



## ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

### ASX Announcement New Options and Bonus Options

**Monday 30 June 2014:** Environmental Clean Technologies (**ECT** or **Company**) (ASX: ESI) is pleased to announce the issue of a new options series (ESIOA) (**New Options Issue**) and bonus options series (ESIOB) (**Bonus Issue**).

#### Summary of New Options Issue

- The issue of new options (ESIOA) (**New Options**) at an issue price of 0.1 cents to eligible optionholders, eligible shareholders, new investors and the directors and employees of ECT.
- Eligible optionholders may take up their entitlement to the New Options. Eligible shareholders, new investors and the directors and employees of ECT may apply for New Options.
- The Options Issue is not extended to persons with registered addresses outside of Australia and New Zealand.
- A New Option (ESIOA) entitles the holder to exercise the option for a fully paid ordinary share (ESI) in ECT at an exercise price of 0.9 cents at any time prior to 5.00 pm on 31 July 2017.
- If all New Options are subscribed for, the maximum amount of funds that may be raised by the Company is approximately \$1.4 million (less associated costs and expenses). In addition, if all New Options are exercised, the maximum amount of funds that may be raised by the Company is approximately \$23.5 million (less associated costs and expenses). The net proceeds raised from the issue and exercise of the New Options will be applied to the commercialisation of the Company's technologies, fund ongoing research and development and provide working capital to meet operational expenses.
- Pre-commitments and underwriting to the Offer from Investors, Members of the Board and the Company Secretary of ECT total (up to) \$505,000.

The New Options will be offered to eligible optionholders, being persons who were registered holders of the expired options series (ESIO) as at 5.00 pm on 16 January 2014.

The New Options will also be offered to eligible shareholders (being holders of ESI on 8 July 2014), new investors and the directors and employees of ECT.

#### Summary of Bonus Issue

- The issue of bonus options (ESIOB) (**New Bonus Options**) to eligible shareholders on a one (1) for three (3) basis for no consideration.
- The New Bonus Issue is not extended to persons with registered addresses outside of Australia and New Zealand.
- A New Bonus Option entitles the holder to exercise the New Bonus Option for a fully paid ordinary share in ECT at an exercise price of 1.5 cents at any time prior to 5.00 pm on 31 July 2017.
- No monies will be raised from the Bonus Issue. If all Bonus Options are exercised, the maximum amount of funds that may be raised by the Company is approximately \$10.9 million (less associated costs and expenses). The net proceeds raised from the exercise of the New Bonus

Options will be applied to the commercialisation of the Company's technologies, fund ongoing research and development and provide working capital to meet operational expenses.



## ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

The New Bonus Options will be issued to eligible shareholders, being persons who are registered holders of shares in the Company at 5.00 pm on 31 July 2014. Eligible shareholders do not need to do anything to receive New Bonus Options under the Bonus Issue.

### Background

Shareholders have approved the issue of:

- new options with a purchase price of 0.1 cents and an exercise price of 0.9 cents under resolutions 1 and 2; and
- bonus options for no consideration and an exercise price of 1.5 cents under resolution 3,

at the General Meeting held on 30 May 2014.

Full details of the approved Resolutions are available on our website: <http://www.ectltd.com.au/asx-announcements/notice-of-meeting-2/>.

### Support for the Offer

The Directors have arranged for various forms of support for the Offer. Pre-commitments to purchase 275,000,000 New Options have been received and accepted by the Company. The pre-commitments will be drawn from the pool of additional New Options approved by resolution 2 at the 30 May 2014 Extraordinary General Meeting. These New Options are not available under this Offer.

In addition, the Directors and Company Secretary are providing financial support to the Offer. In particular, those of the Directors who are Eligible Optionholders have committed to take up their full Entitlement to New Options. Members of the Board and their Company Secretary have agreed to apply for additional New Options and to partially underwrite the Offer by subscribing for New Options up to the value of \$90,000 if there is a shortfall. Their total commitment if fully drawn will be \$230,000.

The sum of the pre-commitments and underwriting is \$505,000.

**For further information contact:** *Ashley Moore – Managing Director - [info@ectltd.com.au](mailto:info@ectltd.com.au)*

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### About ECT

ECT is in the business of commercialising leading-edge coal and iron making technologies, which are capable of delivering financial and environmental benefits.

We are focused on advancing a portfolio of technologies, which have significant market potential globally.

ECT's business plan is to pragmatically commercialise these technologies and secure sustainable, profitable income streams through licencing and other commercial mechanisms.

### About Coldry

When applied to lignite and some sub-bituminous coals, the relatively simple Coldry beneficiation process produces a black coal equivalent (BCE) in the form of pellets. Coldry pellets have equal or superior energy value to many black coals and produce lower CO<sub>2</sub> emissions than raw lignite.

### About MATMOR

The MATMOR process has the potential to revolutionise primary iron making.

MATMOR is a simple, low cost, low emission, production technology, utilising the patented MATMOR retort, which enables the use of cheaper feedstocks to produce primary iron.

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**ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED**

# PROSPECTUS

30 June 2014

**Environmental Clean Technologies Limited**

**ACN 009 120 405**

**ASX Code: ESI**

Prospectus for issue of:

- (1) New Options (ESIOA) at an issue price of 0.1 cent, exercisable at 0.9 cent per option to Eligible Optionholders, Eligible Shareholders (ESIOA) and Other Investors; and
- (2) New Bonus Options (ESIOB) for no consideration, exercisable at 1.5 cents per option to Eligible Shareholders (ESIOB) on a one (1) for three (3) basis.

The Offer is partially underwritten.

**The last date for applications and payment to be received is 5:00 pm on Friday, 25 July 2014 (unless extended).**

## **IMPORTANT NOTICE**

This is an important document and requires your immediate attention. It should be read in its entirety. If after reading this Prospectus you have any questions about ECT, the Offer, the New Options (ESIOA) or New Bonus Options (ESIOB), you should consult your stockbroker or other professional adviser.

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## **IMPORTANT NOTICE**

This Prospectus is dated 30 June 2014 and was lodged with ASIC on that date.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No new Options will be issued on the basis of this Prospectus more than 13 months after the date of this Prospectus.

The Prospectus sets out information in relation to the offer and issue by ECT of:

- (1) New Options (ESIOA); and
- (2) New Bonus Options (ESIOB),

in Environmental Clean Technologies Limited ACN 109 120 405 (**ECT**).

ECT will apply for admission of the New Options (ESIOA) and New Bonus Options (ESIOB) for quotation on ASX within 7 days after the date of this Prospectus. The fact that ASX may grant Official Quotation of the New Options (ESIOA) and/ or New Bonus Options (ESIOB) is not to be taken in any way as an indication of the merits of ECT or the New Options (ESIOA) and/ or New Bonus Options (ESIOB).

### **This is an important document**

It is important that you carefully read this Prospectus in its entirety before deciding to invest in ECT and, in particular, that you consider the risk factors that apply to an investment in New Options (ESIOA) and/ or New Bonus Options (ESIOB). In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in ECT and in New Options (ESIOA) and/ or New Bonus Options (ESIOB). These risk factors are discussed in section 5. You should carefully consider these risks in light of your personal circumstances and seek professional advice from stockbroker or other professional adviser before deciding whether to invest.

### **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by ECT in connection with the Offer. Neither ECT nor any other person warrants the future performance of ECT or any return on any investment made under this Prospectus, except as required by law and then only to the extent so required.

Some of the information contained in this Prospectus constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include statements containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. ECT's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements.

### **Ineligible Optionholders, Shareholders and Other Investors**

This Prospectus contains an Offer only to persons (including individuals and corporate entities) with registered addresses in Australia or New Zealand.

This Offer is not extended to, and no New Options (ESIOA) and/ or New Bonus Options (ESIOB) are offered or will be issued to, persons with registered addresses outside of Australia and New Zealand. ECT considers it unreasonable to extend the Offer to those Optionholders, Shareholders and Other Investors with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of the New Options (ESIOA) or New Bonus Options (ESIOB) that would

be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

### **Foreign jurisdictions and restrictions on the distribution of this Prospectus**

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia.

This Prospectus and accompanying Entitlement and Acceptance Form and Application Form do not, and are not intended to, constitute an offer of New Options (ESIOA) and/ or New Bonus Options (ESIOB) in any place outside Australia and New Zealand unless the person to whom the Prospectus and the accompanying Entitlement and Acceptance Form or Application Form has been sent has been expressly and personally invited in writing by ECT to participate in the Offer. The distribution of this Prospectus and the accompanying Entitlement and Acceptance Form and Application Form outside of Australia and New Zealand may be restricted by law and persons who come into possession of them should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form or Application Form may be sent or passed to persons outside Australia and New Zealand or otherwise distributed outside Australia and New Zealand.

In particular, the Offer has not been, and will not be, registered under the US *Securities Act* or the securities laws of any state of the United States and is not being made in the United States or to persons resident in the United States. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form or Application Form may be sent to investors in the United States or otherwise distributed in the United States.

The New Options (ESIOA) and/ or New Bonus Options (ESIOB) are not being offered or sold to the public within New Zealand, other than to existing Optionholders and Shareholders of ECT with registered addresses in New Zealand to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). This Prospectus and the Entitlement and Acceptance Form and Application Form have not been registered, filed or approved by a New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Prospectus complies with Australian disclosure requirements. These disclosure requirements may be different from those applicable in other jurisdictions. The financial information included in this Prospectus was prepared with a view towards compliance with Australian practice and not that of any other jurisdiction.

### **Electronic Prospectus**

This Prospectus may be viewed online at [www.asx.com.au](http://www.asx.com.au) and [www.ectltd.com.au](http://www.ectltd.com.au). If you are an Eligible Optionholder, Eligible Shareholder or Other Investor and have access to an electronic version of this Prospectus, you should ensure that you download and read the entire document. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form. The Entitlement and Acceptance Form will be mailed to Eligible Optionholders together with a hard copy of this Prospectus, and the Application Form will be mailed to Eligible Shareholders together with a hard copy of this Prospectus. The Application Form, together with the Prospectus, will also be mailed to Other Investors if requested. If you are an Eligible Optionholder or Eligible Shareholder, and do not receive a hard copy of this Prospectus together with an Entitlement and Acceptance Form or Application Form, you should contact Security Transfer Registrars Pty Limited on +61 8 9315 2333 or via email at [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au).

### **Defined terms and abbreviations**

Terms and abbreviations used in this Prospectus are defined in the Glossary in section 7.

# 1 Chairman's Letter

Dear Investors

At the Extraordinary General Meeting held on 30 May 2014, the Shareholders of Environmental Clean Technologies (**ECT**) approved the issue of New Options (ESIOA) and New Bonus Options (ESIOB), pursuant to the Notice of Meeting issued on 1 May 2014.

The New Options (ESIOA) are being offered to Eligible Optionholders, Eligible Shareholders and Other Investors at an issue price of 0.1 cent each. Eligible Shareholders for this purpose are holders of ESI as at 5.00 pm on 8 July 2014. Each New Option (ESIOA) issued gives the holder the opportunity, but not the obligation, to subscribe for one (1) new Share at any time before 31 July 2017 (**Expiry Date**) at an exercise price of 0.9 cent per Share.

The New Bonus Options (ESIOB) are being issued on a one (1) for three (3) basis to Eligible Shareholders (ESIOB) for no consideration. Eligible Shareholders for this purpose are holders of ESI as at 5.00 pm on 31 July 2014. Each New Bonus Option (ESIOB) gives the holder the opportunity, but not the obligation, to subscribe for one new Share at any time before 31 July 2017 at an exercise price of 1.5 cents per Share.

The Directors have arranged for various forms of support for the Offer. Pre-commitments to purchase 275,000,000 New Options (ESIOA) have been received and accepted by the Company. The pre-commitments will be drawn from the pool of additional New Options (ESIOA) approved by resolution 2 at the Extraordinary General Meeting. These New Options (ESIOA) are not available under this Offer.

In addition, the Directors and Company Secretary are providing financial support to the Offer. In particular, those of the Directors who are Eligible Optionholders have committed to take up their full Entitlement to New Options (ESIOA). Iain McEwin, Ashley Moore and Adam Giles who are members of the Board and their Company Secretary (**Underwriters**) have agreed to apply for additional New Options and to partially underwrite the Offer by subscribing for New Options (ESIOA) up to the value of \$90,000 if there is a shortfall. The total commitment of the Underwriters if fully drawn will be \$230,000.

The sum of the pre-commitments and underwriting is \$505,000.

Full details of how the Options will be allocated and underwritten are detailed in section 3.9 of the Prospectus.

The Board and executives of ECT continue to progress the development and commercialisation of its key technologies: Coldry and Matmor.

As previously advised to the market, ECT is focused on the commercialisation of Coldry and has achieved the following key milestones in achieving that aim:

- in conjunction with ARUP, completion of the detailed engineering design and construction package;
- finalisation of construction costs for a Commercial Demonstration Plant in the La Trobe Valley, Victoria Australia;
- execution of a Heads of Agreement with the Indian power station builder and energy engineering firm, Thermax (BSE:500411 and NSE:Thermax);
- finalisation of fabrication and construction estimates for a commercial scale demonstration Coldry plant in India; and
- commission of a feasibility study for a Commercial Demonstration Plant at Neyveli Lignite Corporation, including bankable cost estimates.

As one of the world's fastest growing economies India provides significant opportunities for the development of both Coldry and Matmor. The proposed partnership with Thermax will allow the development of Coldry as an integrated solution for power plants globally.

The issue of New Options (ESIOA) provides the following benefits:

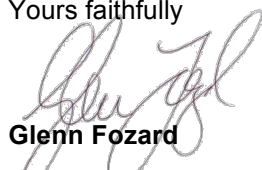
- Holders of expired Options (ESIO) will effectively be able to 'roll over' their expired Options (ESIO) holding at nominal cost with a more attractive exercise price delivering an effective 1¢ share compared to the 2¢ strike of the previous Options (ESIO);
- The New Options (ESIOA) will be quoted on the ASX allowing holders to sell or buy additional New Options (ESIOA);
- By exercising New Options (ESIOA), holders can increase their stake in the Company without brokerage costs; and
- Should the Company positively advance its commercialisation strategy, New Options (ESIOA) allow holders access to the upside value generated.

The issue of New Bonus Options (ESIOB) provides the following benefits:

- The New Bonus Options (ESIOB) will be quoted on the ASX allowing holders to sell or buy additional New Bonus Options (ESIOB);
- By exercising New Bonus Options (ESIOB), holders can increase their stake in the Company without brokerage costs; and
- Should the Company positively advance its commercialisation strategy, New Bonus Options (ESIOB) allow holders access to the upside value generated.

The Board recommends that you read this Prospectus in full and consider the following information. The Board is focused on creating shareholder value through the advancement of its technology commercialisation strategy and believes the issue of New Options (ESIOA) and New Bonus Options (ESIOB) will promote this endeavour.

Yours faithfully



**Glenn Fozard**

**Chairman**

30 June 2014



## **2 Investment Overview & Details of the Offer**

### **2.1 The Company**

Environmental Clean Technologies (ECT) is a public company listed on the Australian Stock Exchange (ASX: ESI).

Based in Melbourne, Australia, ECT is in the business of commercialising Coal and Iron / Ferro-alloy making technologies, which are capable of delivering both financial and environmental benefits.

ECT has developed a number of core competencies in the development and commercialisation of technologies. These include:

- development of applied research and process development with internationally recognised institutions;
- development of comprehensive engineering solutions, including detail design, to facilitate CAPEX and OPEX estimation;
- market and business development assessments for the commercial implementation of our technologies;
- development and structuring of strategic partnership models which provides accelerated technology development and reduces risk; and
- application of rigorous corporate governance in the protection of intellectual property and value for shareholders.

### **2.2 The Offer**

The Offer is:

- (1) An offer of New Options (ESIOA) to Eligible Optionholders, Eligible Shareholders and Other Investors; and
- (2) An issue of New Bonus Options (ESIOB) to Eligible Shareholders.

The Offer is made pursuant to resolutions 1, 2 and 3 of the Extraordinary General Meeting held on 30 May 2014, which approved the offer of:

- (1) 1,046,172,364 New Options (ESIOA) under resolution 1;
- (2) 350,000,000 New Options (ESIOA) under resolution 2; and
- (3) Bonus Options (ESIOB) under resolution 3.

Pre-commitments to purchase the New Options (ESIOA) totalling 275,000,000, have been received and accepted by the Company. The pre-commitments will be drawn from the pool of additional New Options (ESIOA) approved by resolution 2 at the EGM. These New Options (ESIOA) are not available under this Offer.

The total numbers of New Options (ESIOA) and New Bonus Options (ESIOB) available under this Offer are:

- (1) 1,046,172,364 New Options (ESIOA) ) as approved by resolution 1 of the EGM;
- (2) 75,000,000 New Options (ESIOA) (350,000,000 less 275,000,000 New Options (ESIOA) acquired as pre-commitments) as approved by resolution 2 of the EGM; and
- (3) 728,900,091 New Bonus Options (ESIOB) as approved by resolution 3 of the EGM.

## **2.3 New Options (ESIOA)**

Eligible Optionholders may take up their Entitlement and subscribe for Additional New Options (ESIOA).

Those of the Directors and Company Secretary who are Eligible Optionholders have agreed to subscribe for their full Entitlements to New Options (ESIOA) under the Offer.

Eligible Shareholders and Other Investors do not have an entitlement to New Options (ESIOA), but may apply for New Options (ESIOA). Eligible Shareholders take precedence over Other Investors in the allocation of New Options (ESIOA). More information on the allocation of New Options (ESIOA) is set out in section 3.9.

The offer price for New Options (ESIOA) is 0.1 cent. If the issue of the New Options (ESIOA) is fully subscribed, the Company will raise approximately \$1.1 million (before costs and expenses).

A New Option (ESIOA) entitles the holder to exercise the New Option for a Share for a price of 0.9 cent. The holder may exercise the New Option (ESIOA) at any time prior to 5.00 pm on the Expiry Date.

It is intended that any funds raised from the issue of New Options (ESIOA) will be applied to the commercialisation of the Company's technologies, fund ongoing research and development and to provide working capital to meet operational expenses.

If the New Options (ESIOA) are exercised in full, the Company will raise approximately \$12.5 million. Any funds raised from the exercise of the New Options (ESIOA) will be used for working capital purposes and to pay the outstanding liabilities of the Company.

More information on the New Options (ESIOA) is set out in section 6.4.

## **2.4 New Bonus Options (ESIOB)**

Eligible Shareholders will be issued one (1) New Bonus Option for every three (3) Shares (ESI) held at the Record Date (ESIOB).

A New Bonus Option (ESIOB) entitles the holder to exercise the New Bonus Option for a Share for a price of 1.5 cents. The holder may exercise the New Bonus Option at any time prior to 5.00 pm on the Expiry Date.

No monies will be raised from the issue of New Bonus Options (ESIOB).

If the New Bonus Options (ESIOB) are exercised in full, the Company will raise approximately \$10.9 million. Any funds raised from the exercise of the New Bonus Options (ESIOB) will be used for working capital purposes and to pay outstanding liabilities of the Company.

More information on New Bonus Options (ESIOB) is set out in section 6.5.

## **2.5 Underwriting**

The offer of New Options (ESIOA) is partially underwritten by the Underwriters.

More information on the underwriting is set out in sections 3.9 and 6.7.

## **2.6 Risk Factors**

An investment in Options involves risk. Information on the risk factors is set out in section 5.

## **2.7 What you should do**

### **New Options (ESIOA)**

If you are an Eligible Optionholder, you will have received a personalised Entitlement and Acceptance Form stating your Entitlement.

If you are an Eligible Shareholder (ESIOA), you will have received an Application Form, which allows you to specify how many New Options (ESIOA), you wish to apply for.

Other Investors will have received an Application Form, which allows you to specify how many New Options (ESIOA), you wish to apply for.

Information on applying for New Options (ESIOA) is set out in section 3.4 (for Eligible Optionholders), section 3.5 (for Eligible Shareholders (ESIOA) and 3.6 (Other Investors).

If you decide to apply for New Options (ESIOA), you must submit your Entitlement and Acceptance Form (for Eligible Optionholders) or Application Form (for Eligible Shareholders and Other Investors) together with payment so that it is received by the Company no later than 5.00 pm on the Closing Date.

You should read this Prospectus carefully before applying for New Options (ESIOA). If after reading this Prospectus you have any questions about ECT, the Offer or New Options (ESIOA) you should consult your stockbroker or other professional adviser.

### **New Bonus Options (ESIOB)**

Eligible Shareholders (ESIOB) do not need to do anything to receive New Bonus Options (ESIOB).

If after reading this Prospectus you have any questions about ECT, the Offer or New Bonus Options (ESIOB) you should consult your stockbroker or other professional adviser.

### 3 Details of the Offer

#### 3.1 The Offer

##### **New Options (ESIOA)**

Under the Offer, up to 1,121,172,364 New Options (ESIOA) will be issued at an issue price of 0.1 cent (one tenth of one cent). ECT is making the Offer to Eligible Optionholders, Eligible Shareholders and Other Investors.

Eligible Optionholders will be offered one (1) New Options (ESIOA) for every one (1) Option (ESIO) held at 5.00 pm on 16 January 2014 (**Eligible Optionholder Record Date**). The New Options (ESIOA) will also be offered to Eligible Shareholders (ESIOA) and Other Investors.

A New Option (ESIOA) entitles the holder to exercise the New Option for a Share for a price of 0.9 cent (nine tenths of one cent). The holder may exercise the New Option at any time prior to 5.00 pm on the Expiry Date.

##### **New Bonus Options (ESIOB)**

Eligible Shareholders will receive one (1) New Bonus Option for every three (3) Shares held by them at the Record Date for no consideration. Given that there are currently 2,186,700,273 shares on issue, under the Offer approximately 728,900,091 New Bonus Options (ESIOB) may be issued.

A New Bonus Option (ESIOB) entitles the holder to exercise the New Bonus Option for a Share for a price of 1.5 cents.

#### 3.2 ASX quotation

ECT will apply for admission of New Options (ESIOA) and New Bonus Options (ESIOB) for quotation on ASX within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the New Options (ESIOA) and New Bonus Options (ESIOB) by 30 August 2014, ECT will not issue any New Options (ESIOA) and New Bonus Options (ESIOB) and will repay all Application Monies within the time prescribed under the Corporations Act, without interest.

#### 3.3 Timetables

The timetable for the offer of the New Options (ESIOA) is as follows:

<b>New Options (ESIOA)</b>	
<b>Event</b>	<b>Date</b>
<b>Record Date for Eligible Optionholders</b>	5.00 pm on Thursday, 16 January 2014
Lodgement of Prospectus with ASIC and ASX	Monday, 30 June 2014
<b>Record Date for Eligible Shareholders</b>	5.00 pm on Thursday, 8 July 2014
<b>Opening Date of Offer</b> <input type="checkbox"/> Despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Optionholders <input type="checkbox"/> Despatch of Prospectus and Application Forms to Eligible Shareholders	Thursday, 10 July 2014

<b>Closing Date of Offer</b>	5.00 pm on Friday, 25 July 2014
<b>Issue of New Options (ESIOA) and allocation of shortfall</b>  <input type="checkbox"/> Despatch of holdings statements for New Options (ESIOA)	Wednesday, 6 August 2014
Expected Official Quotation of New Options (ESIOA) on ASX	Thursday, 7 August 2014

\*These dates are indicative only and are subject to change. ECT reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend this indicative timetable in consultation with advisers. In particular, ECT reserves the right to withdraw the Offer without prior notice.

In the event that the Offer is fully subscribed, the Directors may close the Offer prior to 5.00 pm on the Closing Date (ESIOA), though not before 5.00 pm AEST on Friday, 18 July 2014. If it does so ESI will provide no less than twenty four (24) hours' notice to the market by way of ASX announcement.

The timetable for the offer of the New Bonus Options (ESIOB) is as follows:

<b>New Bonus Options (ESIOB)</b>	
<b>Event</b>	<b>Date</b>
Lodge Prospectus with ASIC and ASX  Note: Securities quoted on a "cum" basis	Monday, 30 June 2014
"Ex" date*  Bonus Options quoted on a deferred settlement basis	Tuesday, 29 July 2014
<b>Record Date (ESIOB)</b>	5.00 pm on Thursday, 31 July 2014
<b>Issue of Bonus Options</b>  <input type="checkbox"/> Despatch of holdings statements for New Bonus Options (ESIOB) and copy of prospectus+	Wednesday, 6 August 2014
Expected Official Quotation of New Bonus Options (ESIOB) on ASX	Thursday, 7 August 2014

\* Securities are quoted on an "ex" basis.

+ A copy of the prospectus will only be sent to those shareholders who have not received a prospectus under the issue of the New Options (ESIOA).

\*\*These dates are indicative only and are subject to change. ECT reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend this indicative timetable in consultation with advisers. In particular, ECT reserves the right to withdraw the Bonus Issue without prior notice.

### 3.4 How to apply for New Options (ESIOA) – Eligible Optionholders

If you are an Eligible Optionholder, and you wish to subscribe for all or some of the New Options (ESIOA) making up your Entitlement (and Additional New Options) you must complete the Entitlement and Acceptance Form accompanying this Prospectus, and forward it, with your Application Monies, to:

New Options Issue  
Environmental Clean Technologies Limited  
c/- Security Transfer Registrars Pty Limited  
PO Box 535  
Applecross, WA 6153  
AUSTRALIA

ECT must receive your Entitlement and Acceptance Form by 5.00 pm on the Closing Date (ESIOA).

Alternatively, you may apply for New Options (ESIOA) by making payment of the Application Monies by BPAY<sup>[1]</sup> in accordance with the procedure set out in section 3.8.

### **3.5 How to apply for New Options (ESIOA) – Eligible Shareholders**

If you are an Eligible Shareholder and you wish to apply for New Options (ESIOA), you must complete the Application Form accompanying this Prospectus, and forward it, with your Application Monies, to:

New Options Issue  
Environmental Clean Technologies Limited  
c/- Security Transfer Registrars Pty Limited  
PO Box 535  
Applecross, WA 6153  
AUSTRALIA

ECT must receive your Application Form by 5.00 pm on the Closing Date (ESIOA).

Alternatively, you may apply for New Options (ESIOA) by making payment of the Application Monies by BPAY<sup>®</sup> in accordance with the procedure set out in section 3.8.

### **3.6 How to apply for New Options (ESIOA) – Other Investors**

Other Investors who wish to apply for New Options (ESIOA), must complete the Application Form accompanying this Prospectus, and forward it, with your Application Monies, to:

New Options Issue  
Environmental Clean Technologies Limited  
c/- Security Transfer Registrars Pty Limited  
PO Box 535  
Applecross, WA 6153  
AUSTRALIA

ECT must receive your Application Form by 5.00 pm on the Closing Date (ESIOA).

### **3.7 How to apply for New Bonus Options (ESIOB) – Eligible Shareholders**

Eligible Shareholders do not need to do anything to receive New Bonus Options (ESIOB).

### **3.8 Form of payment**

Payments of Application Monies will only be accepted in Australian currency and may only be made by one of the following methods:

- bank cheque drawn on and redeemable at any Australian bank;
- personal cheque drawn on and redeemable at any Australian bank. Applicants must ensure there are sufficient funds in the account on which the personal cheque is drawn so that the cheque clears in favour of ECT when it is first presented for payment;

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<sup>[1]</sup> ® Registered to BPAY Pty Ltd ABN 69 079 137 518.

- money order; or
- BPAY<sup>®</sup>.

Applicants are asked not to forward cash. Receipts for payment will not be provided.

***If paying by cheque***

Bank cheques and personal cheques should be made payable to “**Environmental Clean Technologies Limited – Options Issue**” and crossed “**Not Negotiable**”.

***If paying via BPAY<sup>®</sup>***

To apply and pay via BPAY<sup>®</sup>, you should make your payment via BPAY<sup>®</sup> for the number of New Options (ESIOA) you wish to apply for (being the issue price of 0.1 cent per New Option (ESIOA) multiplied by the number of New Options (ESIOA) you are applying for) so that it is received no later than 5:00 pm on Friday, 25 July 2014, or such later date as the Company may specify. You can only make a payment via BPAY<sup>®</sup> if you are the holder of an account with an Australian financial institution. Your unique BPAY<sup>®</sup> reference number is shown on your personalised Entitlement and Acceptance Form or Application Form (as applicable).

**If you choose to pay via BPAY<sup>®</sup> you are NOT required to submit the Entitlement and Acceptance Form or Application Form.**

If your BPAY<sup>®</sup> payment is received by 5:00 pm on Friday, 25 July 2014, or such other date as the Company may specify, the Company expects that New Options (ESIOA) will be issued to you on or before Wednesday, 6 August 2014 (which date may change without notice).

*Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY<sup>®</sup>. It is your responsibility to check that the amount you wish to pay via BPAY<sup>®</sup> does not exceed your limit.*

If you have multiple holdings you will be issued multiple BPAY<sup>®</sup> reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the BPAY<sup>®</sup> reference number shown on each personalised Entitlement and Acceptance Form or Application Form (as applicable) when paying for any New Options (ESIOA) that you wish to apply for in respect of that holding.

### **3.9 Allocation and underwriting of Options**

**New Options (ESIOA)**

New Options (ESIOA) up to the Issue Limit will be allocated and issued as follows:

**Step 1:** New Options (ESIOA) will be allocated to Eligible Optionholders who apply for New Options (ESIOA), up to their Entitlement (1 for 1 on the basis of Options (ESIO) held on the Eligible Optionholder Record Date (ESIOA), being 16 January 2014).

**Step 2:** New Options (ESIOA) outstanding after the application of Step 1 will be allocated to Eligible Shareholders (ESIOA) who apply for New Options (ESIOA), up to the Issue Limit. If Eligible Shareholders (ESIOA) apply for more New Options (ESIOA) than are available for allocation, their applications will be reduced on a pro rata basis.

**Step 3:** The New Options (ESIOA) remaining after the allocations under steps 1 and 2 will be allocated in the following order:

- (1) Eligible Optionholders; and
- (2) Other Investors.

If Eligible Optionholders and Other Investors apply for more New Options (ESIOA) than are available for allocation, their applications will be reduced on a pro rata basis.

**Step 4:** If the number of New Options (ESIOA) allocated under steps 1 – 3 be less than the Issue Limit, the New Options (ESIOA) will be allocated at the discretion of the Directors.

The issue of New Options (ESIOA) under the Offer is partially underwritten. Information on the Underwriters and on their obligations under the Underwriting Agreement are set out in section 6.7. The Directors reserve the right, at their discretion, to place any shortfall to an Eligible Shareholder (ESIOA), Eligible Optionholder, Underwriter and any person who may wish to participate in any shortfall. The issue of New Options (ESIOA) and placement of any shortfall will occur by 30 August 2014. If applications for any shortfall cannot be fulfilled in full or in part, surplus Application Monies will be returned to applicants without any adjustment for interest. The Company does not guarantee that an application for any shortfall will be filled, in full or in part. If any New Options (ESIOA) under a shortfall are offered to any person, that offer will be made on the basis of this Prospectus.

Fractional entitlement to New Options (ESIOA) will be rounded to the nearest whole number.

#### **New Bonus Options (ESIOB)**

Eligible Shareholders (ESIOB) will receive one (1) New Bonus Option (ESIOB) for every three (3) Shares held by them at the Record Date (ESIOB) which is 31 July 2014. Fractional entitlements to New Bonus Options (ESIOB) will be rounded to the nearest whole number.

### **3.10 Use of proceeds**

#### **New Options (ESIOA)**

If the offer of New Options (ESIOA) is fully subscribed, ECT expects to raise approximately \$1.1 million before costs and expenses. Details of the anticipated expenses of the Offer are set out in section 6.18.

The proceeds of the issue of the New Options (ESIOA) after payment of expenses will be used for:

- working capital;
- Coldry Commercial-scale Demonstration Project (**CDP**) development activities in India; and
- further development of the Matmor process.

The intended use of the funds raised by the issue of New Options (ESIOA) under the Offer and the firm pre-commitments of 275,000,000 New Options (ESIOA) (\$275,000), assuming a 50% and 100% subscription under the Offer, is set out in the table below.

<b>Application of Funds</b>	<b>50% Subscribed</b>	<b>100% Subscribed</b>
Working Capital	\$450,000	\$850,000
Coldry Commercialisation	\$175,000	\$450,000
Estimate Expense of Issue*	\$75,000	\$75,000
<b>Total</b>	<b>\$700,000+</b>	<b>\$1,400,000</b>



\* The total amount raised from the offer of the New Options (ESIOA) does not include any amounts raised on the exercise of the New Options (ESIOA).

+ These amounts does not include any Brokerage Fees or Shortfall Fees payable by ECT in respect of New Options (ESIOA) issued to Eligible Optionholders, Eligible Shareholders (ESIOA) or Other Investors whose Entitlement and Acceptance Forms or Application Forms bear the stamp of the holder of an AFSL. ECT is unable to estimate the total Brokerage Fees and any Shortfall Fees that may be payable to the holders of AFSLs.

Given the period before the New Options (ESIOA) mature and the associated risks, a detailed consideration of the use of potential capital raised from the exercise of the New Options (ESIOA) is not warranted. If all of the New Options (ESIOA) are exercised, the Company expects to raise approximately \$12.5 million before costs and expenses. Funds raised on exercise of the New Options (ESIOA) will be used for working capital and to pay for the Company's ongoing liabilities.

### **New Bonus Options (ESIOB)**

No monies will be raised from the issue of the New Bonus Options (ESIOB).

Given the period before the New Bonus Options (ESIOB) mature and the associated risks, a detailed consideration of the use of 'potential capital' raised from the exercise of the New Bonus Options (ESIOB) is not warranted. If all of the New Bonus Options (ESIOB) are exercised, ECT expects to raise approximately \$10.9 million (before costs and expenses). Funds raised on exercise of the New Bonus Options (ESIOB) will be used for working capital purposes and to pay the Company's ongoing liabilities.

### **3.11 Consequences if the offer of New Options (ESIOA) is not fully subscribed or any shortfall cannot be placed**

It is important to note that the issue of New Options (ESIOA) under the Offer is only partially underwritten. As such, the Company may not raise the amount expected to be raised if the Offer was to be fully subscribed to or by the placement of any shortfall.

The use of the proceeds of the offer of New Options (ESIOA) and activities of the Company will be directly affected by the:

- amount of funds available from acceptance of Entitlements under the offer of New Options (ESIOA);
- amounts of funds available from any applications for the New Options (ESIOA);
- ability of the Company to place all of or a proportion of any shortfall by 30 August 2014; and
- total amount of capital available to the Company following the placement of any shortfall.

If there is insufficient capital to effectively deliver the stated Company objectives, the Directors:

- reserve the right to consider alternative capital sources in order to fully commercialise the Coldry Technology;
- give no undertakings as to the nature, cost and impact of alternate funding on Shareholders; and
- will take appropriate measures to limit Company activity to the available funds.

If the Company is unable to pay all its debts as and when they fall due, the Directors will be obliged to consider the appointment of external administrators to manage the affairs of the Company.

## **4 Effect of the Offer on the Company**

The Company's financial reports for the financial year ended 30 June 2013 are available from the Company's website ([www.ectltd.com.au](http://www.ectltd.com.au)) or the ASX website ([www.asx.com.au](http://www.asx.com.au)).

The Company's half-year financial report was lodged with ASX on 26 February 2014.

The effect of the Offer on the financial position of the Company will consist of the expenses incurred by the Company in conducting the Offer, as set out in section 6.18 of this Prospectus.

In addition, if the Options are accepted and exercised by recipients, the Company will issue Shares on exercise of the Options and will receive the subscription moneys paid by those shareholders.

### **4.1 Effect of the Offer on the financial position of the Company**

#### **New Options (ESIOA)**

The maximum amount of funds that may be raised by the Company, if all New Options (ESIOA) are subscribed for, is approximately \$1.1 million before costs and expenses.

The maximum amount of funds that may be raised by the Company, if all New Options (ESIOA) are exercised, is approximately \$12.5 million before costs and expenses.

#### **New Bonus Options (ESIOB)**

No monies will be raised from the issue of New Bonus Options (ESIOB).

The maximum amount of funds that may be raised by the Company, if all New Bonus Options (ESIOB) are exercised is approximately \$10.9 million before costs and expenses.

The Directors are not able to provide any information as to how many New Options (ESIOA) or New Bonus Options (ESIOB) may be exercised or when they may be exercised.

To illustrate the effect of the offer of the New Options (ESIOA) and New Bonus Options (ESIOB) on the Company, the Company's pro forma statement of financial position as at 31 December 2013 is set out below. The pro forma historical statement of financial position is adjusted only for completion of the Offer.

The pro forma financial information in this section is based on the Company's half-year accounts for the financial year ended 31 December 2014. It has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards Board (AASB). The pro forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the AASB applicable to half-year financial reports prepared in accordance with the Corporations Act.

### **4.2 Effect on the Company's balance sheet**

#### **New Options (ESIOA)**

Set out below is an unaudited pro forma consolidated balance sheet for the Company and its subsidiaries (**Group**) as at 31 December 2013, incorporating the effect of the issue, assuming a 50% and 100% subscription of the New Options (ESIOA):

## Consolidated Balance Sheet (unaudited)

	Audit Reviewed Dec 2013	50% Subscribed	Unaudited Pro forma	100% Subscribed	Unaudited Pro forma
	\$	\$	\$	\$	\$
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	989,084	560,000	1,549,084	1,121,000	2,110,084
Trade and other receivables	55,546				
Other	84,649				
<b>Total current assets</b>	<b>1,129,279</b>	<b>560,000</b>	<b>1,549,084</b>	<b>1,121,000</b>	<b>2,529,279</b>
<b>Non-current Assets</b>					
Investments accounted for using the equity method	2		2		2
Property, plant and equipment	99,490		99,490		99,490
Intangibles	7,440,000		7,440,000		7,440,000
Total non-current assets	7,539,492		7,539,492		7,539,492
<b>Total assets</b>	<b>8,668,771</b>	<b>560,000</b>	<b>9,088,576</b>	<b>1,121,000</b>	<b>10,068,771</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	228,779		228,779		228,779
Borrowings	1,946,111		1,946,111		1,946,111
Employee benefits	89,986		89,986		89,986
Total current liabilities	2,264,876		2,264,876		2,264,876
<b>Non-current liabilities</b>					
Employee benefits	20,76		20,76		20,76
Other financial liabilities	417,058		417,058		417,058
Total non-current liabilities	437,827		437,827		437,827
<b>Total Liabilities</b>	<b>2,702,703</b>		<b>2,702,703</b>		<b>2,702,703</b>
<b>Net Assets</b>	<b>5,966,068</b>		<b>6,385,873</b>		<b>7,366,068</b>
<b>Equity</b>					
Issued capital	54,595,033		55,014,838		55,995,033
Accumulated losses	(48,628,965)		(48,628,965)		(48,628,965)
<b>Total Equity</b>	<b>5,966,068</b>		<b>6,385,873</b>		<b>7,366,068</b>

### New Bonus Options (ESIOB)

The issue of New Bonus Options (ESIOB) will have no effect on the Company's balance sheet.

### 4.3 Effect on the Company's Income Statement

The issue of New Options (ESIOA) and New Bonus Options (ESIOB) will have no effect on the Company's income statement for the half year ended 31 December 2013, other than interest earned on funds raised by the issue pending their expenditure in the manner described in Section 3.10.

#### 4.4 Effect on the Company's Capital Structure

Set out below is a table showing the changes to the capital structure of the Company following the Offer, assuming a 50% and 100% subscription of the New Options (ESIOA) and issue of the New Bonus Options (ESIOB):

	Pre Issue	50% Subscription	100% Subscription	
<b>Shares (ESI)</b>	2,186,700,273	2,186,700,273	2,186,700,273	Existing issued capital as at 30 June 2014
<b>Options (ESIOA)</b>	275,000,000	835,586,182	1,396,172,364	ESIOA Options exercisable at 0.9¢ expiring on the Expiry Date
<b>Options (ESIOB)</b>	0	*	728,900,091	ESIOB Options exercisable at 1.5¢ expiring on the Expiry Date

\*New Bonus Options (ESIOB) are Bonus Options and are not subject to subscription variability.

#### 4.5 Effect on control of the Company

Given that Options do not convey ownership in the Company unless exercised, the Offer will have no material effect on their ownership of the Company at the issue date.

The exercise of New Options (ESIOA) and New Bonus Options (ESIOB) will be dilutive to existing Shareholders.

## **5 Risk Factors**

There are risks associated with an investment in options such as New Options (ESIOA) and New Bonus Options (ESIOB). If the holder exercises a New Option (ESIOA) or a New Bonus Option (ESIOB), the holder will be issued with a Share. There are risks associated with an investment in Shares. The risks associated with an investment in Shares include the risks associated with an investment in ECT.

Like other companies at a similar stage of development, ECT faces a number of specific and general risks which could adversely impact ECT's performance, and the value of its Options and Shares. Eligible Optionholders, Eligible Shareholders and Other Investors should be aware of and consider these risks and should consult their stockbroker or other professional adviser before deciding whether to apply for New Options (ESIOA) under the Offer.

### **5.1 Risks Associated with New Options (ESIOA)**

New Options (ESIOA) entitle the holder to subscribe for a Share at a price of 0.9 cent. Because Shares are readily available on the market, a New Option (ESIOA) is only valuable if it allows its holder to acquire a Share for a price less than the holder can acquire the Share on-market. Shares are currently trading at a price of approximately 0.3 cent. As a result, but for the fact that a New Option (ESIOA) can be exercised at any time up to the Expiry Date, a New Option (ESIOA) will have no value. Applicants should have regard to the fact that New Options (ESIOA) will only have value if and to the extent that at a particular time the New Option (ESIOA) allows the holder to acquire a Share at less than the market price, or if, and to the extent at that time there is, a prospect that the New Option (ESIOA) will in the future, but prior to the Expiry Date, allow the holder to acquire a Share at less than the prevailing market price.

Because New Options (ESIOA) will be listed for quotation on ASX, many of the risk factors applicable to Shares also apply to New Options (ESIOA). Fluctuations in the market price of the New Options (ESIOA) are a key risk for investors in New Options (ESIOA).

### **5.2 Risks Associated with New Bonus Options (ESIOB)**

New Bonus Options (ESIOB) entitle the holder to subscribe for a Share at a price of 1.5 cents. Because Shares are readily available on the market, a New Bonus Option is only valuable if it allows its holder to acquire a Share for a price less than the holder can acquire the Share on-market. Shares are currently trading at a price of approximately 0.3 cent. Accordingly, but for the fact that a New Bonus Option (ESIOB) can be exercised at any time up to the Expiry Date, a New Bonus Option (ESIOB) will have no value. Applicants should have regard to the fact that New Bonus Options (ESIOB) will only have value if and to the extent that at a particular time the New Bonus Option (ESIOB) allows the holder to acquire a Share at less than the market price, or if, and to the extent at that time there is, a prospect that the New Bonus Option (ESIOB) will in the future, but prior to the Expiry Date, allow the holder to acquire a Share at less than the prevailing market price.

Because New Bonus Options (ESIOB) will be listed for quotation on ASX, many of the risk factors applicable to Shares also apply to New Bonus Options (ESIOB). Fluctuations in the market price of the New Bonus Options (ESIOB) are a key risk for investors in New Bonus Options (ESIOB).

### **5.3 Risks Associated with Shares**

The New Options (ESIOA) or New Bonus Options (ESIOB), following issue, may be exercised and entitle the holder to participate in an increase in the value of ECT, by way of dividends that may be declared by ECT in the future and in the assets of ECT if it is wound up.

ECT, being a company listed on ASX, is subject to the market forces that influence the broad share market trends and the price of securities of individual companies. Recent global political and economic events, including the continuing threat of terrorism and the global financial crisis, may cause share price fluctuations in the Australian share market and globally. Fluctuations in the price of the Shares are therefore a key risk for investors in New Options (ESIOA) and recipients of the New Bonus Options (ESIOB).

## **5.4 Specific risks associated with the performance of ECT**

### **Financial risks**

As a small technology company without an established revenue stream, ECT is reliant on the funds raised from this Offer to satisfy its working capital and technology development requirements. If this Offer is undersubscribed and ECT is unable to secure funding from an alternative source, for example through a placement or the issue of some form of convertible funding, ECT will not have sufficient working capital to continue its operations beyond the end of 2014. Without the necessary working capital, ECT is likely to become insolvent and external administrators would need to be appointed to manage the affairs of the Company. Such an appointment could materially reduce or eliminate the amount that Optionholders can realise from their investment in ECT.

### **Market conditions**

The demand for thermal coal has been growing in recent years, as has supply. International coal prices have suffered from oversupply. If the growth in demand for coal reduces significantly or substantial new black coal resources become available to meet international demand, the price of coal may be reduced to the point where Coldry production from any of ECT's projects will not be commercially viable.

Trends in thermal coal pricing tend to track those of replacement energy sources. Known reserves of lignite and higher-moisture brown coals exceed those of known black coal reserves (today ~51%:~49%) and significantly longer lifespans are expected for lignite and high moisture sub-bituminous coals based on current consumption ratios of these resources. Accordingly, power generators will need to consider the use of non-black coal resources to fire their power stations in the coming decades. This could enhance the commercial attractiveness of Coldry technology.

### **Protection of intellectual property rights**

A key component of the Coldry process is covered by an invention that is the subject of the International Patent Application number PCT/AU 2004/001319.

A key component of the MATMOR Technology is covered by an invention that is the subject of International and/or Australian Patent numbers 767268 and 703821.

ECT's success depends in part on its ability to:

- obtain and maintain commercially valuable patents;
- protect know-how, technical information and trade secrets;
- operate without infringing upon the intellectual property rights of others;
- prevent others from infringing ECT's intellectual property rights and intellectual property rights licensed to ECT; and
- apply its intellectual property in the delivery of plant that has economically viable capital and operating costs.

ECT will only be able to protect its intellectual property from unauthorised use to the extent that these rights are covered by valid and enforceable patents or are effectively maintained as trade secrets.

Maintaining ECT's patent position involves complex legal and factual questions. Legal standards relating to the validity and scope of claims in respect of patents in the coal industry are still evolving.

## **Commercialisation of products and market acceptance**

ECT has made significant progress in the development of the Coldry technology. Key milestones that have been achieved, include:

- completion of the detailed Engineering Design delivering a comprehensive construction package;
- finalisation of the construction costs for a Commercial Demonstration Plant in the La Trobe Valley, Victoria Australia;
- execution of a Heads of Agreement with the Indian power station builder and energy engineering firm, Thermax (BSE:500411 and NSE:Thermax);
- future provision by Thermax of engineering, procurement and construction (**EPC**) services for the planned Coldry commercial-scale demonstration project in India, and subsequent commercial rollout and development globally;
- as previously announced, engagement by the Company with Neyveli Lignite Corporation (**NLC**) with the aim of developing the Coldry demonstration project on their site in Tamil Nadu;
- approval by NLC in May 2014 for preparation by the Company of a detailed project feasibility study, including bankable cost estimates; and
- progression of the feasibility study by ECT and YES BANK, and ramping-up by Thermax of its design localisation activities, providing the remaining cost estimation data needed prior to submission to NLC.

These achievements have provided solid progress to the commercialisation of the Coldry technology, however, the Directors are cognisant of the risks for the next phase of delivery. These include, but are not limited to;

- designing and customising the technology for Indian conditions;
- completing the feasibility study;
- gaining final approval from NLC to proceed;
- securing appropriate project finance;
- delivering of the plant in a timely manner; and
- optimising the Coldry technology.

Matmor technology is still at its early stage of development and is reliant on the development of Coldry technology for feedstock. In addition, Matmor technology will require specialised high temperature engineering capability to develop the next stage to a Commercial Demonstration Plant. Such engineering capability is limited in the domestic market and the Directors may have to consider partial development of Matmor technology, offshore.

## **Key employee risks**

ECT has built a small team with sales, marketing, engineering and technical expertise in the Coldry and Matmor technologies. A loss of any of ECT's key personnel may delay the commercial exploitation of these technologies whilst replacement expertise is secured and trained.

The Board has a range of remuneration, retention and incentive programs aimed at retaining key personnel.

## **Production risks**

There can be no assurance given that ECT will achieve commercially viable levels or commercial grade quality of Coldry production from any of its projects. Additionally, there is no assurance that even if ECT produces commercially viable quantities of Coldry BCE, there will be a market for the sale and supply of the BCE. Accordingly, ECT may not be able to recoup the costs of production or generate sufficient revenue from its product to continue as a going concern.

## **Risk as to profitability**

Anticipated or estimated possible Coldry production levels may not be achieved, and even if achieved, may not result in the Company being profitable. The ability of ECT to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so. As stated above, market acceptance of ECT's Coldry BCE is dependent in part on the successful completion of the Test Burn. If the Test Burn is not successful, ECT may be unable to generate the necessary revenue for ECT to continue as a going concern in the future.

## **Dependency on others**

The future success of ECT will be in part dependent on the competency of organisations chosen from time to time to be operators of ECT's Coldry projects and on each operator's capacity to manage day to day operations. ECT's future growth will also be dependent in part upon engagement of management capable of managing and expanding the Company's operations beyond the present Coldry projects.

## **Contract Risks**

ECT is entering into significant contracts with India-based organisation. Whilst India maintains a common law legal system inherited from the British legal system, the Indian legal system is particular unto itself and features a number of characteristics that must be understood and managed.

The contracts that ECT enters into will carry risks associated with the performance by the other parties to those contracts of their obligations as to the timing and quality of work performed.

ECT intends to enter into service agreements with operators and sub-contractors for the construction and operation of its Proposed Coldry Demonstration Plant. Sale of Coldry BCE will be effected through various marketing and off-take agreements. A number of the necessary contractual relationships are yet to be formalised.

## **5.5 General risks associated with the performance of ECT**

### **Economic conditions**

The performance of ECT may be significantly affected by changes in economic conditions, and particularly conditions that affect the coal mining and power generation sector. Profitability of the business may be affected by factors such as market conditions, interest rates, inflation and global coal prices.

### **Geo-political factors**

ECT may be affected by the impact that geo-political factors have on the various national economies or the Australian economy or on financial markets and investments generally or specifically.

### **Competition Risk**

The structure of the markets in which ECT operates may alter or new competitors may enter some or all of those markets, resulting in increased competition. Increased competition may result in lower prices, operating margins and profit for ECT.



## **Operational Risks**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise) or any other cause, including strikes, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of ECT.

## **Currency exchange risks**

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitations on repatriation of earnings, compliance with foreign accounting and business laws and cultural differences carry a certain amount of risk.

## **Changes to Australian and foreign legislation and policy**

There may be changes to the *Income Tax Assessment Act 1997* (Cth), the Corporations Act or other legislation or government policy, which may be detrimental to participants or investors in the resources industry.

ECT may be affected by changes to foreign government policies and legislation including those relating to property, the environment, superannuation, taxation, the regulation of trade practices and competition, government grants and incentive schemes.

## 6 Additional Information

### 6.1 Disclosure

ECT is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. These obligations include compliance with the requirements of the ASX Listing Rules and the Corporations Act of continuous disclosure. Copies of documents lodged with ASIC in relation to ECT may be obtained from, or inspected at, an office of ASIC. Copies of announcements made to ASX by ECT may be viewed at ASX's website at [www.asx.com.au](http://www.asx.com.au) or ECT's website at [www.ectltd.com.au](http://www.ectltd.com.au).

In addition, a copy of the following documents will be provided by the Company free of charge, upon request, during the Offer Period for this Prospectus:

- The Company's most recent annual financial report lodged with ASIC;
- Any half-year financial report of the Company lodged with ASIC after the lodgement of that annual financial report and before lodgement of this Prospectus with ASIC; and
- any continuous disclosure notice given by ECT after the lodgement of that annual financial report and before lodgement of this Prospectus with ASIC.

### 6.2 Documents

The following table provides a list of all the announcements lodged by ECT with ASX prior to the date of this Prospectus and after the date on which the annual report was lodged with ASX on 28 October 2013 (copies of documents lodged with ASIC in relation to ECT may be obtained from, or inspected at, an office of ASIC):

<b>List of ASX Announcements – 28 October 2013 to 29 June 2014</b>	
28 October 2013	Appendix 3B
28 October 2013	Change of Director's Interest Notice
28 October 2013	Notice of Annual General Meeting/Proxy Form
28 October 2013	Appendix 3Y replacement
31 October 2013	Shareholder Update - Capital Management
22 November 2013	Shareholder Update
25 November 2013	Shareholder Update - India Strategy
26 November 2013	Chairman Appointed
29 November 2013	Chairman's Address to Shareholders
29 November 2013	2013 AGM Presentation
29 November 2013	Results of Meeting
4 December 2013	Disclosure under ASX Listing Rules 3.10.5A and 7.1A.4(b)
16 December 2013	Options Expiry Notice – Waiver
24 December 2013	Underwriting and Project Funding Secured
31 December 2013	Trading Halt
3 January 2014	ALDP Outcome and Fast Tracking India
17 January 2014	Update - New Options Series
28 January 2014	Business Update and Clarification
7 February 2014	Appendix 3B
26 February 2014	Half Yearly Report and Accounts
27 February 2014	Half Year Report – Erratum
3 March 2014	Shareholder Update - India Activity
26 March 2014	Appendix 3B
1 April 2014	Shareholder Update - India Activity
8 April 2014	Appendix 3B replacement

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**List of ASX Announcements – 28 October 2013 to 29 June 2014**

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8 April 2014	Appendix 3B
9 April 2014	Disclosure under ASX Listing Rules 3.10.5A and 7.1A.4(b)
24 April 2014	Director Appointment/Resignation
30 April 2014	Final Director's Interest Notice
1 May 2014	Notice of General Meeting/Proxy Form
16 May 2014	ALDP announcement welcomed by ECT
19 May 2014	ECT Appoints Thermax as EPC partner for Coldry development
30 May 2014	Results of Meeting
30 May 2014	EGM Chairman's Address
30 May 2014	EGM Presentation General Update
2 June 2014	Appendix 3B
25 June 2014	Shareholder Update – New Option issue

### **6.3 Continuous disclosure prospectus**

This Prospectus contains information required under the special prospectus content rules for continuously quoted securities pursuant to section 713 of the Corporations Act. That section enables disclosing entities to issue a special prospectus in relation to continuously quoted securities of a body or options to acquire continuously quoted securities of a body.

Apart from formal matters, a continuous disclosure prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on ECT and the rights and liabilities attaching to the New Options (ESIOA), New Bonus Options (ESIOB) and Shares. Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to disclosing entities mean that all this information should have previously been released to the market via ASX.

### **6.4 Rights and liabilities attaching to New Options (ESIOA)**

The rights and liabilities attaching to New Options (ESIOA) are set out in the Options Terms (Annexure A) attached to this Prospectus.

The following is a summary of the rights and obligations attaching to the New Options (ESIOA):

- Each New Option (ESIOA) entitles the new Optionholder (**Holder**) to subscribe for and be allotted one (1) Share upon the exercise of the New Option (ESIOA) and payment to ECT of the exercise price of 0.9 cent;
- The New Options (ESIOA) are exercisable by the Holder at any time prior to 5.00 pm on the Expiry Date. New Options (ESIOA) not exercised on or before the Expiry Date will automatically lapse;
- Holders may exercise all of their New Options (ESIOA) at once, or may exercise parcels of their New Options (ESIOA), such parcels being multiples of 200,000 New Options (ESIOA) (or such lower multiple as ECT permits in its absolute discretion);
- To exercise the New Options (ESIOA), the Holder must complete a "Notice of Exercise", available from the Company and deliver it to the registered office of ECT (or such other place as ECT may notify Holders in writing) together with payment of the exercise price any time prior to the Expiry Date;
- A Notice of Exercise is not effective if it is received by ECT after the Expiry Date;
- ECT must send a Holder before the Expiry Date of the New Options (ESIOA) any notice required by the ASX Listing Rules to be sent to Holders;

- Upon the exercise of a New Option (ESIOA) and receipt of all relevant documents and payment of the exercise price, the Holder will be allotted and issued one (1) Share for every New Option (ESIOA) exercised ranking pari passu with all other issued Shares;
- Shares issued pursuant to the exercise of a New Option (ESIOA) will be issued not more than 15 Business Days after receipt of the Notice of Exercise;
- ECT will apply to ASX to have the issued Shares granted Official Quotation within 15 Business Days of allotment of those Shares;
- ECT will keep and maintain a register of Optionholders (**Register**) and must ensure the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements;
- ECT must send to the Holder a holding statement or other statement in respect of the New Options (ESIOA) so held and any Shares issued on exercise of those New Options (ESIOA) within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASX Settlement Operating Rules and the Constitution;
- If required by the ASX Listing Rules, ECT must tell the Holder in writing of the exercise price and Expiry Date of the New Options (ESIOA) within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent;
- There will be no entitlement inherent in the New Options (ESIOA) for Holders to participate in new issues of securities which may be offered to Shareholders during the currency of the New Options (ESIOA). However, prior to any new pro rata issue of securities to Shareholders, Holders will be notified by ECT before the record date to provide them with an opportunity to exercise their New Options (ESIOA) prior to the date for determination of entitlements to participate in that new issue of securities;
- In the event ECT proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders (whether renounceable or non-renounceable) after the date of issue of the New Options (ESIOA), the exercise price of the New Options (ESIOA) will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- If there is an issue of bonus shares to Shareholders (**Bonus Issue**), then the number of Shares over which each New Option (ESIOA) is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the New Option (ESIOA) had been exercised before the record date for the Bonus Issue;
- In the event of any reorganisation (including consolidation, sub-division, reduction, cancellation or return) of the issued capital of ECT on or prior to the Expiry Date, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation;
- Holders are bound by the terms of issue of the New Options (ESIOA) and the Constitution; and
- Subject to the Constitution, ASX Listing Rules and ASTC (now ASX Settlement), all New Options (ESIOA) are transferrable.

The New Options (ESIOA) will have the same rights and liabilities, as New Bonus Options (ESIOB), except as set out below:

- The issue price of the New Options (ESIOA) will be 0.1 cent;
- The exercise price of the New Options (ESIOA) will be 0.9 cent;
- The New Options (ESIOA) will be offered to Eligible Optionholders on a one (1) for one (1) basis; and
- The New Options (ESIOA) will also be offered to Eligible Shareholders (ESIOA) and Other Investors.

## **6.5 Rights and liabilities attaching to New Bonus Options (ESIOB)**

The rights and liabilities attaching to New Bonus Options (ESIOB) are set out in the Options Terms (Annexure B) attached to this Prospectus.

The following is a summary of the rights and obligations attaching to the New Bonus Options (ESIOB):

- Each New Bonus Option (ESIOB) entitles the Holder to subscribe for and be allotted one (1) Share upon the exercise of the New Bonus Option and payment to ECT of the exercise price of 1.5 cents;
- The New Bonus Options (ESIOB) are exercisable by the Holder at any time prior to 5.00 pm on the Expiry Date. New Bonus Options (ESIOB) not exercised on or before the Expiry Date will automatically lapse;
- Holders may exercise all their New Bonus Options (ESIOB) at once, or may exercise parcels of their New Bonus Options (ESIOB), such parcels being multiples of 120,000 New Bonus Options (ESIOB) (or such lower multiple as ECT permits in its absolute discretion);
- To exercise the New Bonus Options (ESIOB), the Holder must complete a “Notice of Exercise”, available from the Company and deliver it to the registered office of ECT (or such other place as ECT may notify Holders in writing) together with payment of the exercise price any time prior to the Expiry Date;
- A Notice of Exercise is not effective if it is received by ECT after the Expiry Date;
- ECT must send a Holder before the Expiry Date of the New Bonus Options (ESIOB) any notice required by the ASX Listing Rules to be sent to Holders;
- Upon the exercise of a New Bonus Option (ESIOB) and receipt of all relevant documents and payment of the exercise price, the Holder will be allotted and issued one (1) Share for every New Bonus Option (ESIOB) exercised ranking *pari passu* with all other issued Shares.
- Shares issued pursuant to the exercise of a New Bonus Option (ESIOB) will be issued not more than 15 Business Days after receipt of the Notice of Exercise;
- ECT will apply to ASX to have the issued Shares granted Official Quotation within 15 Business Days of allotment of those Shares;
- ECT will keep and maintain the Register and must ensure the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements;
- ECT must send to the Holder a holding statement or other statement in respect of the New Bonus Options (ESIOB) so held and any Shares issued on exercise of those New Bonus Options (ESIOB) within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASX Settlement Operating Rules and the Constitution;
- If required by the ASX Listing Rules, ECT must tell the Holder in writing of the exercise price and Expiry Date of the New Bonus Options (ESIOB) within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent;
- There will be no entitlement inherent in the New Bonus Options (ESIOB) for Holders to participate in new issues of securities which may be offered to Shareholders during the currency of the New Bonus Options (ESIOB). However, prior to any new pro rata issue of securities to Shareholders, Holders will be notified by ECT before the record date to provide them with an opportunity to exercise their New Bonus Options (ESIOB) prior to the date for determination of entitlements to participate in that new issue of securities;
- In the event ECT proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders (whether renounceable or non-renounceable) after the date of issue of the New Bonus Options (ESIOB), the exercise price of the New Bonus Options (ESIOB) will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;

- If there is an issue of bonus shares to Shareholders (**Bonus Issue**), then the number of Shares over which each New Bonus Option (ESIOB) is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the New Bonus Option (ESIOB) had been exercised before the record date for the Bonus Issue
- In the event of any reorganisation (including consolidation, sub-division, reduction, cancellation or return) of the issued capital of ECT on or prior to the expiry date, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation;
- Holders are bound by the terms of issue of the New Bonus Options (ESIOB) and the Constitution; and
- Subject to the Constitution, ASX Listing Rules and ASTC (now ASX Settlement), all New Bonus Options (ESIOB) are transferrable.

The New Bonus Options (ESIOB) will have the same rights and liabilities as New Options (ESIOA), except as set out below:

- The New Bonus Options (ESIOB) will be issued for no consideration;
- The exercise price of the New Bonus Options (ESIOB) will be 1.5 cents; and
- The New Bonus Options (ESIOB) will be issued to Eligible Shareholders (ESIOB) on a one (1) for three (3) basis.

## **6.6 Rights and liabilities attaching to Shares**

The rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at ECT's registered office during normal business hours or at [www.ectltd.com.au](http://www.ectltd.com.au). Rights are affected by the Corporations Act, the ASX Listing Rules and statute and general law. The following is a summary of the rights attaching to Shares as set out in the Constitution.

### *Voting*

Subject to any rights and restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or, classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or representative; and
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share but in respect of partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### *General meetings*

Each shareholder is entitled to receive notice of and to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of ECT and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

A shareholder may requisition meetings in accordance with the Corporations Act and the Constitution.

### *Dividends*

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend.

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividends, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2.5 of Chapter 2H of the Corporations Act. The Directors may from time to time pay to the shareholders any interim dividends that they may determine.

No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive.

No dividend shall carry interest as against the Company.

In addition, the Company must comply with section 254T of the Corporations Act when declaring a dividend.

#### *Transfer of Shares*

Subject to the Constitution, Shareholders may transfer any Share held by them by an:

- ASTC (now ASX Settlement) Transfer or any other method of transferring or dealing in Shares introduced by ASX or operated in accordance with the ASTC Settlement Rules (now the ASX Settlement Operating Rules) or Listing Rules and in any such case recognised under the Corporations Act; or
- instrument in writing in any usual or common form or in any other form that the Directors approve.

#### *Issue of Shares*

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, unissued Shares shall be under the control of the Directors and, subject to the Corporations Act, the Listing Rules and the Constitution, the Directors may at any time issue such number of Shares either as ordinary Shares or Shares of a named class or classes (being either an existing class or a new class) at the issued price that the Directors determine and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Directors shall, in their absolute discretion, determine.

#### *Issue of Options*

Subject to the Listing Rules, the Directors may at any time and from time to time issue options in the Company on such terms and conditions as the Directors shall, in their absolute discretion determine.

#### *Issue of Preference Shares*

Subject to the Listing Rules and the Corporations Act, the Company may issue preference Shares:

- that are liable to be redeemed whether at the option of ECT or otherwise; and
- including, without limitation preference Shares of the kind described above in accordance with Schedule 1 of the Constitution.

#### *Entitlement to Share certificate and Option certificate*

A person whose name is entered as a Shareholder in the Register of Shareholders is entitled without payment to receive a Share certificate or notice (as the case may be) in respect of the Share under seal in accordance with the Corporations Act.

If the securities of the Company are CHESS Approved Securities and held in uncertificated mode, then the Company shall allot such CHESS Approved Securities and enter them into the Shareholder's uncertificated holding in accordance with the Listing Rules and ASTC Settlement Rules (now the ASX

Settlement Operating Rules). In these circumstances the Shareholder will not receive a Share certificate.

Where the Directors have determined not to issue share certificates or to cancel existing Share certificates, a Shareholder shall have the right to receive such statements of holdings of the Shareholder as are required to be distributed to a Shareholder under the Corporations Act or the Listing Rules.

Where a Share certificate is lost, worn out or destroyed, the Company shall issue a duplicate certificate in accordance with the requirements of section 1070D of the Corporations Act and the Listing Rules.

#### *Variation of rights*

If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied, whether or not the Company is being wound up, with the consent in writing of the holders of three quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of the class. Any variation of rights shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act. The provisions of the Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy not less than one-third of the issues Shares of the class.

#### *Winding up*

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different class of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

#### *ASX Listing Rules*

Because ECT is listed on the official list of ASX, notwithstanding anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done, and if a provision is required in the Constitution by the ASX Listing Rules, the Constitution will be treated as containing that provision. If any provision of the Constitution becomes inconsistent with the ASX Listing Rules, the Constitution will be treated as not containing that provision to the extent of the inconsistency.

### **6.7 Underwriting Agreements**

The Company has entered into an underwriting agreement with each Underwriter dated 29 June 2014 pursuant to which each Underwriter has agreed to commit to apply for New Options and to partially underwrite the offer of New Options (ESOIA).

Under the terms of their respective Underwriting Agreements, each Underwriter:

- agrees to take up his full Entitlement by the Closing Date, being:
  - (1) Mr Iain McEwin – 38,412,637 New Options (ESIOA) at a value of \$38,412.64;
  - (2) Mr Ashley Moore – 583,335 New Options (ESIOA) at a value of \$583.34; and
  - (3) Mr Adam Giles - 4,462,780 New Options (ESIOA) at a value of \$4,462.78;



- agrees to apply for additional New Options (ESIOA):
  - (4) Mr Iain McEwin - New Options (ESIOA) at a value of \$36,587.36;
  - (5) Mr Ashley Moore - New Options (ESIOA) at a value of \$34,416.67; and
  - (6) Mr Adam Giles - New Options (ESIOA) at a value of \$25,537.22;
- agrees to subscribe for the following number of New Options (ESIOA) issued under any shortfall:
  - (1) Mr Iain McEwin - New Options (ESIOA) at a value of \$25,000;
  - (2) Mr Ashley Moore - New Options (ESIOA) at a value of \$35,000; and
  - (3) Mr Adam Giles - New Options (ESIOA) at a value of \$30,000;
- has no right to terminate the Underwriting Agreement; and
- is not entitled to an underwriting fee.

## **6.8 Privacy**

ECT collects information about each:

- Eligible Optionholder provided on the Entitlement and Acceptance Form; and
- Eligible Shareholder (ESIOA) or Other Investor on the Application Form,

for the purpose of processing applications for New Options (ESIOA) and to administer the Eligible Optionholder's security holding in ECT.

By submitting an Entitlement and Acceptance Form or Application Form, each Applicant agrees that ECT may use the information provided on those forms for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to ECT's share registry, related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires ECT to include information about the security holder (including name, address and details of the securities held) in the Company's public register. The information contained in ECT's public registers must remain there even if that person ceases to be a security holder of ECT. Information contained in ECT's register is also used to facilitate distribution payments and corporate communications (including ECT's financial results, annual reports and other information that ECT may wish to communicate to its security holders) and compliance by ECT with legal and regulatory requirements.

If the information required on an Entitlement and Acceptance Form or Application Form is not provided, ECT may not be able to accept or process the application.

Shareholders and Optionholders have a right to gain access to the information that ECT holds about themselves subject to certain exemptions under law. A fee may be charged for access to such information. Requests for access to such information must be made in writing to ECT's Company Secretary at ECT's registered office.

## **6.9 Disclaimer**

The information contained in this Prospectus does not represent any forecast or projection as to the future revenue or profitability of ECT. See section 5 regarding risk factors generally in respect of your decision on whether to take part in the Offer.

## **6.10 CHESS and issuer sponsorship**

ECT participates in CHESS. All trading on ASX in Shares and Options is, and in New Options (ESIOA) and/ or New Bonus Options (ESIOB) will be, settled through CHESS. ASX Settlement, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute ECT's principal register of Shareholders.

Holders of New Options (ESIOA) and/ or New Bonus Options (ESIOB) will not receive a share certificate but will receive a statement of their holding. If an Applicant or Eligible Shareholder (ESIOB) is sponsored by a broker or other participant in CHESS, that person will receive a CHESS statement which will set out the number of New Options (ESIOA) and/ or New Bonus Options (ESIOB) issued to that person under this Prospectus, provide details of their HIN (Holder Identification Number), and provide the participant identification number of the sponsor.

If applicants are registered on the issuer-sponsored sub-register, their holding statement will contain the number of New Options (ESIOA) and/ or New Bonus Options (ESIOB) issued to them under this Prospectus and their SRN (Security-holder Reference Number).

A CHESS statement or issuer-sponsored statement will be sent to Optionholders and Shareholders at the end of any calendar month during which the balance of their holding changes. Optionholders and Shareholders may request a statement at any other time however, a charge may be made for additional statements.

#### **6.11 Market price of Shares and Options**

The lowest and highest market sale price of Shares on ASX during the 3 months immediately preceding the lodgement date of this Prospectus, and the respective dates of those sales, were:

- highest price was 0.4 cent on 3 June 2013; and
- lowest price was 0.2 cent on 9 May 2014.

The closing price for Shares on ASX on 27 June 2014, being the last day of trading of Shares prior to the date of this Prospectus, was 0.3 cent.

The closing price for ESIOs on ASX on 16 January 2014, being the last day of trading of Options (ESIO) prior to the date of this Prospectus, was 0.1 cent.

#### **6.12 Treatment of overseas Shareholders**

This Prospectus contains an Offer to Eligible Optionholders, Eligible Shareholders and Other Investors with a registered address in Australia or New Zealand.

Eligible Optionholders and Eligible Shareholders with a registered address in Australia or New Zealand who hold Options or Shares on the Eligible Optionholder Record Date (ESIOA), Eligible Shareholder Record Date (ESIOA) and/ or Record Date (ESIOB) on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up the New Options (ESIOA) and/ or New Bonus Options (ESIOB) under the Offer does not breach securities law in the relevant overseas jurisdictions. Return of a duly completed Entitlement and Acceptance Form or Application Form (as applicable) will be taken by ECT to constitute a representation that there has been no breach of such laws.

#### **6.13 Allotment of Options**

##### **New Options (ESIOA)**

New Options (ESIOA) will be allotted and holdings statements shall be despatched no later than Wednesday, 6 August 2014 to allottees at the address appearing in the register of members of ECT or such other address as may be advised by the allottee.

## New Bonus Options (ESIOB)

New Bonus Options (ESIOB) will be allotted and holdings statements shall be despatched no later Wednesday, 6 August 2014 to allottees at the address appearing in the register of members of ECT or such other address as may be advised by the allottee.

### 6.14 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director, and no firm in which a Director is a partner, holds, or held at any time during the last two years before the date of this Prospectus, any interest in the formation or promotion of ECT, any property acquired or proposed to be acquired by ECT in connection with its formation or promotion or in connection with the Offer.

Other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director in the last two years:

- to induce them to become, or to qualify them as, a Director; or
- for services rendered by them in connection with the formation or promotion of ECT or in connection with the Offer.

The Directors disclose their relevant interests (whether the shareholding is held in their personal name or otherwise) in Shares, as at the date of this Prospectus as follows:

2013	Balance at the start of year	Other	Balance at the end of the year
I McEwin	53,108,581	-	53,108,581
A Moore	2,916,668	-	2,916,668

The Company Secretary discloses his relevant interests (whether the shareholding is held in his person name or otherwise) in Shares, as at the date of this Prospectus as follows:

2013	Balance at the start of year	Other	Balance at the end of the year
A Giles	13,138,609	-	13,138,609

### 6.15 Directors' Remuneration

The Constitution contains provisions as to the remuneration of Directors. The Directors are to be remunerated for their services in such sums as ECT in general meeting determines, to be divided amongst the Directors in such proportion and manner as the Directors agree, or in default of agreement, equally.

The annual remuneration pool for Non-Executive Directors is currently \$250,000.

The remuneration paid to Directors has been previously reported in the 2013 Annual Report available on the Company's website – [www.ectltd.com.au](http://www.ectltd.com.au).

### 6.16 Litigation

ECT is not currently involved in any litigation or arbitration considered to be material in the context of this Prospectus, and is not aware of any threatened litigation or pending arbitration against it considered to be material in the context of this Prospectus.

### 6.17 Interest of other persons

ECT has paid or agreed to pay the following amounts to the following persons in connection with the Offer:

*Norton Rose Fulbright Australia*

Fees for professional services undertaken as legal advisers to ECT in connection with the Offer of approximately \$20,000 (plus GST and disbursements) as at the date of this Prospectus. The fees charged by Norton Rose Fulbright Australia are in accordance with the Firm's standard hourly rates.

*Various suppliers*

Fees for other services provided in connection with the Offer including marketing, share registry fees, printing, postage and handling, ASIC lodgement fees, ASX quotation fees and company secretarial and consulting fees. Members and staff of the above companies, firms or their associates may be Eligible Optionholders, Eligible Shareholders and Other Investors.

Other than as set out above or elsewhere in this Prospectus, no person named in this Prospectus is performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of ECT involved in the Offer holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in the formation or promotion of ECT, any property acquired or proposed to be acquired by ECT in connection with its formation or promotion or in connection with the Offer, and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of ECT or in connection with the Offer.

### 6.18 Expenses of the Offer

The total expenses of the Offer exclusive of GST, disbursements, Brokerage Fees and any shortfall fees payable by the Company are estimated as follows:

Expense	Total
Legal fees and expenses (excluding GST and disbursements)	\$20,000
Other expenses including marketing, share registry fees, printing, postage and handling costs, ASIC lodgement fees, ASX quotation fees, company secretarial fees and consulting fees.	\$55,000
Total	\$75,000

### 6.19 Governing Law

This Prospectus and the contracts which arise on acceptance of Entitlement and Acceptance Forms and Application Forms are governed by the law applicable in Victoria, Australia and each applicant submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

### 6.20 Consents and disclaimers

The following consents have been given in accordance with the Corporations Act:

#### *Security Transfer Registrars*

Security Transfer Registrars Pty Limited (**Security Transfer Registrars**) has given and has not withdrawn its written consent to being named as share registrar in the form and context in which it is named.

Security Transfer Registrars has had no involvement in the preparation of any part of the Prospectus other than being named as share registrar to ECT. Security Transfer Registrars has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

#### *Norton Rose Fulbright Australia*

Norton Rose Fulbright Australia (legal advisers to ECT in relation to the Offer) has given and not withdrawn its written consent to being named in the Prospectus in the form and context in which it is named.

Norton Rose Fulbright Australia has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus or on which a statement in this Prospectus is said to be based, except to the extent set out in Norton Rose Fulbright Australia's consent above, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus except to the extent set out in Norton Rose Fulbright Australia's consent above.

#### *BDO*

BDO East Coast Partnership (**BDO**) has given and not withdrawn its written consent to being named as auditors of ECT in the form and context in which it is named. With the exception of the consent as stated above, BDO has not authorised the issue of this Prospectus. Accordingly it makes no representations regarding and takes no responsibility for any other statement or material in or omissions from this Prospectus.

### 6.21 Directors' Consent to Lodgement

Each Director has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated 30 June 2014

A handwritten signature in black ink that reads "Ashley Moore". The signature is written in a cursive, flowing style.

**Ashley Moore**  
**Managing Director**

## 7 Glossary

In this Prospectus, the following terms and abbreviations have the following meanings, unless the context otherwise requires:

**\$** means Australian dollars (and references to cents are to Australian cents) unless otherwise indicated;

**Additional New Options** means any New Options (ESIOA) applied for by Eligible Optionholders in excess of their Entitlement;

**AFSL** means an Australian financial services licence, as that term is defined in the Corporations Act;

**Applicant** means any Eligible Optionholder, Eligible Shareholder (ESIOA) or Other Investor who applies for New Options (ESIOA) under the Offer;

**Application Form** means the application form accompanying this Prospectus;

**Application Monies** means monies payable by Eligible Optionholders, Eligible Shareholders (ESIOA) and Other Investors in respect of applications for New Options (ESIOA);

**ASIC** means Australian Securities and Investments Commission;

**ASX** means ASX Limited ABN 98 008 624 691, or the securities exchange operated by it, as the case requires;

**ASX Listing Rules** means the official listing rules of ASX as waived or modified from time to time;

**ASX Settlement** means ASX Settlement Pty Limited ACN 008 504 532 (formerly ASX Settlement and Transfer Corporation Pty Ltd);

**ASX Settlement Operating Rules** means the settlement rules of ASX Settlement (formerly the ASX Settlement Operating Rules);

**Board** means the board of directors of ECT;

**Brokerage Fee** means 5% of the gross proceeds (plus GST) of any New Options (ESIOA) (including Additional New Options) issued to Applicants under the Offer whose Entitlement and Acceptance Form or Application Form (as applicable) bears the stamp of a holder of an AFSL;

**Business Day** means a day on which ASX is open for the transaction of business;

**CHESS** means the Clearing House Electronic Subregister System;

**Closing Date (ESIOA)** means 25 July 2014;

**Company Secretary** means the company secretary of the Company at the date of this Prospectus;

**Constitution** means the constitution of ECT as amended from time to time;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**Directors** means the directors of the Company at the date of this Prospectus;

**ECT** or **Company** means Environmental Clean Technologies Limited ABN 28 009 120 405;

**EGM** means the Extraordinary General Meeting of the Company held on 30 May 2014;

**Eligible Optionholders** means those persons who have a registered address in Australia or New Zealand and who are registered as holders of Options as at the Eligible Optionholder Record Date (ESIOA);

**Eligible Optionholder Record Date (ESIOA)** means 5.00 pm on 16 January 2014;

**Eligible Shareholders (ESIOA)** means those persons who have a registered address in Australia or New Zealand and who are registered as holders of Shares as at 5.00 pm on:

- (1) 8 July 2014 (for eligibility to apply for New Options (ESIOA)); and
- (2) 31 July 2014 (for eligibility for New Bonus Options (ESIOB)) ;

**Entitlement** means the entitlement to apply for one (1) New Option (ESIOA) for every one (1) Option (ESIO) held by an Eligible Optionholder as at the Eligible Optionholder Record Date (ESIOA);

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Prospectus;

**Exercise Price (ESIOA)** means 0.9 cent;

**Exercise Price (ESIOB)** means 1.5 cent;

**Expiry Date** means 31 July 2017;

**GST** means goods and services or similar tax;

**Issue** means the issue of New Options (ESIOA) and New Bonus Options (ESIOB) pursuant to this Prospectus;

**Issue Limit** means 1,121,172,364 New Options (ESIOA);

**New Bonus Option (ESIOB)** means an option granted for no consideration pursuant to this Prospectus to acquire one (1) fully paid Share in ECT, exercisable no later than 5.00 pm on the Expiry Date;

**New Option (ESIOA)** means an option granted at an issue price of 0.1 cent pursuant to this Prospectus to acquire one (1) fully paid Share in ECT, exercisable no later than 5.00 pm on the Expiry Date;

**Offer** means the offer of New Options (ESIOA) to Eligible Optionholders, Eligible Shareholders (ESIOA) and Other Investors and New Bonus Options (ESIOB) to Eligible Shareholders (ESIOB), pursuant to this Prospectus;

**Offer Period** means the period between the Opening Date (ESIOA) and the Closing Date (ESIOA);

**Official Quotation** means official quotation of the New Options (ESIOA) and New Bonus Options (ESIOB) by ASX in accordance with the ASX Listing Rules;

**Opening Date (ESIOA)** means 10 July 2014;

**Option** means an option to acquire a Share in ECT;

**Options (ESIO)** means an Option which is quoted on ASX and which is exercisable on or before 16 January 2014;

**Optionholder** means a person who holds Options;

**Other Investors** means a person, including a Director and employees of ECT, who is not an Optionholder or Shareholder;

**Prospectus** means this transaction specific prospectus dated 30 June 2014;

**Record Date** means 5.00 pm on 8 July 2014 in relation to entitlements to apply for New Options and 31 July in relation to entitlements to Bonus Option;



**Registry** means Security Transfer Registrars Pty Ltd ACN 008 894 488;

**Share** means a fully paid ordinary share in the capital of ECT;

**Shareholder** means a person who holds Shares;

**Underwriters** means Mr Ashley Moore, Mr Iain McEwin and Mr Adam Giles;

**Underwriting Agreement** means the underwriting agreement between ECT and each Underwriter dated 27 June 2014, the key terms of which are set out in section 6.7; and

**Unlisted Option** means an Option which is not listed on ASX.

References in this Prospectus to:

- currency are, unless stated otherwise, to the currency of Australia; and
- time, means time in Melbourne, Victoria, Australia unless otherwise stated.

## **8 Corporate Directory**

### **Directors**

Mr. Glenn Fozard, Non-executive Chairman  
Mr. Stephen Carter, Non-executive Director  
Mr. Iain McEwin, Non-executive Director  
Mr. Ashley Moore, Managing Director

### **Company Secretary**

Mr. Adam Giles, Operations Manager

### **Solicitors to the Offer**

Norton Rose Fulbright Australia  
RACV Tower  
485 Bourke Street  
Melbourne VIC 3000

### **Registered Office and Principal Place of Business**

Level 7  
530 Little Collins Street  
Melbourne VIC 3000

### **Share Registry\***

Security Transfer Registrars  
770 Canning Highway  
Applecross WA 6153

### **Auditor\***

BDO  
Level 14  
140 William Street  
Melbourne VIC 3000

\* The names of these parties are included for information purposes only.

### **ASX CODES**

ESI  
ESIO (expired 16 January 2014)

## Annexure A – Terms of the New Options (ESIOA)

### 1. Definitions and Interpretation

#### 1.1 Definitions

In these conditions, the following expressions have the following meanings:

- (1) **ASTC** means ASX Settlement and Transfer Corporation Pty Ltd;
- (2) **ASTC Settlement Rules** means the settlement rules of the ASTC;
- (3) **ASX** means ASX Limited;
- (4) **ASX Listing Rules** means the listing rules of ASX except to the extent of any waiver by ASX of their application to the Company;
- (5) **Bonus Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (6) **Business Day** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (7) **Company** means the Environmental Clean Technologies Limited (ACN 009 120 405);
- (8) **Corporations Act** means *Corporations Act 2001* (Cth);
- (9) **Exercise Notice** has the meaning given in clause 3.1(1);
- (10) **Exercise Period** means, in relation to an Option, the period between the date of issue of the Option and 5.00 pm (Melbourne Time) on the Expiry Date;
- (11) **Exercise Price** means, in relation to an Option, the amount of 0.9 cent payable on exercise of an Option;
- (12) **Expiry Date** means 31 July 2017;
- (13) **Holder** means the holder of an Option;
- (14) **Option** means, at any time, an option to subscribe for 1 Share issued or granted by the Company subject to these conditions;
- (15) **Pro rata Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (16) **Register** means the register of Holders of Options referred to in clause 6.1; and
- (17) **Share** means a fully paid ordinary share in the capital of the Company.

#### 1.2 Interpretation

In these conditions unless the context otherwise requires:

- (1) **Business Day.** If any day appointed or specified by these conditions for the payment of any money or the doing of any act or thing falls on a day that is not a Business Day, the day so appointed or specified will be deemed to be the next day which is a Business Day.
- (2) **Collective references.** Reference to any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.
- (3) **Defined expressions.** If an expression is defined, other parts of speech or grammatical forms of the expression have a corresponding meaning.

- (4) **Gender.** Words importing any gender include all genders.
- (5) **Headings.** Headings are for ease of reference only and do not affect the interpretation of these conditions.
- (6) **Numbers.** Words importing the singular include the plural and vice versa.
- (7) **Persons.** References to persons include bodies corporate and any other entity.
- (8) **Reconstructed bodies.** References to a body which has ceased to exist or has been reconstructed, amalgamated, reconstituted or merged, or the functions of which have become exercisable by any other person or body in its place, will be taken to refer to the person or body established or constituted in its place or the person or body by which its functions have become exercisable.
- (9) **Representatives and assigns.** References to a person include the legal personal representatives, successors and assigns of that person.
- (10) **Statutory amendments.** A reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether of the same or any other legislative authority having jurisdiction).
- (11) **Variation.** References to these conditions or an agreement or document include the conditions, agreement or document as varied, changed or replaced from time to time.
- (12) **Writing.** References to writing include any mode of representing or reproducing words in tangible and permanently visible form.
- (13) **Dollars.** References to money is to Australian currency.
- (14) **No Limitation.** References to “including” and similar expressions are not words of limitation.

## **2. Entitlement on Exercise of Options**

Subject to these conditions, each Option entitles the Holder to subscribe for and be allotted 1 Share upon the exercise of the Option and payment to the Company of the Exercise Price.

## **3. Exercise Of Options**

### **3.1 Exercise Notice**

- (1) The Holder may at any time during the Exercise Period give a notice (**Exercise Notice**) to the Company requiring the Company to issue Shares on exercise of the Options.
- (2) An Exercise Notice must be in writing and must be delivered to the registered office of the Company (or such other place as the Company may notify Holders in writing) together with payment of the Exercise Price for each of the Options exercised.
- (3) The directors of the Company may prescribe the form of an Exercise Notice, which must be given by a Holder in order to exercise an Option.
- (4) Holders may exercise all their Options at once, or may exercise parcels of their Options which are multiples of 200,000 (or such lower multiple as the Company permits in its absolute discretion).

### **3.2 Issue of Shares**

- (1) On exercise of any Options, the Company must allot to the Holder the number of Shares for which the Options are exercised at the Exercise Price.

- (2) The Company must allot the Shares within 15 Business Days of receipt of the Exercise Notice.
- (3) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the Options exercised in cash or cleared funds.

### 3.3 Uncertificated Holding Statements

- (1) The Company must send to the Holder a holding statement or other statement in respect of the Options so held and any Shares issued on exercise of those Options within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company.
- (2) If required by the ASX Listing Rules, the Company must tell the Holder in writing of the Exercise Price and Expiry Date of the Options within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent.

### 3.4 Ranking of Shares Allotted on Exercise

Shares allotted upon exercise of Options will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the constitution of the Company.

### 3.5 Lapse

- (1) Any Option which has not been exercised by 5.00 pm (Melbourne Time) on the Expiry Date will lapse.
- (2) An Exercise Notice is not effective if it is received by the Company after the expiration of the Exercise Period.

## 4. Quotation of Shares

If Shares in the Company are quoted on ASX at the time of exercise of the Options, the Company will make application to ASX for the number of Shares as corresponds to the number of Options exercised within 15 Business Days of the allotment of those Shares.

## 5. New, Bonus and Pro Rata Issues

### 5.1 General

- (1) A Holder cannot participate in a new issue of securities in the Company without first exercising the Options. However, the Company will send a notice to each Holder before the record date applicable to that new issue in accordance with the ASX Listing Rules. This will give Holders the opportunity to exercise their Options prior to the date for the determination of entitlements to participate in that new issue.
- (2) Holders who exercise their Options before the applicable record date for the new issue will be entitled to participate in that new issue.
- (3) Except as expressly set out in these conditions, a Holder does not have any right to change the Exercise Price of an Option or the number of Shares over which an Option can be exercised.

### 5.2 Rights Issues

If the Company Offers Shares by way of a Pro rata Issue (except a Bonus Issue) to the holders of Shares (whether renounceable or non renounceable), the Exercise Price of an Option will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

### 5.3 Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the Option had been exercised before the record date for the Bonus Issue.

### 5.4 Reconstructions of Capital

In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation.

## 6. Maintenance of Register and Transfers of Options

### 6.1 Register of Holders of Options

- (1) The Company will keep and maintain, or cause to be kept and maintained, a register of Holders of Options.
- (2) The Company must ensure that the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements.

### 6.2 Transfers of Options

- (1) Subject to the constitution of the Company, ASX Listing Rules and ASTC Settlement Rules, all Options are transferable.
- (2) Subject to clause 6.2(1), the provisions of constitution of the Company relating to a transfer of Shares apply, with necessary alterations, to a transfer of Options.

## 7. Miscellaneous

### 7.1 Severance

- (1) If a provision of these conditions or its application to any person or circumstance is or becomes invalid, illegal or unenforceable then the provision must, as far as possible, be interpreted as narrowly as possible to ensure that it is not illegal, invalid or unenforceable.
- (2) If any provision or part of it cannot be so interpreted, then the provision or its part is taken to be void and severable. The remaining provisions of these conditions are not affected or impaired in any way.

### 7.2 Holders bound by Constitution

A Holder is bound by these conditions and the constitution of the Company.

### 7.3 Waiver and Variation

- (1) Subject to the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company, the directors of the Company may by resolution:
  - (a) waive strict compliance with any of these conditions; or
  - (b) add to, vary or otherwise change any of these conditions for any reason including to ensure compliance with the ASX Listing Rules either generally in relation to all Holders or as they apply to a particular Holder.
- (2) Any waiver, addition, variation or other change under clause 7.3(1) must not be made unless:

- (a) any Holder effected by the waiver, addition, variation or other change so consents in writing; or
- (b) the directors of the Company reasonably consider that the waiver, addition, variation or other change is required to ensure compliance with the ASX Listing Rules or any law or requirement binding on the Company or does not adversely affect a Holder's rights under these conditions.

#### 7.4 Notice of Expiry

The Company must send a Holder before the Expiry Date of the Options any notice required by the ASX Listing Rules to be sent to Holders.

#### 7.5 Governing law

These conditions are to be construed according to and is governed by the laws of Victoria, Australia. Each of the Company and the Holder submits to the exclusive jurisdiction of the courts in and of Victoria in relation to any dispute arising under these conditions.

## Annexure B – Terms of the New Bonus Options (ESIOB)

### 1. Definitions and Interpretation

#### 1.1 Definitions

In these conditions, the following expressions have the following meanings:

- (1) **ASTC** means ASX Settlement and Transfer Corporation Pty Ltd;
- (2) **ASTC Settlement Rules** means the settlement rules of the ASTC;
- (3) **ASX** means ASX Limited;
- (4) **ASX Listing Rules** means the listing rules of ASX except to the extent of any waiver by ASX of their application to the Company;
- (5) **Bonus Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (6) **Business Day** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (7) **Company** means the Environmental Clean Technologies Limited (ACN 009 120 405);
- (8) **Corporations Act** means *Corporations Act 2001* (Cth);
- (9) **Exercise Notice** has the meaning given in clause 3.1(1);
- (10) **Exercise Period** means, in relation to an Option, the period between the date of issue of the Option and 5.00 pm (Melbourne Time) on the Expiry Date;
- (11) **Exercise Price** means, in relation to an Option, the amount of 1.5 cents payable on exercise of an Option;
- (12) **Expiry Date** means 30 July 2017;
- (13) **Holder** means the holder of an Option;
- (14) **Option** means, at any time, an option to subscribe for 1 Share issued or granted by the Company subject to these conditions;
- (15) **Pro rata Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (16) **Register** means the register of Holders of Options referred to in clause 6.1; and
- (17) **Share** means a fully paid ordinary share in the capital of the Company.

#### 1.2 Interpretation

In these conditions unless the context otherwise requires:

- (1) **Business Day.** If any day appointed or specified by these conditions for the payment of any money or the doing of any act or thing falls on a day that is not a Business Day, the day so appointed or specified will be deemed to be the next day which is a Business Day.
- (2) **Collective references.** Reference to any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.
- (3) **Defined expressions.** If an expression is defined, other parts of speech or grammatical forms of the expression have a corresponding meaning.



- (4) **Gender.** Words importing any gender include all genders.
- (5) **Headings.** Headings are for ease of reference only and do not affect the interpretation of these conditions.
- (6) **Numbers.** Words importing the singular include the plural and vice versa.
- (7) **Persons.** References to persons include bodies corporate and any other entity.
- (8) **Reconstructed bodies.** References to a body which has ceased to exist or has been reconstructed, amalgamated, reconstituted or merged, or the functions of which have become exercisable by any other person or body in its place, will be taken to refer to the person or body established or constituted in its place or the person or body by which its functions have become exercisable.
- (9) **Representatives and assigns.** References to a person include the legal personal representatives, successors and assigns of that person.
- (10) **Statutory amendments.** A reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether of the same or any other legislative authority having jurisdiction).
- (11) **Variation.** References to these conditions or an agreement or document include the conditions, agreement or document as varied, changed or replaced from time to time.
- (12) **Writing.** References to writing include any mode of representing or reproducing words in tangible and permanently visible form.
- (13) **Dollars.** References to money is to Australian currency.
- (14) **No Limitation.** References to “including” and similar expressions are not words of limitation.

## 2. Entitlement on Exercise of Options

Subject to these conditions, each Option entitles the Holder to subscribe for and be allotted 1 Share upon the exercise of the Option and payment to the Company of the Exercise Price.

## 3. Exercise Of Options

### 3.1 Exercise Notice

- (1) The Holder may at any time during the Exercise Period give a notice (**Exercise Notice**) to the Company requiring the Company to issue Shares on exercise of the Options.
- (2) An Exercise Notice must be in writing and must be delivered to the registered office of the Company (or such other place as the Company may notify Holders in writing) together with payment of the Exercise Price for each of the Options exercised.
- (3) The directors of the Company may prescribe the form of an Exercise Notice, which must be given by a Holder in order to exercise an Option.
- (4) Holders may exercise all their Options at once, or may exercise parcels of their Options which are multiples of 120,000 (or such lower multiple as the Company permits in its absolute discretion).

### 3.2 Issue of Shares

- (1) On exercise of any Options, the Company must allot to the Holder the number of Shares for which the Options are exercised at the Exercise Price.

- (2) The Company must allot the Shares within 15 Business Days of receipt of the Exercise Notice.
- (3) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the Options exercised in cash or cleared funds.

### 3.3 Uncertificated Holding Statements

- (1) The Company must send to the Holder a holding statement or other statement in respect of the Options so held and any Shares issued on exercise of those Options within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company.
- (2) If required by the ASX Listing Rules, the Company must tell the Holder in writing of the Exercise Price and Expiry Date of the Options within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent.

### 3.4 Ranking of Shares Allotted on Exercise

Shares allotted upon exercise of Options will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the constitution of the Company.

### 3.5 Lapse

- (1) Any Option which has not been exercised by 5.00 pm (Melbourne Time) on the Expiry Date will lapse.
- (2) An Exercise Notice is not effective if it is received by the Company after the expiration of the Exercise Period.

## 4. Quotation of Shares

If Shares in the Company are quoted on ASX at the time of exercise of the Options, the Company will make application to ASX for the number of Shares as corresponds to the number of Options exercised within 15 Business Days of the allotment of those Shares.

## 5. New, Bonus and Pro Rata Issues

### 5.1 General

- (1) A Holder cannot participate in a new issue of securities in the Company without first exercising the Options. However, the Company will send a notice to each Holder before the record date applicable to that new issue in accordance with the ASX Listing Rules. This will give Holders the opportunity to exercise their Options prior to the date for the determination of entitlements to participate in that new issue.
- (2) Holders who exercise their Options before the applicable record date for the new issue will be entitled to participate in that new issue.
- (3) Except as expressly set out in these conditions, a Holder does not have any right to change the Exercise Price of an Option or the number of Shares over which an Option can be exercised.

### 5.2 Rights Issues

If the Company Offers Shares by way of a Pro rata Issue (except a Bonus Issue) to the holders of Shares (whether renounceable or non renounceable), the Exercise Price of an Option will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

### 5.3 Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the Option had been exercised before the record date for the Bonus Issue.

### 5.4 Reconstructions of Capital

In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation.

## 6. Maintenance of Register and Transfers of Options

### 6.1 Register of Holders of Options

- (1) The Company will keep and maintain, or cause to be kept and maintained, a register of Holders of Options.
- (2) The Company must ensure that the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements.

### 6.2 Transfers of Options

- (1) Subject to the constitution of the Company, ASX Listing Rules and ASTC Settlement Rules, all Options are transferable.
- (2) Subject to clause 6.2(1), the provisions of constitution of the Company relating to a transfer of Shares apply, with necessary alterations, to a transfer of Options.

## 7. Miscellaneous

### 7.1 Severance

- (1) If a provision of these conditions or its application to any person or circumstance is or becomes invalid, illegal or unenforceable then the provision must, as far as possible, be interpreted as narrowly as possible to ensure that it is not illegal, invalid or unenforceable.
- (2) If any provision or part of it cannot be so interpreted, then the provision or its part is taken to be void and severable. The remaining provisions of these conditions are not affected or impaired in any way.

### 7.2 Holders bound by Constitution

A Holder is bound by these conditions and the constitution of the Company.

### 7.3 Waiver and Variation

- (1) Subject to the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company, the directors of the Company may by resolution:
  - (a) waive strict compliance with any of these conditions; or
  - (b) add to, vary or otherwise change any of these conditions for any reason including to ensure compliance with the ASX Listing Rules either generally in relation to all Holders or as they apply to a particular Holder.
- (2) Any waiver, addition, variation or other change under clause 7.3(1) must not be made unless:

- (a) any Holder effected by the waiver, addition, variation or other change so consents in writing; or
- (b) the directors of the Company reasonably consider that the waiver, addition, variation or other change is required to ensure compliance with the ASX Listing Rules or any law or requirement binding on the Company or does not adversely affect a Holder's rights under these conditions.

#### 7.4 Notice of Expiry

The Company must send a Holder before the Expiry Date of the Options any notice required by the ASX Listing Rules to be sent to Holders.

#### 7.5 Governing law

These conditions are to be construed according to and is governed by the laws of Victoria, Australia. Each of the Company and the Holder submits to the exclusive jurisdiction of the courts in and of Victoria in relation to any dispute arising under these conditions.