compounds as being successful candidates for our faster acting technology.

I would like to personally thank our shareholders and board members who continue to be supportive. We continue to work toward establishing the company as a specialty pharmaceutical enterprise.

F. Jamali
President and Chief Executive Officer

OVERVIEW

Core Business

It is a known fact that oral pain-killers do not work fast enough to offer relief of pain in a timely manner. This observation is not limited to analgesics; a quick onset of action is an important element of treatment in many other conditions. EquiTech is a specialty pharmaceutical company focused on creating new and improved versions of existing drugs, particularly oral pain relief products, by using the Corporation's Enhanced Absorption Technology platform. Thus far, EquiTech has produced and tested a caplet containing 200 mg ibuprofen for the over-the-counter use. The information generated from the leading product has proven that first, our hypothesis that the slow absorption of drugs under the condition of pain can be overcome using our technology, and second, our animal model can be used to predict drug absorption by humans. This knowledge has helped us look for other suitable drugs in a cost-effective fashion as the animal tests are substantially less costly than human clinical trials.

The tested ibuprofen caplet has been designed to be swallowed whole with water and then break apart in the stomach within minutes which should allow the drug to be rapidly absorbed into the blood stream and provide fast acting pain relief. **Positive results from our Phase II clinical trial in patients experiencing pain showed that ZAG-1701 is absorbed into the blood stream significantly faster and patients reported a trend of faster acting pain relief compared to a leading over-the-counter ibuprofen tablet.**

Industry and Market

The impact of pain on society is great and pain itself has been elevated from a mere symptom of disease to having a status nearly equivalent to that of a disease. Over 25 million people in North America alone experience acute pain each year due to injuries or surgery (*American Pain Society*). It is estimated that over 90% of Americans experience non-migraine headaches each year (*American Council for Headache Education*). According to a study conducted by a major healthcare company, lost workdays due to pain add up to over 50 million days per year in the U.S. alone. The overall impact of pain on health care costs and loss in productivity has been estimated at \$100 billion each year (*NIH*).

The worldwide pain management market is estimated at US\$38.0 Billion (2002), and is projected to reach US\$75.0 Billion by the year 2010 (*Inpharm.com*). The main factor driving growth is the aging population. Over-the Counter ("OTC") pain relief medications represent approximately 42% of the total analgesic market; therefore, OTC sales worldwide were estimated at \$15.9 billion in 2002.

Despite the prevalence of pain, only an estimated 1 in 4 pain sufferers receive proper treatment (*American Pain Society*). Patients who claim their pain is adequately controlled are still not totally satisfied with the effectiveness of the pain relief medications they take (*Partners Against Pain*). More than half (58%) of the surveyed pain patients said their OTC pain medication is not completely effective. In addition, 42% of users of prescription pain relief drugs report that their therapies are not very

effective. In spite of this dissatisfaction, consumers increasingly self medicate using OTC pain products and generics of non-steroidal anti-inflammatory drugs (“NSAID”s) such as ibuprofen, as less expensive alternatives to prescription products. OTC pain relief products are used and marketed across a number of different market segments. For example, ibuprofen users range from rheumatoid arthritis sufferers to people dealing with a tension headache or stiffness following physical activity.

To address this high level of consumer dissatisfaction, major pharmaceutical companies have launched new “easy to swallow” versions of their pain relief medications. For example, McNeil Consumer Pharmaceuticals introduced an easy to swallow coated Super Strength Motrin IB® as an addition to their lineup of Motrin ibuprofen products as well as an easy to swallow Tylenol eZ® Tabs. Wyeth Consumer Health Care launched Advil Migraine® as an extension to their Liqui-Gels brand of ibuprofen products. These new products indicate that there is significant consumer demand for faster acting versions of pain relief drugs.

However as presented by our scientist, Dr. Jamali, drugs that rapidly melt or dissolve into small pieces in the mouth, even if they are in the form of liquid but trapped in capsules, do not necessarily result in faster acting products. For these medications to actually provide pain relief, they have to cross the stomach wall and enter the blood stream thereby reaching the site of action. This will happen only if the drug molecule becomes available out of the formulation in the dissolved form. Rapid disintegration or melting into small pieces does not necessary result in rapid dissolution. It is, therefore, not surprising that rapid melting or disintegration in the mouth does not result in quick onset of action. Our technology provides products that, once swallowed, rapidly deliver the dissolved active ingredient in a soluble form; hence it is absorbed quickly as demonstrated in our clinical trial.

EquiTech’s strategy of creating new and improved versions of existing drugs takes advantage of current industry and economic forces. Faced with increasing R&D costs, patent expirations, mergers within the industry and increasing consumer demands for improved medications, pharmaceutical companies are relying more heavily on reformulating products to help sustain growth and profit margins. Pharmaceutical companies recognize that reformulating existing drugs to make new and improved versions is a good way to differentiate products and extend product life cycles, thereby overcoming many marketplace challenges. In the face of aggressive generic competition, many brand-name companies launch reformulated versions of their products to protect market positions long before the expiration of the patents covering their drug. Large pharmaceutical companies are pursuing stronger alliances with drug reformulation companies, including acquisitions, to enable them to develop superior drugs and remain competitive.

Reformulating drugs to have new and innovative therapeutic benefits provides patients with improved medications. The potential therapeutic benefits of reformulated drugs include greater efficacy such as more rapid onset of action, fewer side effects, more convenient dosing and improved safety. Drug reformulation also allows for extending

the exclusivity and profitability of existing drugs in a cost effective manner. The risky process of developing and commercializing a new chemical entity is time consuming and financially demanding. In contrast, drug reformulation produces innovative drugs faster and cheaper.

VISION – Creating Performance Enhanced Pharmaceuticals (PEPs®)

EquiTech’s vision is to become a world-class specialty pharmaceutical company that uses leading-edge proprietary science and technology to create “new and improved” versions of well known oral medications. These new and improved versions are called Performance Enhanced Pharmaceuticals.

STRATEGY

A Strategy Based on Excellent Science

EquiTech starts with well established pain relief drugs to create new and improved versions using ground-breaking discoveries of Dr. Fakhreddin Jamali on how the body absorbs and reacts to medication when a person is in pain. In 1999, Dr. Jamali discovered that ibuprofen was not effectively absorbed into the bloodstream from the digestive tract when the pain sufferer was actually experiencing pain. In fact, a clinical study in people undergoing wisdom tooth removal showed that the pain caused a two hour delay in peak absorption and a significant decrease in the concentration of ibuprofen in the blood stream. This delay means that the anticipated pain relief will be slower to take effect when people are actually in pain because stomach activity slows down and therefore the ibuprofen medication is not broken down as quickly. This slowing down of stomach activity is a normal defense response to pain as the body instinctively tries to heal or fix the cause of the pain.

To the best of EquiTech’s knowledge, no OTC pain relief product currently on the market has been developed to take into account the reduced activity of the stomach when the individual is in pain. The Corporation considers this to be one reason for consumer dissatisfaction with the effectiveness of pain relief products on the market.

A Strategy with Reduced Risk and Faster Entry to Market

By starting with well known drugs and reformulating them with our Absorption Enhancing Technology, EquiTech creates PEPs® that can be marketed as having a therapeutic advantage such as faster acting. Unlike traditional specialty pharmaceutical companies, EquiTech is not trying to re-invent the wheel but instead developing better versions of known drugs and thereby reducing development, regulatory and market risk. Compared to the traditional approach to drug development, EquiTech spends much less money and time on drug development. Unlike generic drug companies, EquiTech products are not copies that compete on lower price. EquiTech’s PEPs® are improved versions of drugs with demonstrated therapeutic advantages that are potentially patent protected and may be granted market exclusivity by health regulatory authorities.

CORPORATE BACKGROUND

EquiTech was incorporated in June, 2000 and in November, 2000, completed an initial public offering as a Capital Pool Company. EquiTech's common shares were subsequently listed on the TSX-V on January 18, 2001 under the trading symbol "EQT". In April 2002, EquiTech acquired Zagros Pharma Limited, which did the research that led to development of the Enhanced Absorption Technology platform. Since April 2002, EquiTech has operated as a specialty pharmaceutical company focused on improving existing oral medications.

MAJOR ACHIEVEMENTS AND RESULTS IN 2007

Product Pipeline

Over the last few years we have developed non-clinical data for several drug products that can be tested in humans depending on the potential partner's interest. In 2007 we have completed non-clinical packages for the following products:

- Meloxicam: A cyclooxygenase-2 (COX-2) inhibitor. Very likely the safest known NSAID with a long residence time in the body suitable for fast and prolonged duration of action;
- Naproxen, another NSAID, is under development for acute and chronic pain such as dysmenorrhea. A lead formulation candidate has been identified.
- S-ibuprofen: Stereochemically pure ibuprofen
- Diclofenac: Early research and development on another NSAID drug called diclofenac. The drug is very popular globally. The animal model is being used to develop prototypes for both prescription and over-the-counter products.
- Naratriptan: We have confirmed that the slow absorption hence, slow onset of action, of the leading anti-migraine medication called triptans can also be overcome with our technology.
- Naratriptan- diclofenac combination.
- Ketamine: A drug mainly developed and used as anesthetic, has a strong analgesic potency.

Intellectual Property

EquiTech continues to implement an intellectual property strategy to protect its products and innovative processes through various ongoing and new patent applications. National and international applications have been filed that are in various stages of review. No final decisions have been made on any of our applications in 2007.

EquiTech Corporation
2007 Management's Discussion and Analysis

This discussion and analysis of operations and financial position should be read in conjunction with the Corporation's audited financial statements for the years ended December 31, 2006 and 2007. All amounts are expressed in Canadian dollars.

Management is responsible for the information contained in the Management Discussion and Analysis and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by Management with information available as of April 15, 2008.

FORWARD LOOKING STATEMENTS

In the interest of providing shareholders and potential investors of EquiTech Corporation ("EquiTech" or the "Corporation") with information regarding EquiTech's future plans and operations, this Management's Discussion and Analysis ("MD&A") contains forward-looking information that represents EquiTech's internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The expectations, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties which may cause EquiTech's actual performance and financial results in future periods to differ materially from any expectations, estimates and beliefs of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, such risk and uncertainties described in this MD&A (see "Risks and Uncertainties"). Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those discussed.

RESULTS OF OPERATIONS

QUARTERLY INFORMATION (unaudited)
(all amounts in \$ 000'S except per share amounts)

Fiscal Year	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest Revenue	1	2	2	3	3	2	5	2
General and Admin	12	19	31	18	24	18	30	106
Total R&D Expenses	37	38	38	37	37	48	63	35
Net (Loss)	(107)	(61)	(69)	(55)	(87)	(64)	(88)	(157)
Net (Loss) per Share, basic and diluted	(0.006)	(0.003)	(0.004)	(0.003)	(0.005)	(0.003)	(0.005)	(0.003)

SELECTED ANNUAL INFORMATION
(all amounts in \$ 000'S except per share amounts)

Fiscal Year	2007	2006	2005	2004	2003
Interest Revenue	8	11	1	-	2
Total Research and Development	151	184	345	511	369
Net (Loss)	(295)	(396)	(752)	(1,026)	(802)
Net (Loss) per Share, basic and diluted	(0.02)	(0.02)	(0.05)	(0.08)	(0.12)
Total Assets	512	766	1,217	745	401
Total Long-Term Liabilities	150	150	150	150	150
Cash Dividends Declared	-	-	-	-	-

OVERALL PERFORMANCE

EquiTech is at the clinical stage of product development for ZAG-1701 and at the preclinical stage for its other product candidates and therefore has not generated positive cash flow from operations. Until licensing and/or commercialization of its drug candidates, EquiTech expects losses to continue as it invests in product research and development, preclinical studies, manufacturing of lead drugs for clinical trials, regulatory compliance and clinical trials.

The net loss for fiscal 2007 was \$294,703 compared to \$396,453 in fiscal 2006. In 2007 the company focused on identifying new compounds that would benefit from our technology and continued presenting the data to potential partners.

There was also an increase in non-cash stock based compensation expense to \$35,929 in 2007 as a result of some options being granted during the period. Administrative and general expenses were \$79,830 this year compared to \$178,575 in 2006, primarily from a reduction in overhead expenses. The Corporation incurred a net loss of \$0.02 per share for the year ended December 31, 2007 compared to a similar net loss of \$0.02 per share for the previous year ended December 31, 2006.

Research and Development

Research and development activities include evaluating the absorption characteristics of a variety of products in the Corporation's pipeline using the pain-mimicking animal model and ongoing reformulation of other products in the Corporation's pipeline. Contract research expenses were paid to Dr. Jamali, the CEO and Chief Scientific Officer (CSO) through BioRule Inc., to the Research Scientist and to the University of Alberta (U of A) under a technical services agreement.

For fiscal 2007, total costs for research and development of other applications of the technology platform were \$150,542 compared to expenditures related to the clinical trial and development of ZAG-1701 of \$184,056 in 2006. Additional development of ZAG-1701 will not be undertaken until a suitable partnership agreement has been obtained.

Administrative and General Expenses

The net decrease of \$98,745 from fiscal 2006 to 2007 resulted from a reduction in overhead expenses and from a reduction in general corporate legal fees.

Stock Option Compensation Expense

The stock option compensation expense of \$35,929 for the 2007 fiscal year represents the non-cash expenditure for the period from amortizing the estimated fair value of options granted over its vesting period. In 2006, the total expense for the year was \$11,171. The company granted stock options during the period which accounts for the increase in the expense for the year.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation had cash and short-term investments of \$99,919 at December 31, 2007 compared to \$359,196 at December 31, 2006. This decrease is due to the working capital utilized throughout the year.

Since inception in June 2000, EquiTech has financed operations and research and development, manufacturing and clinical trial programs through the public and private equity markets and through receipt of a repayable commercialization grant from the Alberta Heritage Foundation for Medical Research (AHFMR) totaling \$150,000. EquiTech will require substantial funds to complete the clinical studies of ZAG-1701 and to develop other medications in the product pipeline.

Future capital requirements will depend on many factors including the progress and results of our research and product formulation programs that involve extensive *in-vitro* dissolution studies and bioavailability evaluations of product formulations in the pain-mimicking animal model. Other factors include the costs of clinical trials the company may undertake and the time and costs involved in obtaining regulatory approval as well as the costs of manufacturing lead products for clinical trial purposes. Additionally, capital requirements will depend on the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and in maintaining competitive intelligence on competing technology and market developments. EquiTech's ability to establish collaborative research agreements and/or clinical co-development and licensing partnerships will also determine our future capital requirements.

SHARE DATA

The following is a summary of the outstanding shares at December 31, 2007 which can be found in Note 9 to the Consolidated Financial Statements.

Share Capital

	Number of Shares	\$
a) Authorized: Unlimited number of voting common shares		
b) Issued	18,412,629	3,248,593

In addition, EquiTech had outstanding incentive stock options to purchase 1,325,000 common shares at a weighted average exercise price of \$0.16/share. The Corporation has 145,199 common shares held in escrow as at December 31, 2007 (2006- 435,587). The 145,199 QT Escrow Shares remaining in escrow will be released fully on May 30, 2008.

RELATED PARTY TRANSACTIONS

The following amounts were charged by directors and officers of the corporation (directly and indirectly). These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties:

- i) Research and development costs include \$48,000 (2006 - \$48,000) paid to BioRule Inc., a company owned by one of the directors, of which Nil remained unpaid at year end.
- ii) General and Administrative costs totaling \$5,783 were paid to Foundation Equity Corporation for compensation to Colleen Ozee, who served as the Company's Chief Financial Officer beginning in February 2006. Foundation Equity Corporation is the only shareholder who owns more than 10% of the outstanding shares of the Corporation.

OUTLOOK

The results of the Phase II clinical trial showed that our ibuprofen caplet is more rapidly absorbed into the bloodstream at all measured time points. In addition, the positive results of the clinical study validates EquiTech's Absorption Enhancing Technology and supports the use of this platform technology in developing improved versions of other analgesic, anti-inflammatory and anti-migraine drugs.

EquiTech will not undertake clinical trials or manufacture additional quantities of ZAG-1701 or commence human clinical trials on its new compounds until a suitable partner has been found to help fund these activities.

Financing and Business Development

EquiTech's operations will be funded either through placement of equity and/or through partnership agreements with pharmaceutical or biotechnology companies, which may consist of the following activities:

- Entering into a licensing and co-development agreement with a suitable partner to further develop and market ZAG-1701. There is no guarantee a successful partnership agreement will be reached.
- Entering into collaborative research and development agreements to help fund and advance other products in EquiTech's development pipeline.
- Entering into co-development projects potentially leading to license agreements to formulate new and improved versions of products from other pharmaceutical or biotechnology partners.
- Additional equity funding will be undertaken depending on market conditions and also depending on the results and timing of discussions with potential licensing and co-development partners.

RISKS AND UNCERTAINTIES

Dependence on Collaborative Partners

The Corporation intends to negotiate collaborative agreements with corporate partners in connection with the development, clinical testing, manufacturing, marketing and commercialization of potential products. There can be no assurance that the Corporation will be successful in finding corporate partners on terms acceptable to the Corporation or that any such collaborative arrangement will be successful. In addition, there can be no assurance that any arrangements between the Corporation and its collaborative partners will prevent others from entering into arrangements with such entities for the commercialization of similar products or that the collaborators will not be pursuing alternative technologies or developing products either on their own or in collaboration with others, including the Corporation's competitors. If the Corporation does not establish sufficient collaborative and license arrangements, it could encounter delays in product introductions or could find that the development, manufacture and sale of future products could be detrimentally affected.

Uncertainty of Product Development

There can be no assurance, however, that the Corporation's products will be successfully developed, will be developed on a timely basis, will prove to be more effective than products based on existing or newly developed technologies or that a sufficient number of medical professionals will recommend use of the product. The risk that any product developed using the Corporation's Enhanced Absorption Technology may fail in future clinical trials, or manufacturing in larger quantities, or the Corporation's inability to successfully complete development of products in the product pipeline, or a determination by the Corporation, for financial or other reasons, not to complete development of any product, particularly in instances where the Corporation has made significant capital expenditures, could have a material adverse effect on the Corporation.

Competition

The pharmaceutical industry is characterized by evolving technology and intense competition. The Corporation is engaged in areas of research involving pharmaceutical reformulations of existing oral analgesic products where developments are expected to continue at a rapid pace. Many companies, including major pharmaceutical as well as specialized biotechnology companies, are engaged in activities focused on medical conditions similar to those targeted by the Corporation. The Corporation's success depends upon maintaining its competitive position in the research, development and partnering leading to modified versions of oral pharmaceutical medications using the Corporation's scientific expertise and Enhanced Absorption Technology. Competition from pharmaceutical and biotechnology companies, universities and research institutes is intense and expected to increase. Many of these competitors have substantially greater research and development capabilities, experience in manufacturing, marketing, financial and managerial resources. There can be no assurance that developments by others will not render the Corporation's products or technologies non-competitive or obsolete.

History of Operating Losses

As a development stage company, the Corporation has incurred net losses each year since incorporation. The ability to achieve and maintain future profitability depends in part on success in obtaining regulatory approvals for new therapeutic products. There can be no assurance that the Corporation will ever successfully develop such products or that the Corporation will ever achieve significant revenues from such products if they are successfully developed. The Corporation has limited financial resources.

The research, development, production and marketing of new versions of existing products will require the application of considerable technical and financial resources, while revenues generated from such products, assuming they are successfully developed and marketed, may not be realized for a number of years. Other factors that may materially and unpredictably affect operating results include the uncertainties and costs associated with the development and eventual commercialization of new products and sales growth; the possible claim of patent infringement or proprietary technology by the Corporation or its competitors; acquisitions or transfers of technology; actions by collaborators, development of new collaborative arrangements and the timing of

associated research and development; and the timing and costs of obtaining patents and regulatory approvals for products. The Corporation does not expect to pay cash dividends on its common shares in the near future.

Government Regulation

The development, manufacture, commercialization and pricing of pharmaceutical products are generally subject to extensive regulation by regulatory agencies in Canada, the United States and in other jurisdictions. In Canada and the U.S., a new drug must pass through a number of testing stages including preclinical testing and clinical trials. As a result, obtaining regulatory approval to market new drugs requires extensive time and expenditure. There can be no assurance that the Corporation will not encounter difficulties or excessive costs in its efforts to secure necessary approvals or licenses, which could delay or prevent the Corporation from marketing its products. The Corporation's future depends on, in the short term, additional regulatory approvals. The manufacture and sale of the Corporation's products are conditional upon strict compliance with various regulations imposed by the jurisdictions granting marketing approval.

The distribution of the Corporation's products outside Canada will also be subject to extensive government regulation. These regulations, including the requirements for approvals or clearance to market, and the time required for regulatory review and the sanctions imposed for violations, vary from country to country. There can be no assurance that the Corporation will obtain regulatory approvals in such countries or that it will not be required to incur significant costs in obtaining or maintaining foreign regulatory approvals. Failure to obtain necessary regulatory approvals, the restriction, suspension or revocation of existing approvals or any other failure to comply with regulatory requirements could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Need for Additional Financing

The Corporation's future is directly related to its ability to access the capital markets to fund its ongoing and future operations. There can be no assurance that regulatory authorities will approve any new product. If the Corporation encounters significant delays in obtaining necessary regulatory approval or is unable to license its products, the Corporation may need to seek additional financing.

The Corporation has limited financial resources. The Corporation will seek to obtain additional funds through public or private equity or financing, collaborative arrangements with pharmaceutical companies and/or from other sources. However, there can be no assurance that the Corporation will be able to successfully obtain any additional financing as required. Any such financing may have a dilutive effect to existing shareholders. There can be no assurance that the Corporation's current budget estimates will reflect its actual funding needs, or that additional funding will be available at all or on acceptable terms to permit successful development and/or commercialization of the Corporation's anticipated products. In addition, the Corporation has no established bank financing arrangements and there can be no assurance that the Corporation will be able to establish such arrangements on satisfactory terms. If adequate funds are not available, the

Corporation may have to reduce substantially or eliminate planned expenditures and consider other alternatives.

Potential Product Liability

In connection with any use of its products, the Corporation is exposed to potential product liability claims and there can be no assurance that product liability insurance will be available at commercially reasonable terms. Product liability claims might also exceed the amounts, or fall outside, of such coverage. Claims against the Corporation, regardless of their merit or potential outcome, may also have a material adverse effect on the Corporation's ability to obtain physician endorsement of its products or expand its business.

In addition, certain drug retailers require minimum product liability insurance coverage as a condition of purchasing or accepting products for retail distribution. Failure to satisfy such insurance requirements could impede the ability of the Corporation or potential distributors of the Corporation's products to achieve broad retail distribution of its proposed products, which would have a material adverse effect on the Corporation.

Limited Marketable Products and Reimbursement

The Corporation has not begun to market or generate revenues from the commercialization of any products. Significant additional development, laboratory and clinical testing, investment and regulatory review will be required prior to the commercialization of any products by the Corporation and there can be no assurance that any such products will be developed and/or commercialized. A commitment of substantial resources to conduct the time-consuming research and clinical trials will be required if the Corporation is to complete the development of any products. There can be no assurance that if the Corporation develops products that they will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed or that the investment made will be recovered through sales, license fees or related royalties.

The Corporation's ability to successfully commercialize its products may depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health coverage insurers and other organizations. Significant uncertainty exists as to the reimbursement status of newly approved health care products and there can be no assurance that adequate third-party coverage will be available for the Corporation to maintain price levels sufficient to realize an appropriate return on its investment in developing new products. Increasingly, government and other third-party payers are attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products. Inadequate coverage or reimbursement could adversely affect market acceptance of the Corporation's products.

Patents and Proprietary Technology

As a developer of drugs that are derived from existing compounds, EquiTech is subject to potential lawsuits claiming infringement of existing patents. EquiTech uses enhanced absorption technology to create unique formulations of existing drugs, hence there is a likelihood that the original developer will claim that its patents have been infringed. The foregoing suggests that there can be no assurance as to the breadth or degree of protection that future patents, if any, may afford the Corporation, or that any applications will result in issued patents or that any of the Corporation's applications that result in patents, if any, or trademarks will be upheld, if challenged. Although the Corporation believes that its patent applications, trademarks and development products currently do not infringe valid patents or trademarks or violate the proprietary rights of others, it is possible that the Corporation's patent applications or trademark rights may not be valid or that infringement of existing or future patents, trademarks or proprietary rights may occur. In the event that the Corporation's products infringe patents or proprietary rights of others, the Corporation may be required to modify the design of its products, change the name of its products or obtain a license to continue using its products. There can be no assurance that the Corporation will be able to do so in a timely manner, upon acceptable terms and conditions or at all. The failure to do any of the foregoing could have a material adverse effect upon the Corporation. In addition, there can be no assurance that the Corporation will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Corporation's products infringe patents, trademarks or proprietary rights of others, the Corporation could, under certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the Corporation.

Regardless of the validity of the Corporation's patent applications, there can be no assurance that others will not obtain patents or develop competitive non-infringing products or processes that permit such parties to compete with the Corporation.

Ability to Protect Know-How and Trade Secrets

The ability of the Corporation to maintain the confidentiality of its expertise and trade secrets is crucial to its success. Disclosure and use of the Corporation's expertise and trade secrets, not otherwise protected by patent, are generally controlled under agreements with the parties involved. There can be no assurance, however, that all confidentiality agreements will be honored, that others will not independently develop equivalent technology, that disputes will not arise concerning the ownership of intellectual property, or that disclosure of the Corporation's trade secrets will not occur. To the extent that consultants or other research collaborators use intellectual property owned by others in their work with the Corporation, disputes may also arise over the rights to related or resulting expertise or inventions.

Manufacturing and Supply Risks

The Corporation has not yet commercialized any products and has no commercial manufacturing or marketing experience. To be successful, products developed by the Corporation must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. The Corporation does not currently have any manufacturing facilities. The Corporation expects to produce any products that it may develop through contract manufacturing companies or through as yet unidentified

strategic alliance partners. There can be no assurance, however, that the Corporation will be able to reach satisfactory arrangements with any of such parties or that such arrangements will be successful. All manufacturing facilities must comply with applicable regulations of Canadian and/or United States regulatory authorities. No assurance can be given that the Corporation will be able to secure a suitable alliance agreement or make the transition to commercial production.

Attraction and Retention of Key Employees and Consultants

The Corporation is highly dependent upon the principal members of scientific and Management staff, the loss of whose services might impede the achievement of the Corporation's business objectives. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future will be critical to the Corporation's success. Although the Corporation believes it will be successful in attracting and retaining skilled and experienced scientific personnel, there can be no assurance that the Corporation will be able to attract and retain such personnel on acceptable terms, given the competition among numerous pharmaceutical and biotechnology companies, universities and other research institutions for experienced scientists. In addition, the Corporation's anticipated growth and expansion into areas and activities requiring regulatory approval, manufacturing and marketing are expected to place increased demands on the Corporation's resources and management skills. These demands will require the addition of new Management personnel in the areas of finance, business development, investor relations, clinical trial and regulatory affairs. The failure to retain such personnel could adversely affect prospects for the Corporation's success. The Corporation does not currently have "key man" insurance on any members of Management or employees engaged in research and development activities that are critical to the Corporation achieving its business objectives.

Orderly Market for Common Shares

A public trading market in the common shares having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and sellers of the common shares at any given time, which presence is dependent upon the individual decisions of investors over which the Corporation has no control. There can be no assurance that an active public market will exist at any time or can be sustained, and as a result, an investor may be unable to sell their common shares when he or she wishes to do so.

Volatility of Share Price

The common shares currently trade on TSX-V. Factors such as announcements of technological innovation or the introduction of new products by the Corporation or its competitors, actual or anticipated fluctuations in the Corporation's operating results, changes in estimates of the Corporation's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the common shares. These market fluctuations may materially adversely affect the market price of the common shares. In addition, the market price of the common shares may be susceptible to volatility given the relatively low historic trading volumes of the common shares compared to that of many public companies.

Corporate Cease Trade Orders or Bankruptcies

Except as noted below, none of the Corporation's directors or executive officers has, within the last 10 years, been a director or executive officer of any company that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that company.

Penalties or Sanctions

None of the Corporation's directors or executive officers, within the last 10 years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud except for the following:

Mr. Brown and Foundation Equity Corporation entered into a settlement agreement and undertaking with the Alberta Securities Commission dated December 13, 1999. Pursuant to the terms of the agreement, Foundation Equity Corporation and Kerry Brown agreed jointly to pay an administrative penalty in the sum of \$28,000 and the sum of \$2,000 to help defray the costs incurred by the Alberta Securities Commission and both agreed to comply diligently with the Alberta Securities Act and Rules in the future.

The execution of the Agreement resolved all matters between the Alberta Securities Commission, Foundation Equity Corporation and Kerry Brown. With respect to the same issue, Foundation Equity Corporation entered into a settlement agreement with the Ontario Securities Commission dated September 22, 2002. Pursuant to the terms of the agreement, Foundation Equity agreed to perform certain ongoing covenants and to pay the sum of \$2,000 to defray the costs incurred by the Ontario Securities Commission. The execution of the Agreement resolved all matters between the Ontario Securities Commission and Foundation Equity Corporation.

Personal Bankruptcies

None of the Corporation's directors or executive officers, or a shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation, or a personal holding company of any such persons, has, within the 10 years preceding the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or being subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

EQUITECH CORPORATION
(a development stage Corporation)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Auditors' Report

Consolidated Statements of Loss and Deficit

Consolidated Balance Sheets

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Corporate Information

Board of Directors

Kerry Brown, *Chairman of the Board*
Robert Ingram
Dr. Fakhreddin Jamali
Marcus Little
Hafid Touam

Senior Company Management

Dr. Fakhreddin Jamali,
*Chief Executive Officer and
Chief Scientific Officer*
Colleen Ozee, B.Comm.,
Chief Financial Officer

Scientific Advisory Board

Dr. Abraham Sunshine, Chairman

Legal Counsel

Tingle Merrett LLP
1250, 639 - 5th Avenue SW
Calgary Alberta T2P 0M9

Auditors

Collins Barrow LLP
2380 Commerce Place
10155-102 Street
Edmonton, AB T5J 4G8

Transfer Agent

Computershare Trust
Company of Canada
600, 530- 8th Ave. S.W.
Calgary, Alberta
T2P3S8

Stock Exchange Listing

EquiTech Corporation is listed on the TSX Venture Exchange under the symbol EQT

Investor Relations

Kerry Brown
EquiTech Corporation
#603, 22 Sir Winston Churchill Avenue
St Albert, Alberta T5T 5G9
Phone (780) 460-1242
Fax (780) 460-1762
kerrybrown@foundationequity.com

or for further information about EquiTech Corporation, please visit our website at
www.equitechcorporation.com

Annual General Meeting

The Annual General Meeting of Shareholders of EquiTech Corporation will held on August 6, 2008 at 3:30 pm (MDT) #603, 22 Sir Winston Churchill Avenue, St Albert, Alberta. All Shareholders are invited to attend.