

SAVCOR GROUP LIMITED

SAVCOR GROUP ANNOUNCES BINDING TERM SHEET WITH INNOVATIVE WASTEWATER TREATMENT COMPANY, EMEFCY LIMITED OF ISRAEL

Monday July 20th 2015: Savcor Group Limited [ASX:SAV] (**the Company** or **SAV**) is pleased to announce that it has entered into a binding terms sheet (**Terms Sheet**), subject to certain conditions outlined below, to acquire 100% of the issued share capital of Emefcy Limited (**Emefcy**), an award-winning Israeli technology company developing innovative, energy efficient wastewater treatment solutions.

This transaction, if approved and completed, will form the basis of the Company applying for its ordinary shares to resume trading on ASX.

TRANSACTION & COMPANY HIGHLIGHTS

- Emefcy has spent seven years and invested over US\$15 million (AU\$20.3 million) in development of its technologies.
- Leads SAV applying for relisting with an A\$11 million fundraising to finance the commercial rollout of Emefcy with first sales and revenues planned for 2016, and to fund business development activities globally to build a sales pipeline.
- Provides access to a substantial global wastewater treatment market with a modular, cost competitive solution offering a strong value proposition for water stressed markets.
- Funding provided for the commercial rollout of the existing SABRE technology to target first sales and develop next-generation versions of SABRE to address future markets. Funding also provided for progress on the company's EBR development.
- Top tier corporate and cleantech investor base including Pond Ventures, GE Ventures, Energy Technology Ventures, ICV and Plan B Ventures have supported Emefcy's growth plan to date.
- Between now and the anticipated completion of the SAV transaction and investment in December 2015, the existing shareholders will continue to finance the company.

ABOUT EMEFCY

Emefcy is an award-winning Israeli company which has developed advanced energy efficient wastewater treatment technologies for municipal and industrial plants. Founded by successful wastewater entrepreneurs, Eytan Levy and Ronen Shechter, Emefcy is positioned to capitalise on substantial and growing wastewater treatment market.

Following seven years of operations, Emefcy has two technologies under different stages of development in its portfolio, SABRE and EBR, which are covered by a combination of patents and patent applications:

- **SABRE** - The Spiral Aerobic Biofilm Reactor: SABRE is an automated, modular solution delivering affordable decentralized wastewater treatment, requiring approximately 80% less energy than conventional aerobic processes used by the industry.
- **EBR** - The Electrogenic Bioreactor: EBR uses electricity-generating bacteria to treat wastewater, and produces green electricity as a by-product.

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Emefcy has reached this stage following seed and commercialisation investment from recognized venture capital and cleantech funds, Pond Ventures, ICV and Plan B Ventures, as well as major corporate investors GE Ventures and Energy Technology Ventures. The planned A\$11 million funding program will provide Emefcy with the opportunity to reach the following commercial milestones:

- **Commercial deployment of SABRE:** First installations in key territories and planned initial revenues in 2016.
- **SABRE development:** Scaling up the SABRE offering and adapting so that it can be applicable for retrofit projects to address additional and larger market segments.
- **Continue EBR technology development:** To continue development of this unique technology that can be of interest to the industrial wastewater treatment segment.

The founders, Eytan Levy and Ronen Shechter, have previously founded AqWise, now a globally successful wastewater treatment company with over 300 installations in over 30 countries. With several global innovation awards, a strong scientific background and commercial acumen, Emefcy is positioned to develop the next generation leading technologies in wastewater treatment.

TRANSACTION OVERVIEW

Consideration

SAV will acquire all of the issued capital of Emefcy from the Emefcy equity holders for consideration comprised of:

- 65,000,000 ordinary SAV shares issued on completion at a deemed issue price of A\$0.20 (20 cents) per share together with a right to receive up to 45,000,000 deferred consideration shares subject to the satisfaction of the milestones described below (**Equity Component**);
- a cash payment of USD\$1 million on completion (**Cash Component**); and
- the issue by SAV of a redeemable non-convertible interest-free note (**Redeemable Note**) with a face value of USD\$2 million which is redeemable subject to the satisfaction of the milestones described below.

The Cash Component and the Redeemable Note are to be received by a single US-based major shareholder of Emefcy (who holds approximately 15% of Emefcy) which has indicated that it is unable to receive an issue of ASX-listed securities as consideration for the sale of its equity interests in Emefcy. The Cash Component and the Redeemable Note will be issued to that shareholder in lieu of any entitlement to the Equity Component of the consideration. The Cash Component and Redeemable Note, reflected in the second and third bullets of the consideration above, will represent the return of that major shareholder's past investment in Emefcy. All other equity holders of Emefcy are to participate, as vendors, for their entitlement to the Equity Component.

In respect of the Equity Component, 22,500,000 of the deferred consideration shares will be issued upon, and subject to, SABRE modules being delivered to Emefcy's first customer's site within 6 months of completion of the Transaction (**Milestone 1**). The remaining 22,500,000 deferred consideration shares will be issued upon, and subject to, Emefcy entering into firm contracts representing cumulative revenue of \$2 million within a period to be agreed between Emefcy and SAV proposed to be between 12 and 24 months from completion of the Transaction (**Milestone 2**). The milestones may be subject to further refinement in definitive documentation or as may be required by ASX.

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In respect of the Cash Component, the Redeemable Note will be redeemable for its face-value on the date which is 30 months from completion of the Transaction. The face-value of the Redeemable Note will be reduced by US\$1 million in the event that either of Milestone 1 or Milestone 2 is not satisfied and will be reduced to zero if neither Milestone is satisfied. If, within 18 months of completion of the Transaction, SAV completes a further capital raising for the purposes of funding the development of the Emefcy Technology, subject to satisfaction of the milestones, a portion of the face-value of the Redeemable Note equal to 15% of the net proceeds of the capital raising must be redeemed.

Each of the shareholders of Emefcy have entered into the Terms Sheet to confirm their agreement to the Transaction.

Conditions

The acquisition is conditional upon, among other things:

- both parties conducting due diligence enquiries;
- SAV obtaining all necessary shareholder and regulatory approvals;
- SAV and Emefcy obtaining taxation advice and, in the case of SAV, advice from Israeli-based legal advisors; and
- ASX conditionally confirming that it will reinstate the ordinary shares of SAV to trading on ASX following completion of the acquisition of Emefcy.

The acquisition is also conditional upon SAV completing a capital raising of not less than A\$11 million which will be conducted by way of a placement of ordinary SAV shares. It is currently proposed that the placement would be conducted at an issue price of A\$0.20 per SAV share, resulting in an offer of 55,000,000 SAV shares. Funds raised through the offer will, after costs, be applied to the commercial rollout of the Emefcy business.

Further details regarding the proposed capital raising will be set out in a forthcoming prospectus.

Proposed Board Composition

Upon completion of the acquisition it is proposed that, in addition to Peter Marks (an existing Director of SAV), the Board will comprised of Eytan Levy (as CEO), Richard Irving (as proposed Chairman), Ross Haghghat, and one additional Australian-based director to be appointed (as agreed between Emefcy and SAV). It is proposed that all existing Directors of SAV, other than Peter Marks, will resign upon completion of the acquisition.

RE-COMPLIANCE WITH CHAPTERS 1 & 2 OF ASX LISTING RULES

The Company anticipates that the transaction with Emefcy will constitute a significant change in the nature and scale of the Company's activities. The Company therefore intends to seek approval for the transaction from shareholders under ASX Listing Rule 11.1.2. The Company will also consult with ASX regarding the structure of the proposed transaction to enable trading in the Company's securities to resume on ASX as soon as possible after completion of the transaction.

ANTICIPATED TIMELINE

The Terms Sheet contemplates that the transaction will proceed in accordance with the following indicative timeline, however the parties have agreed to act reasonably to extend the dates below to accommodate delays experienced in the course of implementation of the transaction.

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Event	Indicative Date for Satisfaction
Completion of due diligence.	19 August 2015
Execution of formal sale contracts with Emefcy shareholders.	18 September 2015
SAV obtaining all necessary shareholder, regulatory and third-party consents.	15 October 2015
ASX conditionally confirming that it will re-instate the Company to quotation following completion of transaction.	15 October 2015
Completion of the capital raising and completion of acquisition of Emefcy.	30 November 2015

INDICATIVE CAPITAL STRUCTURE

The indicative capital stature of the Company, assuming the capital raising proceeds at an offer price of \$0.20 per share, is set out below:

Shares	
Existing	42,994,683 ⁺ (26.38%)
Vendor Consideration Shares (excludes deferred consideration shares)	65,000,000 (39.88%)
Capital Raising (\$11 million)	55,000,000 (33.74%)
TOTAL:	162,994,683 (100%)

+ Includes a proposed issue of 2,000,000 ordinary SAV shares prior to completion of the Transaction which issue is permitted under the Terms Sheet. The Company will provide further details regarding any further issues in an Appendix 3B released at the time of issue.

** Note the table above does not include or consider the impact of the issue of the deferred consideration shares which form part of the Equity Component of the purchase price—which are subject to shareholder approval and subject to the satisfaction of the milestones set out in this announcement. The above table also assumes that none of the Company's existing options are exercised prior to completion of the acquisition.*

There will be no change to the number of options on issue in the Company.

The transaction will have a material effect on the Company's total assets and total equity interests. Information about the likely effect of the transaction on the total assets and total equity interests of the Company will be set out in documentation provided to the shareholders in connection with seeking the approvals necessary to implement the transaction.

FURTHER UPDATES

The Company will update shareholders as the transaction progresses.

OTHER OPPORTUNITIES

In parallel with the transaction with Emefcy, SAV is continuing to investigate opportunities for technologies and businesses which may be complementary to the Emefcy technology. SAV is currently in the course of advanced negotiations with another Israeli-based company, Applied Cavitation Technologies Limited (**ACT**), which holds proprietary rights to technology which utilises hydrodynamic cavitation in the treatment of industrial waste water. While the negotiations are yet to be concluded, as currently proposed it is intended that SAV would procure an option to, at its election, acquire ACT. The Terms Sheet includes an acknowledgement that SAV may continue to pursue negotiations for and enter into the ACT option, on such terms as it determines, provided that it will not exercise the ACT option prior to completion of the Transaction without the consent of Emefcy. The Company will provide further updates regarding the status of its negotiations with ACT in due course.

CONCLUSION

Peter Marks, SAV Director said: *"Effective and efficient water treatment is a rapidly growing market world-wide. This is an exciting opportunity for SAV shareholders to have a direct equity interest in an emerging, exciting and differentiated water treatment technology with first sales expected in 2016. We will provide progressive updates to shareholders as the transaction progresses."*



Peter Marks
Chairman