

RECLAIM INDUSTRIES LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(ACN 090 671 819)

SUPPLEMENTARY PROSPECTUS

SECTION 1 INTRODUCTION

- 1.1 This document ("Supplementary Prospectus") is dated 31 August 2012 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the content of this Supplementary Prospectus.
- 1.2 This Supplementary Prospectus contains particulars of changes to, and supplements, the replacement prospectus dated 31 May 2012 ("Replacement Prospectus") which replaced the earlier prospectus dated 18 May 2012 ("Original Prospectus") issued by Reclaim Industries Ltd ("the Company") to:
- (a) raise \$2,250,000 through the issue of 225,000,000 fully paid ordinary shares in the Company ("Shares") at an issue price of \$0.01 each ("Public Offer");
 - (b) issue 12,280,509 Shares to the Deed Administrators; and
 - (c) issue 120,000,000 Shares to the Noteholders,
- (collectively, the "Offers").
- 1.3 This Supplementary Prospectus must be read together with the Replacement Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Replacement Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Replacement Prospectus have the same meaning in this Supplementary Prospectus.
- 1.4 The Company has issued both a printed and electronic version of this Supplementary Prospectus and the Replacement Prospectus. Electronic versions of both may be accessed at www.reclaimindustries.com.au.
- 1.5 This Supplementary Prospectus and the Replacement Prospectus are important documents that should be read in their entirety. If you have any questions about the Shares being offered under the Replacement Prospectus or any other matter, you should consult your professional advisers.

SECTION 2 REASONS FOR SUPPLEMENTARY PROSPECTUS AND ITS EFFECT

2.1 Reasons for the issue of the Supplementary Prospectus

This Supplementary Prospectus has been prepared:

- (a) to extend the indicative closing date of the Offers to 31 October 2012 (5.00pm WST);
- (b) to extend the period for admission to quotation of Shares offered under the Replacement Prospectus from three (3) months from the date of the Replacement Prospectus to up to three (3) months from the date of this Supplementary Prospectus;

This is a Supplementary Prospectus intended to be read with the Replacement Prospectus dated 31 May 2012 relating to the Shares of Reclaim Industries Ltd

- (c) to extend the period to raise the Minimum Subscription under the Public Offer from four (4) months from the date of the Replacement Prospectus to up to four (4) months from the date of this Supplementary Prospectus.

2.2 ASIC Declaration

By a declaration of ASIC made on 28 August 2012 pursuant to section 741(1)(b) of the Corporations Act 2001, sections 723(3)(b), 724(1)(a) and 724(1)(b)(ii) of the Corporations Act 2001 were modified in respect of this Supplementary Prospectus to permit the extension of the period for the Company to:

- (a) raise the Minimum Subscription under the Public Offer to four (4) months from the date of this Supplementary Prospectus; and
- (b) be admitted to the Official List of ASX and obtain quotation of the Shares to three (3) months from the date of this Supplementary Prospectus.

2.3 If the Company's Shares are not admitted to quotation within three (3) months from the date of this Supplementary Prospectus, all Application Monies will be refunded without interest.

2.4 Status of Offers

As at the date of this Supplementary Prospectus, the Company has received valid applications from eleven (11) applicants for a total of 10,900,000 Shares together with subscription monies of \$109,000 under the Replacement Prospectus. The Company confirms that the eleven (11) applications are yet to be processed and no Shares have been issued to Applicants.

2.5 Action Required by Investors who HAVE previously submitted an Application Form under the Offers

A copy of the Supplementary Prospectus will be sent to all Applicants who have subscribed for Shares under the Replacement Prospectus prior to the date of this Supplementary Prospectus. In accordance with section 724 of the Corporations Act 2001, the Company will allow investors who have lodged Applications under the Replacement Prospectus prior to the date of this Supplementary Prospectus one (1) month from the date of this Supplementary Prospectus to obtain a refund of their Application Monies if they do not wish to proceed with their Application.

Any investor who wishes to obtain a refund should write to the Company's Corporate Advisor at the following address:

**Reclaim Industries Ltd
C/- Trident Capital Pty Ltd
Level 24, 44 St Georges Terrace
PERTH WA 6000**

If you do not wish to withdraw your application, you do not need to take any action.

2.6 Application required for Investors who HAVE NOT submitted an Application Form under the Offers

The Offer of Shares is made in the Replacement Prospectus (as supplemented by this Supplementary Prospectus). If you wish to apply for Shares and have not yet completed an Application Form, please complete and return an Application Form which is attached to the Replacement Prospectus. The Application Form must be received by 5.00pm WST on the Closing Date (as specified in the Indicative Timetable in section 3 below) and must be

completed in accordance with the instructions in the Replacement Prospectus and the Application Form.

SECTION 3 CONTENT SUPPLEMENTED

The Replacement Prospectus is supplemented by making the following amendments to the Replacement Prospectus:

Section 1.7 – Page 10 of the Prospectus

Indicative Timetable

The Directors have resolved to extend the Closing Date for the Offer until 31 October 2012. Completed Application Forms must be forwarded to Trident Capital by no later than 5.00pm WST on 31 October 2012.

The indicative timetable for the Offer is now as follows:

Lodgment of Replacement Prospectus with ASIC	31 May 2012
Closing Date for Applications	31 October 2012
Dispatch of Statements of Shareholdings	01 November 2012
Quotation of Shares on ASX expected to commence	07 November 2012

SECTION 4 CONSENTS

The following persons have given, and not withdrawn their consent prior to the lodgment of this Supplementary Prospectus with ASIC:

- (a) Price Sierakowski Corporate as solicitors to the Company;
- (b) Deloitte Touche Tohmatsu as auditors of the Company;
- (c) HLB Mann Judd as Investigating Accountant;
- (d) Security Transfer Registrars Pty Ltd as Share Registrar;
- (e) Trident Capital Pty Ltd as Corporate Advisor to the Company.
- (f) Richard Albarran as Deed Administrator;
- (g) David Ross as Deed Administrator; and
- (h) Blair Peash as Deed Administrator.

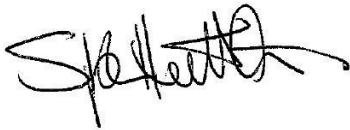
Each party in this Section 4:

- (a) does not make, or purport to make, any statement in this Supplementary Prospectus or on which a statement made in the Supplementary Prospectus is based other than as specified in this consent; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Supplementary Prospectus other than a reference to its name and a statement included in this Supplementary Prospectus with the consent of that party as specified in this consent.

SECTION 5 DIRECTORS' AUTHORISATION

- 5.1 This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. The Directors believe that the Replacement Prospectus, when read together with this Supplementary Prospectus, contains all the information that would be required by sections 710 and 711 of the Corporations Act 2001 and does not contain any material statement that is misleading or deceptive.
- 5.2 In accordance with section 720 of the Corporations Act 2001, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of
RECLAIM INDUSTRIES LTD



Stephen Hewitt-Dutton
Chairman

31 August 2012

RECLAIM INDUSTRIES LTD
(Subject to Deed of Company Arrangement)
ACN 090 671 819

REPLACEMENT PROSPECTUS

This Replacement Prospectus replaces the Prospectus lodged by the Company with ASIC on 18 May 2012.

For the conditional offer of:

- 1. 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000 (“the Public Offer”);**
- 2. 12,280,509 Shares to the Deed Administrators (“the Creditors’ Offer”); and**
- 3. 120,000,000 Shares to the Note holders (“Conversion Offer”).**

THE OFFERS ARE NOT UNDERWRITTEN

THE OFFERS ARE SUBJECT TO CONDITIONS

The Offers are conditional upon certain events occurring. Please refer to **Section 2** of this Prospectus for further details.

IMPORTANT NOTICE

This is an important document and investors should read the document in its entirety and are advised to consult with their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

Any investment in the Company under this Prospectus should be considered speculative in nature and prospective investors should be aware that they may lose some or all of their investment.

IMPORTANT INFORMATION

This Replacement Prospectus is dated 31 May 2012 and replaces the prospectus lodged by the Company with ASIC on 18 May 2012. The term Prospectus in this document means the Replacement Prospectus. ASIC, ASX and their respective officers take no responsibility for

the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

In the event the Company received any applications for securities on the basis of the original prospectus filed at ASIC prior to this Replacement Prospectus, in accordance with section 724(2) of the Corporations Act the Company will give the applicant a copy of the Replacement Prospectus and notify them that they may withdraw their application within one (1) month of the receipt of the application and repay the application monies to the applicant.

No Shares will be issued pursuant to this Prospectus later than thirteen (13) months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Public Offer must do so using the Application Form attached to or accompanying this Prospectus.

Before deciding to invest in the Company potential investors should carefully read the entire Prospectus and, in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance of the Company. Investors should carefully consider these factors in light of their own personal circumstances (including financial and taxation issues).

Refer to **Section 1.12** and **Section 7** of this Prospectus for details relating to risk factors. Investors should seek professional advice from an accountant, stockbroker, lawyer or other professional advisor before deciding to invest.

Any investment in the Company under this Prospectus should be considered speculative in nature and prospective investors should be aware that they may lose some or all of their investment. Applicants should read this document in its entirety. A copy of this Prospectus may be obtained free of charge from the Company.

No person is authorised to give any information or to make any representation in relation to the Offers described in this Prospectus that is not contained in this Prospectus. Any information or representation not so contained, may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers.

The Administrators and the Deed Administrators have not independently verified any of the information contained herein. Neither the Administrators nor the Deed Administrators nor their servants, agents or employees makes any representation or warranty express or implied as to the accuracy, reasonableness or completeness of the information contained in this Prospectus. To the extent permissible by law, all such parties and entities expressly disclaim any and all liability for, or based on or relating to, any such information contained in, or errors in or omissions from this Prospectus. Notwithstanding this, the Administrators and Deed Administrators consent to the issue of this Prospectus.

The offers of Shares made pursuant to this Prospectus is not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. No action has been taken to register the Offers or otherwise permit the Offers to be made in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

This Prospectus will also be issued as an electronic prospectus. A copy of this Prospectus can be downloaded from the website of the Company at www.reclaimindustries.com.au. Any person accessing the electronic version of this Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person any of the Application Forms in connection with the Offers unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in **Section 10** of this Prospectus. Photographs used in this Prospectus are for illustration only and should not be interpreted to mean that the assets or items shown in them are owned by the Company.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement of the Prospectus with the ASIC. This period may be extended by the ASIC for a further period of seven (7) days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds, which examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with Corporations Act. Applications received during the Exposure Period will not be processed until the expiry of the Exposure Period. No preference will be conferred upon Applications received in the Exposure Period.

INVESTMENT OVERVIEW

Please note – this Investment Overview is not intended to provide full information for investors intending to apply for securities offered under this Prospectus. This section only provides a summary of key information and prospective investors should read and consider this Prospectus in its entirety.

SUMMARY OF THE OFFER

By this Prospectus, the Company is undertaking three (3) separate conditional offers of Shares as follows:

- **Public Offer** – offer to the general public of a minimum of 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000 before expenses of the Offers. There is no provision for oversubscriptions. Applicants should note that the Directors may accept an Application in full, accept an Application in respect of a lesser number of Shares than is applied for, or decline the Application.
- **Creditors' Offer** – offer to the Deed Administrators of 12,280,509 Shares for nil consideration pursuant to the terms of the DOCA. The Deed Administrators will transfer these Shares to the Trustees to be applied for the benefit of Creditors.
- **Conversion Offer** – an offer 120,000,000 Convertible Note Shares at an issue price of \$0.005 per Convertible Note Share to Note holders under the terms of ten (10) Convertible Note Agreements that caused the Company to be advanced the sum of \$600,000 from the Note holders.

All Shares issued under the Offers will rank equally with Post Consolidation Shares on issue on the terms set out in **Section 8.2**.

The Offers are conditional upon receiving Shareholder approval at the General Meeting in accordance with the Listing Rules and the Corporations Act. The Offers are not capable of acceptance until such necessary approvals are obtained.

PURPOSE OF THE OFFERS

The principal purpose of the Offers is to:

- facilitate the Company's reinstatement on ASX, including the re-quotation of the Shares on ASX;
- pay various costs associated with the Offers;
- implement the Company's operation and expenditure plans outlined in **Section 4.4**;
- pay the costs of the Recapitalisation Proposal including payments and Share issues for the benefit of Creditors under the DOCA; and
- provide capital to enable identification, investigation and development of our investment opportunities.

KEY DATES AND CAPITAL STRUCTURE

The anticipated date of quotation of the Shares on ASX is subject to ASX approval. The dates shown in the table below are indicative only and may vary. The Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. **Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Offers open.** The Company also reserves the right not to continue with the Offers at any time before the allotment of Shares to successful Applicants.

Indicative Timetable

Lodgement of this Prospectus with ASIC	31 May 2012
Opening Date of Offer	2 June 2012
General Meeting of Shareholders	20 June 2012
Closing Date of Offer	28 June 2012
Allotment of Shares under Offer	29 June 2012
Commencement of trading of Shares on ASX	9 July 2012

* The allotment of Shares under the Offers and dispatch of holdings statements will occur as soon as practicable after the Prospectus closes. Refer to **Section 1.7** for further details.

Capital Structure

Shares

Existing Shares on issue	113,597,454
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Post Capital Consolidation

Post 1:5 Consolidation of Capital*	22,719,491
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Convertible Note Shares [†]	120,000,000
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Maximum number of Shares offered pursuant to the Public Offer	225,000,000
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Creditors' Shares offered pursuant to Creditors' Offer	12,280,509
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Total Shares on issue at completion of the Offers	380,000,000
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* Assumes the Consolidation on a 1:5 basis is approved by Shareholders at the General Meeting to be held on 20 June 2012.

† Assumes all Notes are converted into Shares under the Conversion Offer.

KEY ASPECTS OF BUSINESS MODEL

Upon reinstatement the Company will conduct a review of the key assets it has retained. The review will initially focus on:

- the business of tyre collection;
- exporting tyres and tyre products; and
- the Ag-Float business – a business arising out of the research and development activities designed to source new opportunities for the use of used tyres.

The Directors recognise the potential of the tyre collection business segment and will

investigate opportunities to re-enter that market. In conjunction with the collection of tyres, the Company intends to review opportunities in the export business for tyres and tyre products of all forms. The Company will monitor the development of products in the Australian and overseas marketplaces that combine recycled tyre rubber with other raw materials to create value added products. Products that utilise recycled rubber include anti-slip matting, play area edging, speed humps and road edgings.

The Directors will also review opportunities and markets for the Ag-Float product. Subject to the outcome of the review the Directors will give consideration to the commercial production of the Ag-Float product.

The Director's have adopted comprehensive systems of control and accountability for the administration of corporate governance. Please refer to **Sections 8.4** and **8.5** for further explanation of the Company's governance policies.

KEY RISKS

Before deciding on whether to apply for Shares under this Prospectus, prospective investors should read the Prospectus in its entirety and consider the risk factors set out in this Investment Overview, and also in **Section 7**, which include, but are not limited to some of the key risks described below.

- **Implementation of the DOCA** – As the Company is currently subject to the DOCA, there is a risk that the terms and conditions of the DOCA will not be satisfied. In such circumstances, the Company may be placed into administration or proceed into being wound up.
- **Intellectual Property Rights** – The success of the Company's business will in part depend on its ability to maintain and protect its intellectual property rights as well as other commercially sensitive information and trade secrets, without infringing on the rights of any third party. There can be no assurance that any intellectual property or commercially sensitive information of the Company will be protected and that infringement of such will not occur.
- **Operating and Technical Risks** – A number of factors may affect the Company's current and future operations, including but not limited to the availability of plant and equipment and unexpected shortages or increases in the costs of plant and equipment.
- **Contract Risk** - The Company may be unable to satisfy the conditions under any current or future agreements or undertakings with third parties, jeopardising the Company's interest in these agreements. Further, if the third parties default on their obligations under the agreements and undertakings, the Company may be adversely affected.
- **Dependence on Personnel** – The Company may not be able to retain suitable personnel, be they Directors or key consultants.
- **Profit Uncertainty** – The Company may not achieve a viable development plan that allows it to operate profitably.
- **Acquisition** – The Company may make a new investment in another industry which will bring with it the usual business risks associated with managing and operating a new business.
- **Currency Risk** – As the Company intends exporting tyres and tyre products potential earnings may be affected by exchange rate fluctuations.
- **Financial Reporting Risks** - The Company was suspended from the official list of the

ASX on 17 February 2011 and was subsequently placed in administration on 17 February 2011. The Company did not comply with its financial reporting obligations during the period of its administration. The Company is in the process of preparing the half-year financial reports for 31 December 2010 and 31 December 2011 and the full-year financial report for the year ending 30 June 2011 and will lodge these with ASIC once completed.

Technically, this failure to lodge the financial reports means that the Company is in breach of its financial reporting requirements under Chapter 2M of the Corporations Act. Shareholders should be aware that this breach may attract liability and/or effect the Company's operations going forward and may affect the Company's ability to be reinstated to the ASX. The costs of preparing the accounts will be borne out the costs of the Recapitalisation Proposal. The Company has engaged HLB Mann Judd to provide an Investigating Accountants' Report (please refer to Section 5) which sets out the Company's proforma balance sheet as at 30 April 2012.

- The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. Prospective investors must refer to the risk factors set out in full in **Section 7** before making a decision to subscribe for Shares under this Prospectus.

KEY FINANCIAL INFORMATION

On 17 February 2011 the Administrators were appointed as the joint and several administrators of the Company and the securities of the Company were suspended from official quotation on the Official List. At a meeting of the Company's Creditors on 24 March 2011, the Creditors resolved that the Company should enter into a Deed of Company Arrangement (DOCA), and the DOCA was subsequently executed on 14 April 2011 between the Administrators and Trident Capital Pty Ltd. The DOCA remains operative and accordingly the Company has limited relevant trading history and financial performance information.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountants Report set out in **Section 5** of this Prospectus.

It is not possible to evaluate the Company's future prospects based on past performance. The Directors are confident that the Company's past performance should not impact on the future opportunities of the Company.

INFORMATION ON DIRECTORS

Full details relating to the Directors are set out in **Section 8.3**, however, a brief profile of each are included below:

- **Stephen John Hewitt-Dutton – Non-Executive Chairman**

Mr. Hewitt-Dutton has over 20 years of experience in corporate finance, accounting and company secretarial matters. He is an Associate Director of Trident Capital and holds a Bachelor of Business from Curtin University and is an affiliate of the Institute of Chartered Accountants.

Before joining Trident Capital, Mr. Hewitt-Dutton was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 15 years.

- **Bruce Robert Errol Franzen – Non-Executive Director**

Mr. Franzen is a Certified Practising Accountant with over twenty years local and international experience in the resources industry. Bruce has substantial experience in commercial administration and financial control related to offshore oil and gas drilling, exploration and development of large scale capital resource projects.

Bruce has held senior positions for large companies such as Woodside Petroleum, Inpex and Origin Energy. He was also a former Chief Financial Officer and Company Secretary for Globe Metals and Mining from 2007-2009 and a founding director of DMC Mining Limited. He served as an executive director, Company Secretary and Chief Financial Officer of DMC Mining from 2006–2009.

- **KC Dennis Ong - Non-Executive Director**

Mr. Ong is a Director of Trident Management Services. He is an alumni from Deakin University, Victoria, holding a Bachelor of Commerce degree and is Certified Practicing Accountant. KC has over 25 years of diverse experience in financial management and business advisory to corporations in Australia and South-East Asia.

INTERESTS AND BENEFITS OF DIRECTORS

A summary of the Directors interests in the Existing Shares of the Company are set out below:

Directors and their Associates	Existing Shares held in Company	Percentage of total Shares in Company	Shares issued pursuant to Public Offer*	Shares issued to Directors pursuant to Conversion Offer*	Percentage of Shares in Company post Consolidation and Offers.†
Bruce Franzen	0	0%	2,000,000	0	0.53%
KC Ong	0	0%	2,000,000	2,000,000	1.05%
Stephen Hewitt-Dutton	0	0%	2,000,000	2,000,000	1.05%
TOTAL	0	0%	6,000,000	4,000,000	2.63%

* Assumes all current Directors or their nominee participate the Public Offer under the Prospectus and apply for and are issued 2,000,000 Shares.

† Assumes a total of 380,000,000 Shares on issue, at completion of the Consolidation and Offers.

- Assumes all Directors Notes are converted into Shares under the Conversion Offer.

Other than as set out in **Section 8**, or elsewhere in this Prospectus, Mr. Bruce Franzen and Mr. Stephen Hewitt-Dutton and Mr. KC Ong have not received any financial benefit from the Company in the last 12 months.

The Board has approved the annual payment of \$5,000 per month for the Chairman and \$3,000 per month for each non-executive Director for their services, commencing upon the reinstatement of the Company's Shares on the ASX.

Interests of and fees paid to the Company's professional advisors are set out at **Section 8.7** of this Prospectus.

PROPOSED USE OF FUNDS

The Company proposes to raise \$2,250,000 pursuant to this Prospectus and has raised \$600,000 pursuant to the Convertible Note Agreements. The Company intends to apply the funds raised from the Offers and Convertible Note Agreements as follows:

Use of Funds – Expenditure Budget	Total
Recommence Ag-Float business opportunity	\$400,000
Study and recommence export business opportunity	\$400,000
Identify and consideration of other business opportunities	\$300,000
Initial payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA (already paid)	\$250,000
Final payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA	\$550,000
Expenses associated with the Offers and Recapitalisation Proposal	\$550,000
General Working Capital	\$400,000
Total Funds Utilised	\$2,850,000

The additional working capital will be used for ongoing administration expenses.

Whilst the Directors are satisfied that upon completion of the Offers, the Company will have sufficient working capital to meet its stated objectives, investors should be aware that the Company may use and expend its cash reserves more quickly than contemplated. This may or may not leave the Company in a negative cash flow situation which may ultimately affect the value of the Company's Shares.

Further, any future investments that may be contemplated by the Company may exceed the current or projected working capital of the Company. Accordingly, any such acquisition may need to be funded by debt and/or equity issues, as required and maybe subject to Shareholder approvals.

TABLE OF CONTENTS

IMPORTANT INFORMATION	3
CORPORATE DIRECTORY	11
LETTER TO INVESTORS	12
SECTION 1 DETAILS OF THE OFFERS	13
SECTION 2 CONDITIONS OF THE OFFERS	20
SECTION 3 BACKGROUND AND COMPANY OVERVIEW	21
SECTION 4 BUSINESS OVERVIEW AND FUTURE OPERATIONS	24
SECTION 5 INVESTIGATING ACCOUNTANT'S REPORT	27
SECTION 6 MATERIAL CONTRACTS	42
SECTION 7 RISK FACTORS	45
SECTION 8 ADDITIONAL INFORMATION	50
SECTION 9 DIRECTORS' AUTHORISATION	59
SECTION 10 DEFINITIONS	60
SECTION 11 PUBLIC OFFER APPLICATION FORM	63

CORPORATE DIRECTORY

DIRECTORS

Stephen Hewitt-Dutton (Chairman)
Bruce Franzen
KC Ong

COMPANY SECRETARY

Paige Exley

REGISTERED OFFICE

C/- Hall Chadwick
Level 14
45 William Street
MELBOURNE VIC 3000

AUDITORS

Deloitte Touche Tohmatsu
Level 17, 11 Waymouth Street
ADELAIDE SA 5000
Telephone: (08) 8407 7000
Facsimile: (08) 8407 7001

DEED ADMINISTRATORS

Richard Albarran, David Ross and
Blair Pleash
Hall Chadwick
Chartered Accountants and Business
Advisors
Level 14, 45 William Street
MELBOURNE VIC 3000
Telephone: (03) 8678 1600
Facsimile: (03) 8678 1699

SHARE REGISTRY

Security Transfer Registrars Pty Limited
770 Canning Highway
APPLECROSS WA 6153
Telephone:(08) 9315 2333

CORPORATE ADVISOR

Trident Capital Pty Ltd
Level 24, 44 St Georges Terrace
PERTH WA 6000
Telephone: (08) 6211 5099
Facsimile: (08) 9218 8875

SOLICITORS

Price Sierakowski Corporate
Level 24
44 St Georges Terrace
PERTH WA 6000
Telephone: (08) 6211 5000
Facsimile: (08) 6211 5055

INVESTIGATING ACCOUNTANT

HLB Mann Judd
Level 4 130 Stirling Street
PERTH WA 6000
Telephone: (08) 9227 7500
Facsimile: (08) 9227 7533

LETTER TO INVESTORS

Dear Investor,

INVESTMENT IN THE COMPANY

On behalf of the Directors of Reclaim Industries Limited (“Company”), I am pleased to present this Prospectus to you.

The Company will hold a General Meeting on 20 June 2012, seeking Shareholder approval of a number of resolutions to give effect to the Recapitalisation Proposal. The Recapitalisation Proposal will restructure the Company’s issued capital, terminate the current Deed of Company Arrangement (DOCA) and provide new working capital.

The Offers pursuant to this Prospectus are subject to various conditions, summarised in **Section 2**.

The Company proposes to raise \$2,250,000 from the Offers pursuant to this Prospectus and has raised \$600,000 pursuant to the Convertible Note Agreements.

These funds will be used to:

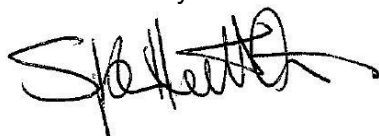
- facilitate the Company’s reinstatement on ASX, including the re-quotation of the Shares on ASX;
- pay various costs associated with the Offers;
- implement the Company’s operation and expenditure plans outlined in **Section 4**, specifically continuing the Company’s ongoing operations being the tyre collection, tyre export and Ag-Float businesses;
- pay the costs of the Recapitalisation Proposal including payments and Share issues for the benefit of Creditors under the DOCA; and
- provide capital to enable identification, investigation and development of our investment opportunities.

Further information regarding the Company’s business and the Recapitalisation Proposal is contained in **Section 3 and Section 4** of this Prospectus.

Details about the risks of an investment of this type are contained in **Sections 1.12 and 7** of this Prospectus. Investors should obtain professional investment advice before deciding to invest. Please read this document carefully before making your investment decision.

It is recommended that you consider the terms of the Offers contained in this Prospectus. If you then choose to invest in the Company, I welcome you as a Shareholder.

Yours faithfully



Chairman
Stephen Hewitt- Dutton

Reclaim Industries Limited

SECTION 1 DETAILS OF THE OFFERS

1.1 THE OFFERS

(a) Public Offer

The Public Offer is for a minimum of 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000 before expenses of the Offers. There is no provision for oversubscriptions.

The Shares to be issued pursuant to this Prospectus are of the same class and will rank equally in all respects with the Post Consolidation Shares in the Company. The rights attaching to the Shares are further described in **Section 8.2** of this Prospectus.

Applications under the Public Offer must be for a minimum of 200,000 Shares and thereafter in multiples of 100,000, and can only be made by completing the relevant Public Offer Application Form attached to or accompanying this Prospectus. No brokerage, stamp duty or other costs are payable by Applicants in respect of an Application for Shares under this Prospectus.

The Directors reserve the right to reject any Application or to allocate any Applicant fewer Shares than the number for which the Applicant has applied.

A maximum number of 225,000,000 Shares will be issued under the Public Offer. The Public Offer is subject to a Minimum Subscription level of 225,000,000 Shares.

Applications for Shares under the Public Offer must be made on the **PUBLIC OFFER APPLICATION FORM** contained in **Section 11** of this Prospectus and it must be received by the Company on or before the Closing Date.

(b) Creditors' Offer

The Creditor Offer is for the issue of 12,280,509 Shares issued on the terms specified in **Section 8.2** of this Prospectus.

The Creditors' Shares are being issued to the Deed Administrators for nil consideration for the benefit of the Creditors, in accordance with the terms of the DOCA.

To apply under the Creditors' Offer, the Deed Administrators must complete the **CREDITORS' OFFER APPLICATION FORM** contained in **Section 12** of this Prospectus and it must be received by the Company on or before the Closing Date.

(c) Conversion Offer

An offer 120,000,000 Shares at an issue price of \$0.005 per Share to Note holders, pursuant to Convertible Note Agreements entered into between the Company and the Note holders by which the Note holders advanced to the Company the sum of \$600,000. Shares issued pursuant to these Convertible Note Agreements will be on the terms specified in **Section 8.2** of this Prospectus.

To apply under the Conversion Offer, Note holders under the Convertible Note Agreements must complete the **CONVERSION OFFER APPLICATION FORM** contained in **Section 13** of this Prospectus and it must be received by the Company on or before the Closing Date.

1.2 CONDITIONAL OFFER

The Offers under this Prospectus are conditional upon a number of events occurring, including: Shareholder approval for the Offers being obtained at the General Meeting in accordance with any requirements of the Listing Rules and the Corporations Act;

- Minimum Subscription under the Public Offer being achieved;
- the Company being satisfied of its ability to satisfy certain requirements of ASX for the Company to be reinstated to ASX; and

- the Company being satisfied that there is no impediment to the termination of the DOCA.

A detailed description of these conditions is set out in **Section 2** of this Prospectus.

If all of the conditions to the Offers are not satisfied within three (3) months after the date of this Prospectus, no Shares will be issued. Application Monies will be refunded in full without interest.

Public Offer

If you wish to participate in the Public Offer, you should complete the Public Offer Application Form set out in **Section 11** of this Prospectus. Applicants may apply for a minimum parcel of 200,000 Shares, representing a minimum investment of \$2,000. Applicants seeking additional Shares must apply thereafter for Shares in multiples of 100,000 (equivalent to \$1,000). All Applications must be completed in accordance with the detailed instructions on how they are to be completed and be accompanied by a cheque or bank cheque drawn and payable on an Australian bank and must be made payable to “Reclaim Industries Ltd – Subscription Account” (“Subscription Account”) and should be crossed “Not Negotiable”. No brokerage or stamp duty is payable. Completed Public Offer Application Forms and accompanying cheques must be received by the Company on or before the Closing Date by either being delivered to or mailed to the following address:

<p>Delivered to: Reclaim Industries Ltd c/- Trident Capital Level 24, 44 St Martin’s Tower 44 St Georges Terrace PERTH WA 6000</p>	<p>Posted to: Reclaim Industries Ltd c/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831</p>
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All Application Monies received with duly completed Application Forms will be paid into the Subscription Account in accordance with the requirements set out in **Section 1.8** of this Prospectus.

The Company must, subject to the conditions set out in **Section 2** being met and the requirements set out in **Section 1.8** of this Prospectus, deal with the Application Monies held in the Subscription Account in accordance with the following instructions of the Directors:

- transfer all of the Application Monies received under this Prospectus and held in the Subscription Account to the Company; and
- allot and issue the Shares offered under this Prospectus.

A completed original or facsimile copy, of the Public Offer Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Application Form. The Public Offer Application Form does not need to be signed to be valid. If the Public Offer Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors’ decision as to whether to treat such an application as valid and how to construe, amend or complete the Public Offer Application Form is final, however, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the Application Monies.

Applicants are encouraged to lodge their Public Offer Application Forms as soon as possible, as the Public Offer may close early without notice.

Creditors’ Offer

For the Deed Administrators to participate in the Creditors’ Offer, they must complete the Creditors’ Offer Application Form set out in **Section 12** of this Prospectus. Completed Creditors’

Offer Application Forms must be received by the Company on or before the Closing Date by either being delivered to or mailed to the following address:

Delivered to: Reclaim Industries Ltd c/- Trident Capital Level 24, 44 St Martin's Tower 44 St Georges Terrace PERTH WA 6000	Posted to: Reclaim Industries Ltd c/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831
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A completed original or facsimile copy, of the Creditors' Offer Application Form constitutes a binding and irrevocable offer to subscribe for the number of Creditors' Shares. The Creditors' Offer Application Form does not need to be signed to be valid. If the Creditors' Offer Application Form is not completed correctly, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Creditors' Offer Application Form is final.

Conversion Offer

For holders of Notes pursuant to the Convertible Note Agreements to participate in the Conversion Offer they must complete the Conversion Offer Application Form set out in **Section 13** of this Prospectus. Conversion Offer Application Forms must be received by the Company on or before the Closing Date by either being delivered to or mailed to the following address:

Delivered to: Reclaim Industries Ltd c/- Trident Capital Level 24, 44 St Martin's Tower 44 St Georges Terrace PERTH WA 6000	Posted to: Reclaim Industries Ltd c/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831
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A completed original or facsimile copy, of the Conversion Offer Application Form constitutes a binding and irrevocable offer to subscribe for the number of Convertible Note Shares. The Conversion Offer Application Form does not need to be signed to be valid. If the Conversion Offer Application Form is not completed correctly, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Conversion Offer Application Form is final.

1.3 MINIMUM SUBSCRIPTION

The minimum level of subscription pursuant to the Public Offer is \$2,250,000.

No Shares under the Public Offer will be allotted or issued by the Company until the Minimum Subscription has been achieved. If the Minimum Subscription has not been reached within three (3) months from the date of this Prospectus, all Applications and Application Monies will be dealt with in accordance with the requirements of the Corporations Act. The Minimum Subscription must be raised before the quotation of the Shares on the ASX can occur.

No oversubscriptions will be accepted.

There is no minimum level of subscription for the Creditors' Offer or the Conversion Offer.

1.4 OFFERS NOT UNDERWRITTEN

The Offers are not underwritten. The Offers do not have a sponsoring broker. The Company reserves the right to pay a fee of up to 6% of the values of the Shares to holders of an AFSL licence in respect of Shares issued under the Public Offer to their clients.

1.5 PROPOSED APPLICATION OF FUNDS RAISED

The Company proposes to raise \$2,250,000 pursuant to the Public Offer under the Prospectus and has been advanced \$600,000 pursuant to the Convertible Note Agreements. The Company intends to apply these funds as follows:

Use of Funds – Expenditure Budget	Total
Recommence Ag-Float business opportunity	\$400,000
Study and recommence export business opportunity	\$400,000
Identify and consideration of other business opportunities	\$300,000
Initial payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA (already paid)	\$250,000
Final payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA	\$550,000
Expenses associated with the Offers and Recapitalisation Proposal	\$550,000
General Working Capital	\$400,000
Total Funds Utilised	\$2,850,000

The additional working capital will be used for ongoing administration expenses.

Whilst the Directors are satisfied that upon completion of the Offer, the Company will have sufficient working capital to meet its stated objectives, investors should be aware that the Company may use and expend its cash reserves more quickly than contemplated. This may or may not leave the Company in a negative cash flow situation which may ultimately affect the value of the Company's Shares.

Further, any future investments that may be contemplated by the Company may exceed the current or projected working capital of the Company. Accordingly, any such acquisition may need to be funded by debt and/or equity issues, as required and may be on conditional Shareholder approvals.

1.6 CAPITAL STRUCTURE

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offers.

	Number of Shares	Percentage
Pre Consolidation Shares	113,597,454	
Post Consolidation Shares*	22,719,491	5.98%
Convertible Note Shares [†]	120,000,000	31.58%
Public Offer	225,000,000	59.21%
Creditors' Shares	12,280,509	3.23%
Total Shares on issue at completion of the Offer	380,000,000	100%

* Assumes the Consolidation on a 1:5 basis is approved by Shareholders at the General Meeting to be held on 20 June 2012.

† Assumes all Notes are converted into Shares prior to the completion of the Offers under this Prospectus.

1.7 ALLOCATION AND ALLOTMENT OF SHARES

The Directors reserve the right to reject any Application or to allot a lesser number of Shares than that applied for pursuant to the Offer. If the number of Shares allocated is less than that applied for, or no allotment is made, the Application Monies or the surplus Application Monies will be promptly refunded without interest.

Subject to the conditions of the Offers (see **Section 2**), the allotment of Shares will occur as soon as possible after the Closing Date. All Shares issued pursuant to the Offers will rank equally in all respects with the Post Consolidation Shares of the Company. Statements of shareholding will be dispatched as soon as possible after the Closing Date as required by ASX. It is the responsibility of the Applicant to determine their allocations prior to trading in the Shares.

Applicants who sell the Shares before they receive their statement of shareholding will do so at their own risk.

1.8 APPLICATION MONIES TO BE HELD IN TRUST

The Application Monies for Shares to be issued pursuant to the Offers will be held in the Subscription Account on behalf of Applicants until the Shares are allotted. If the Offers are not fully subscribed within a period of three (3) months from the date of this Prospectus, the Application Monies will be refunded in full without interest, and no Shares will be allotted pursuant to this Prospectus. All interest earned on Application Monies (including those which do not result in allotment of Shares) will be retained by the Company.

1.9 ASX REINSTATEMENT

The Company's shares were suspended from trading on the ASX on 17 February 2011.

Subject to, and in accordance with, the conditions (see **Section 2**), the Company will apply to ASX no later than seven (7) days from the date of this Prospectus to have the Shares to be

issued pursuant to this Prospectus quoted on the Official List.

If approval for quotation of the Shares on the Official List is not granted within three (3) months after the date of this Prospectus the Company will not allot or issue any Shares, and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

Neither ASX nor ASIC, or any of their respective officers, take responsibility for the contents of this Prospectus. The fact that ASX may grant official quotation to the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

1.10 Satisfaction of the DOCA

The Offers are conditional on the Company being satisfied that there is no impediment to the termination of the DOCA. As at the date of this Prospectus, the following conditions of the DOCA have been satisfied:

- Trident Capital paying \$250,000 as a non refundable deposit to the Deed Administrators; and
- Trident Capital raising \$600,000 by way of issuing the Notes.

The Directors anticipate the remaining DOCA conditions to be satisfied by 29 June 2012 at which time the DOCA will terminate fully implemented and the Deed Administrators will resign.

Please refer to **Section 6** of this Prospectus for further details of the DOCA.

1.11 CHESS AND ISSUER SPONSORSHIP

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers will make up the Company's register of Shares.

The Company will not issue share certificates to Shareholders. Rather, holding statements (similar to bank statements) will be dispatched to Shareholders as soon as practicable after allotment under this Prospectus. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of Shares allotted under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold shares on the CHESS sub register) or Shareholder Reference Number (for Shareholders who elect to hold their shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder following the month in which the balance of their shareholding changes and as required by the Listing Rules and the Corporations Act.

1.12 RISKS

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the performance of the Company are detailed in **Section 7** of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, Applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice. Investors may lose some or all of the investment.

1.13 OVERSEAS INVESTORS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of Shares in any jurisdiction outside Australia. It is the responsibility of any non-Australian resident investors

to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus.

1.14 PRIVACY DISCLOSURE

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess Applications for Shares, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, Applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

1.15 EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of seven (7) days from the date of lodgement with ASIC. The exposure period has been extended by ASIC by a further period of up to seven (7) days. The exposure period will end on 1 June 2012.

The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Prospectus. If deficiencies are detected, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all such Applications will be treated as if they were simultaneously received on the Opening Date.

1.16 FORECASTS

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or financial projection would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

1.17 ELECTRONIC PROSPECTUS

In addition to issuing the Prospectus in printed form, a read-only version of the Prospectus is also available on the Company's website, www.reclaimindustries.com.au. There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. The Corporations Act prohibits any person from passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

SECTION 2 CONDITIONS OF THE OFFERS

2.1 CONDITIONS

The satisfaction of each of the conditions below is a requirement for the allotment of Shares under this Prospectus.

In the event that all of these conditions are not met within three (3) months of the date of this Prospectus, all Application Monies will be returned to Applicants without interest as soon as possible thereafter.

The Offers are conditional upon:

- (a) Shareholder approval for the Offers being obtained at the General Meeting in accordance with any requirements of the Listing Rules and the Corporations Act;
- (b) the Minimum Subscription for the Public Offer under the Prospectus being achieved;
- (c) the Company being satisfied of its ability to satisfy the conditions required by the ASX for the Company to be reinstated to the ASX; and
- (d) the Company being satisfied that there is no impediment to the termination of the DOCA.

2.2 MINIMUM SUBSCRIPTION

The minimum level of subscription pursuant to the Public Offer is 225,000,000 Shares to raise \$2,250,000.

No Shares under the Public Offer will be allotted by the Company until the Minimum Subscription has been achieved.

There is no minimum subscription for Creditor's Offer.

There is no minimum subscription for the Conversion Offer.

2.3 ASX APPROVALS

The Company has received conditional approval from the ASX to be reinstated to trading on the ASX, subject to satisfying the conditions required by the ASX.

As stated above, the Offers are conditional upon the Company being satisfied of its ability to satisfy the requirements of the ASX for the Company to be reinstated to ASX.

2.4 SATISFACTION OF THE DOCA

The Offers are conditional upon the Company being satisfied that there is no impediment to the termination of the DOCA. As at the date of this Prospectus, the following DOCA conditions have been satisfied:

- the Company has paid the sum of \$250,000 being a non refundable deposit to the Deed Administrators; and
- the Company has raised \$600,000 by issuing the Notes.

The Directors anticipate the remaining DOCA conditions to be satisfied by 29 June 2012 at which time the DOCA will terminate fully implemented and the Deed Administrators will resign.

Please refer to **Section 6** of this Prospectus for further details of the DOCA.

SECTION 3

BACKGROUND AND COMPANY OVERVIEW

3.1 BACKGROUND

(a) Admission

The Company was admitted to the Official List of the ASX on 18 February 2002 and official quotation on the Official List commenced on 21 February 2002.

(b) Administration

On 17 February 2011 the Administrators were appointed as the joint and several administrators of the Company pursuant to section 436C of the Corporations Act and the securities of the Company were suspended from official quotation on the Official List.

At a meeting of the Company's Creditors on 24 March 2011 pursuant to section 439A of the Corporations Act, the Creditors resolved pursuant to section 439C of the Corporations Act that the Company enter into a Deed of Company Arrangement (**DOCA**).

On 14 April 2011 the Company, the Administrators and Trident Capital executed the DOCA and the Administrators became the administrators of the DOCA.

(c) Sale of Assets

Pursuant to the terms of the DOCA, the Deed Administrators entered into an Asset Sale Agreement ("**ASA**") with Carbon Polymers Ltd (ACN 000 764 572) on 19 May 2011. Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for:

- (i) various stock in trade, unencumbered assets and equity in encumbered assets owned by the Company;
- (ii) the Deed Administrators to assist in assigning the lease of any of the Company's premises that remained on foot at the date of the ASA or assist with new leases to be entered by Carbon Polymers Ltd; and
- (iii) the Deed Administrators to assist in assigning the lease of any of the Company's leased equipment that remained on foot at the date of the ASA or assisted with arranging purchase of such equipment by Carbon Polymers Ltd.

The Company retained the following key assets under the ASA:

- (i) any encumbered assets;
- (ii) all trade debtors;
- (iii) all legal claims and causes of actions held by the Company;
- (iv) the whole tyre export business;
- (v) the Ag-float products and business;
- (vi) the "Reclaim Industries" name;
- (vii) specific environmental licences; and

- (viii) the Crown III Rubber brand.

Completion of the Recapitalisation Proposal will restructure the Company's issued capital, provide net working capital and allow the Company to continue its existing activities and to pursue new projects by way of acquisition or investment.

3.2 GENERAL MEETING

The Company has issued a Notice of General Meeting, convening a meeting of shareholders which is to be held on 20 June 2012. The Shareholders are to consider and, if thought appropriate, pass resolutions in respect of the following matters:

- (a) Consolidation of Capital – the consolidation of the Existing Shares on a 1 for 5 basis.
- (b) Reduction of Capital – the capital reduction of the Company by applying an amount of accumulated losses against share capital which is considered permanently lost.
- (c) Issue of Shares to the Public under Prospectus – the issue of 225,000,000 Shares at an issue price of \$0.01 each to raise \$2,250,000 under the Prospectus.
- (d) Issue of Convertible Note Shares – the issue of 120,000,000 Convertible Note Shares to the following Note holders, on conversion of the Notes:
 - (i) Jemaya Pty Ltd– 16,666,600 Convertible Note Shares;
 - (ii) Tranquilo Investments Limited – 16,666,600 Convertible Note Shares;
 - (iii) Kobia Holdings Pty Ltd – 16,666,800 Convertible Note Shares;
 - (iv) Trident Capital Pty Ltd – 48,500,000 Convertible Note Shares; and
 - (v) Foster West Securities Pty Ltd – 17,500,000 Convertible Note Shares;
 - (vi) Mr. Stephen Hewitt-Dutton and/or his nominees – 2,000,000 Convertible Note Shares; and
 - (vii) Mr. KC Dennis Ong and /or his nominees– 2,000,000 Convertible Note Shares.
- (e) Issue of Creditors' Shares – the issue of 12,280,509 Creditors' Shares to the Deed Administrators under the Prospectus.
- (f) Appointment of New Directors – the appointment of Bruce Franzen, Stephen Hewitt-Dutton and KC Ong as directors of the Company.
- (g) Ratification of Placement – shareholder ratification of the prior issue of 12,500,000 Shares at an issue price of \$0.02 each under a placement to Mr. Jiangdong Wang as a sophisticated investor within section 708 of the Corporations Act.
- (h) Directors participation in Public Offer – shareholder ratification that the Directors of the Company be allowed to subscribe for up to 2,000,000 Shares each pursuant to the Public offer.

The Notice of General Meeting sets out the above matters as business to be transacted at the meeting, and each of the resolutions are subject to the passing of the other resolutions.

3.3 RETAINED ASSETS

In accordance with the Asset Sale Agreement dated 19 March 2011 between the Company and Carbon Polymers Ltd, the Company retained the following key assets of the Company:

- (a) any encumbered assets;
- (b) all trade debtors;
- (c) all legal claims and causes of actions held by the Company;
- (d) the whole tyre export business;
- (e) the Ag-float products and business;
- (f) the “Reclaim Industries” name;
- (g) specific environmental licences; and
- (h) the Crown III Rubber brand.

On the completion of the recapitalisation and reconstruction of the Company the following retained assets would have either been realised by the Administrators, or will be transferred into the Creditors’ Trust:

- (a) any encumbered assets;
- (b) all trade debtors; and
- (c) all legal claims and causes of action held by the Company.

At that time the following intangible assets, which amount to business opportunities, will be held by the Company:

- (a) the whole tyre export business opportunity;
- (b) the Ag-Float prototype and business opportunity; and
- (c) the Crown III Rubber brand which is an unprotected name.

SECTION 4 BUSINESS OVERVIEW AND FUTURE OPERATIONS

4.1 HISTORY

The Company was incorporated on 24 November 1999 and was subsequently listed on the ASX in February 2002. The Company grew through the merger of 3 Australian companies involved in recycled rubber products, being Entyre Rubber Systems, PlaySafe Australia and LeisureSafe.

Since listing, the Company's main business activities were:

- the collection of waste tyres with the view to recycling those tyres;
- manufacturing products derived from the waste rubber; and
- research and development into new products that could utilise waste tyres as a mechanism to enhance the recyclability and value of waste tyres.

The Company grew to an annual turnover in excess of \$15m in both the 2007 and 2008 financial years, operating as a fully integrated tyre collection, processing and rubber laying business in Australia.

Revenue was badly hit by the cancellation of the Commonwealth Government's Investing in our Schools program. Subsequently the Building the Education Revolution program replaced it but during the intervening year the revenue of the Company was adversely affected. By late 2010 the revenue streams had recovered and were tracking at in excess of \$15m for the 2011 financial year.

However, despite this increase in revenue, Administrators were appointed under section 436C of the Corporations Act on 17 February 2011.

As noted in **Section 3.1(c)**, the Administrator has sold various assets of the business under the Asset Sale Agreement with Carbon Polymers Ltd dated 19 May 2011. The Company has retained the rights to the Ag-Float evaporation control technology and the export arrangements for compressed tyres and tyre products.

4.2 BUSINESS OVERVIEW

Upon reinstatement the Company will conduct a review of the key assets it has retained. The review will initially focus on:

- the business of tyre collection;
- exporting tyres and tyre products; and
- the Ag-float business – a business arising out of the research and development activities designed to source new opportunities for the use of used tyres.

Tyre Collection

During the 2010 financial year the tyre collection business performed well in challenging conditions. Price pressure was exerted by new and existing market participants in an effort to gain market share. Despite this price pressure, strong management of costs and improved efficiencies in collecting tyres saw that business segment contribute a profit of \$1,072,633 for the financial year.

Efficiencies in this segment have been derived from the introduction of updated processing equipment. Reclaim was able to reduce its processing costs by 50% from over \$700 per tonne in financial year 2008. These savings were driven by the increased throughput and reduction in labour.

The Directors recognise the potential of the tyre collection business segment and will investigate opportunities to re-enter that market.

Export Tyres and Products

In conjunction with the collection of tyres, the Company intends to review opportunities in the export business for tyres and tyre products of all forms.

The Company will review how best to develop and then expand the export business. The review will encompass improving the Company's understanding of these markets, and ensuring it can produce products that the offshore market requires and from which appropriate margins can be made.

The Company will monitor the development of products in the Australian and overseas marketplaces that combine recycled tyre rubber with other raw materials to create value added products. Products that utilise recycled rubber include anti-slip matting, play area edging, speed humps and road edgings.

Ag-Float

Ag-float utilises recycled tyres as an evaporation control device, limiting the amount of wind and sunlight to the surface of dam water. Evaporation losses can be reduced by 70% to 80%.

The used tyres are injected with a buoyant material foam which provides flotation. The tyres float about two thirds submerged, and hence the wind layer is moved above the surface of the water. This reduces water evaporation during dry hot and humid conditions. The tyres cover only a portion of the dam water, leaving enough room for stock to drink. Plant and fish life are not affected due to the tyres leaving enough room for oxygenation.

The Directors will also review opportunities and markets for the Ag-Float product. Subject to the outcome of the review the Directors will give consideration to the commercial production of the Ag-Float product.

4.3 INVESTMENT OPPORTUNITIES

On completion of the reconstruction and recapitalisation the Company's assets will predominantly consist of cash with the balance of the assets being intellectual property rights that the Company has previously written the value of down to nil. As such, disclosure is required regarding the expertise of the current Directors and more specifically, how this level of expertise will assist the Company in making investment decisions.

The Directors have a broad range of commercial and public company experience. The Directors also have broad experience in project development, finance and corporate transactions for various listed and non-listed entities, which will be relevant to the assessment of potential projects for the Company. The Directors consider that their contacts and relevant experience will provide assistance in attracting and securing new projects for investment and acquisition.

The Directors are committed to the highest standards of corporate governance and they will make themselves readily available to meet the requirements of the Company and its operations going forward. The Board members will ensure that they devote sufficient time, attention and skill to the duties of this position and the Company's business.

Other than the proposed expenditure budget detailed in **Section 4.4**, and the development of the existing business in **Section 4.2** above, there is no specific investment plan currently in place regarding the Company's future intentions. Investment strategies may be adopted as and when suitable opportunities are identified by the Board. The Company may be subject to additional risks in the future relating to these investments that cannot be identified as at the date of this Prospectus.

4.4 EXPENDITURE BUDGET

The Company proposes to raise \$2,250,000 pursuant to this Prospectus and has raised \$600,000 pursuant to the Convertible Note Agreements. The Company intends to apply these funds as follows:

Use of Funds – Expenditure Budget	Year 1	%	Year 2	%	Total
Recommence Ag-Float business opportunity	\$200,000	9.30%	\$200,000	28.57%	\$400,000
Study and recommence export business opportunity	\$200,000	9.30%	\$200,000	28.57%	\$400,000
Identify and consideration of other business opportunities	\$200,000	9.30%	\$100,000	14.29%	\$300,000
Initial payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA (already paid)	\$250,000	11.64%	\$0.00	0.00%	\$250,000
Final payment to Deed Administrator to satisfy obligations to Creditors Trust under the DOCA	\$550,000	25.58%	\$0.00	0.00%	\$550,000
Expenses associated with the Offers and Recapitalisation Proposal	\$550,000	25.58%	\$0.00	0.00%	\$550,000
General Working Capital	\$200,000	9.30%	\$200,000	28.57%	\$400,000
Total Funds Utilised	\$2,150,000	100.00%	\$700,000	100%	\$2,850,000

Whilst the Directors are satisfied that upon completion of the Offers, the Company will have sufficient working capital to meet its stated objectives, investors should be aware that the Company may use and expend its cash reserves more quickly than contemplated. This may or may not leave the Company in a negative cash flow situation which may ultimately affect the value of the Company's Shares.

Further, any future investments that may be contemplated by the Company may exceed the current or projected working capital of the Company. Accordingly, any such acquisition may need to be funded by debt and/or equity issues, as required (subject to Shareholder approvals if required).



Accountants | Business and Financial Advisers

18 May 2012

The Directors
Reclaim Industries Limited
Level 24, St Martins Tower
44 St Georges Terrace
PERTH WA 6000

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

INTRODUCTION

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 18 May 2012 ("Prospectus") for the issue by Reclaim Industries Limited ("RCM" or the "Company") of 225,000,000 ordinary shares at an issue price of 1 cent each to raise \$2,250,000 before the expenses of the issue ("the Public Offer"), the issue by RCM of 12,280,509 ordinary shares to the Deed Administrators ("the Creditors Offer") and the issue by RCM of 120,000,000 ordinary shares to the Note holders ("Conversion Offer")

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position of the Company.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. BACKGROUND INFORMATION

The Company was registered on 24 November 1999 and on 18 February 2002 the Company was admitted to the official list of the Australian Securities Exchange Limited ("ASX").

On 17 February 2011, Administrators were appointed as joint and several administrators of the Company pursuant to section 436C of the Corporations Act and the securities of the Company were suspended from quotation on the Official List of the ASX.

1. BACKGROUND INFORMATION (CONT)

Until the appointment of the Administrators, the Company's primary focus was the recovery and processing of vehicle tyre waste, predominantly into rubber surfaces for children's play equipment. As part of the administration process, various assets of the business were sold to Carbon Polymers Limited. The Company retained the rights to the 'Ag-float' evaporation control technology and the export arrangements for compressed tyres and rubber granules.

At a meeting of the Company's creditors on 24 March 2011 pursuant to Section 439A of the Corporations Act 2001, the creditors resolved pursuant to Section 439C of the Corporations Act 2001 that the Company enter into a Deed of Company Arrangement ("DOCA"). On 14 April 2011, the Company, the Administrators and Trident Capital Pty Ltd executed the DOCA.

In addition to pursuing its existing business opportunities, the Company seeks to identify new projects by way of acquisition or investment.

Further details are set out in Section 3 of the Prospectus.

The current directors of RCM are Mr Bruce Franzen, Mr KC Dennis Ong and Mr Stephen Hewitt-Dutton.

As at the date of this Prospectus, the issued share capital of the Company is 113,597,454 ordinary fully paid shares.

The Company's main objectives in undertaking the Public Offer, the Creditor's Offer and the Conversion Offer include:

- meeting the administrative costs of the Company and the expenses of implementing the Recapitalisation Proposal including payments for the benefit of creditors pursuant to the DOCA;
- funding the Company's ongoing operations; and
- providing funds for the identification, examination and possible acquisition and development of other investments, as identified by the Company.

2. SCOPE OF REPORT

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- a) the historical financial information of RCM, comprising the historical Statement of Financial Position as at 30 April 2012 as set out in Appendix 1 to this Report; and
- b) the proforma financial information for RCM, comprising the proforma Statement of Financial Position as at 30 April 2012. This information is presented on the basis of the successful completion of the Public Offer, the Creditor's Offer and Conversion Offer and the passing of the resolutions at the General Meeting to be held on 20 June 2012.

2. SCOPE OF REPORT (CONT)

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

We performed a review of the historical financial information and the proforma financial information of RCM as at 30 April 2012 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review of the historical financial information and the proforma financial information of RCM was carried out in accordance with Australian Standard on Review Engagements ASRE 2400 "Review of a Financial Report Performed by an Assurance Practitioner who is not the Auditor of the Entity" and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

3. FINANCIAL INFORMATION

Set out in Appendix 1 (attached) are:

- a) The Statement of Financial Position of RCM as at 30 April 2012;
- b) The proforma Statement of Financial Position of RCM as at 30 April 2012 as it would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 30 April 2012:
 - i) the consolidation of the existing capital in the Company on a 5 for 1 basis;
 - ii) the reduction in the value of capital by transferring an amount of approximately \$8,291,476 from accumulated losses to share capital, in accordance with section 258F of the Corporations Act 2001;
 - iii) the issue of 120,000,000 new ordinary shares on conversion of \$600,000 of convertible notes, at \$0.005 per share;
 - iv) the issue by the Company pursuant to this Prospectus of 225,000,000 ordinary shares at an issue price of 1 cent each, raising \$2,250,000;

3. FINANCIAL INFORMATION (CONT)

- v) the issue by the Company of 12,280,509 ordinary shares to the Deed Administrators for nil consideration under the Deed of Company Arrangement (deemed value \$122,805);
- vi) the payment of \$550,000 to the Deed Administrators under the Deed of Company Arrangement;
- vii) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$230,000; and
- viii) the payment of other cash costs of the Company's recapitalisation, as follows:

	\$
Audit, Accounting & Tax	120,000
Corporate Advisory Fees	150,000
Legal Fees	50,000
	320,000

- c) Notes to the historical financial information and proforma information.

4. SUBSEQUENT EVENTS

In our opinion, there have been no material items, transactions or events subsequent to 30 April 2012 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical financial information of Reclaim Industries Limited as at 30 April 2012 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia; and
- b) the proforma information of Reclaim Industries Limited as at 30 April 2012 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, as if the transactions referred to in Section 3 (b) of this Report had occurred during the period to 30 April 2012.

6. DECLARATION

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$9,000).
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in Reclaim Industries Limited or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully
HLB MANN JUDD

L DI GIALLONARDO
Partner

- APPENDIX 1 -

RECLAIM INDUSTRIES LIMITED
 STATEMENT OF FINANCIAL POSITION
 AS AT 30 APRIL 2012

		<i>Reviewed</i>	<i>Proforma</i>
	<i>Notes</i>	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	2	235,246	1,385,246
Receivables		17,577	17,577
TOTAL CURRENT ASSETS		252,823	1,402,823
TOTAL ASSETS		252,823	1,402,823
CURRENT LIABILITIES			
Trade and other creditors	3	58,818	58,818
Convertible note liability	4	600,000	-
TOTAL CURRENT LIABILITIES		658,818	58,818
TOTAL LIABILITIES		658,818	58,818
NET ASSETS/(LIABILITIES)		(405,995)	1,344,005
EQUITY			
Issued capital	5	8,291,476	2,742,805
Accumulated losses	6	(8,697,471)	(1,398,800)
TOTAL EQUITY		(405,995)	1,344,005

This statement should be read in conjunction with the accompanying notes.

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below.

(a) **Basis of preparation**

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Compliance with IFRS

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with measurement requirements but not all of the disclosure requirements of the International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) **Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(d) **Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) **Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and other receivables (Continued)

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(f) Derecognition of financial assets and financial liabilities

(i) *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Derecognition of financial assets and financial liabilities (Continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income Tax (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(l) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Reclaim Industries Limited (market conditions) if applicable.

RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Share-based payment transactions (Continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions:

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Reclaim Industries Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each Statement of Financial Position date up to and including the settlement date with changes in fair value recognised in profit or loss.

(m) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

**RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Earnings per share (Continued)

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Proforma transactions

The proforma Statement of Financial Position has been derived from the historical financial information as at 30 April 2012 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 30 April 2012:

- i) the consolidation of the existing capital in the Company on a 5 for 1 basis;
- ii) the reduction in the value of capital by transferring an amount of approximately \$8,291,476 from accumulated losses to share capital, in accordance with section 258F of the Corporations Act 2001;
- iii) the issue of 120,000,000 new ordinary shares on conversion of \$600,000 of convertible notes, at \$0.005 per share;
- iv) the issue by the Company pursuant to this Prospectus of 225,000,000 ordinary shares at an issue price of 1 cent each, raising \$2,250,000;
- v) the issue by the Company of 12,280,509 ordinary shares to the Deed Administrators for nil consideration under the Deed of Company Arrangement (deemed value \$122,805);
- vi) the payment of \$550,000 to the Deed Administrators under the Deed of Company Arrangement;
- vii) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$230,000; and
- viii) the payment of other cash costs of the Company's recapitalisation amounting to \$320,000.

RECLAIM INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 APRIL 2012

	<i>Reviewed</i>	<i>Proforma</i>
	\$	\$
2. CASH AND CASH EQUIVALENTS		
Balance as at 30 April 2012	235,246	235,246
Shares issued pursuant to this Prospectus	-	2,250,000
Issue costs of the Prospectus	-	(230,000)
Payment to Deed Administrators under DOCA	-	(550,000)
Other costs of the recapitalisation	-	(320,000)
	<u>235,246</u>	<u>1,385,246</u>
3. PAYABLES		
Other payables and accruals	58,818	58,818
4. CONVERTIBLE NOTE LIABILITY		
Balance as at 30 April 2012	600,000	600,000
Converted to 120,000,000 ordinary shares at \$0.005 per share	-	(600,000)
Balance at end of period	<u>600,000</u>	<u>-</u>
5. ISSUED CAPITAL		
Issued and paid up share capital		
Balance as at 30 April 2012	8,291,476	8,291,476
Reduction of capital (i)	-	(8,291,476)
Convertible note conversion	-	600,000
Prospectus issue	-	2,250,000
Issue to Deed Administrator under DOCA	-	122,805
Share issue costs	-	(230,000)
Balance at end of period	<u>8,291,476</u>	<u>2,742,805</u>
	Number	\$
Movements in number of fully paid ordinary shares since 30 April 2012:		
Shares on issue 30 April 2012	113,597,454	8,291,476
Proforma adjustments:		
Consolidation of capital on 5 to 1 basis	(90,877,963)	-
Reduction of capital (i)	-	(8,291,476)
Convertible note conversion	120,000,000	600,000
Prospectus issue	225,000,000	2,250,000
Issue to Deed Administrator under DOCA	12,280,509	122,805
Share issue costs	-	(230,000)
Proforma total	<u>380,000,000</u>	<u>2,742,805</u>

- (i) In accordance with section 258F of the Corporations Act 2001, the Company has reduced its share capital by allocating an amount of \$8,291,476 of accumulated losses against share capital which the Company believes is permanently lost and not represented by available assets.

**RECLAIM INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2012**

	<i>Reviewed</i>	<i>Proforma</i>
	\$	\$
6. ACCUMULATED LOSSES		
Balance as at 30 April 2012	(8,697,471)	(8,697,471)
Reduction of capital - Note 5(i)	-	8,291,476
Issue of shares to Deed Administrator under DOCA	-	(122,805)
Payment to Deed Administrators under DOCA	-	(550,000)
Other costs of the recapitalisation	-	(320,000)
Balance at the end of the period	<u>(8,697,471)</u>	<u>(1,398,800)</u>

7. CONTINGENCIES AND COMMITMENTS

Details of planned expenditure commitments are outlined in Section 4.4 of the Prospectus. The Directors are not aware of any other contingencies.

8. RELATED PARTY TRANSACTIONS

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 8.6 of the Prospectus.

SECTION 6 MATERIAL CONTRACTS

6.1 SUMMARY OF MATERIAL CONTRACTS

Set out below is a summary of the material contracts to which the Company is a party that may be material in terms of the Offer, for the operation of the business of the Company, or otherwise may be relevant to a potential investor in the Company (**Material Contracts**).

The whole of the provisions of the agreements are not repeated in this Prospectus and any intending Applicant who wishes to gain a full knowledge of the content of the Material Contracts should inspect the same at the registered office of the Company.

6.2 CONVERTIBLE NOTE AGREEMENTS

The Company entered into Convertible Note Agreements each with:

- (a) Jemaya Pty Ltd;
- (b) Tranquilo Investments Limited;
- (c) Kobia Holdings Pty Ltd;
- (d) Trident Capital Pty Ltd; and
- (e) Foster West Securities Pty Ltd,
- (f) Mr. Stephen Hewitt-Dutton and/or his nominees; and
- (g) Mr. KC Dennis Ong and /or his nominees;

the Note holders, as excluded investors under section 708 of the Corporations Act ("Convertible Note Agreements") to procure the advance of up to \$600,000 in two tranches , the first tranche being for \$250,000 and the second tranche being for \$350,000 on the following terms and conditions:

- (a) conversion of the Notes to Convertible Note Shares is subject to the Company obtaining all necessary Shareholder approval under the Listing Rules and the Corporations Act, which if obtained, will result in the Notes being redeemed in full (but without any interest);
- (b) each Note will convert into one Convertible Note Shares for every \$0.005 advanced under the Convertible Note Agreements;
- (c) Shares issued upon conversion will rank equally in all respects with the Shares on issue at that time;
- (d) the issue of Convertible Note Shares if approved by Shareholders, will occur on or about the date the Shares are issued under the Public Offer;
- (e) with respect to Notes that caused the company to be advanced the first tranche of \$250,000, in the event that relevant Shareholder, Listing Rules or Corporations Act approvals are not obtained for the conversion of these Notes to Convertible Note Shares, these Notes are redeemable by the Company for the sum of \$1.00 to be paid to each of the holders of the Notes; and
- (f) with respect to Notes that caused the company to be advanced the second tranche of \$350,000, in the event that relevant Shareholder, Listing Rules or Corporations Act approvals are not obtained for the conversion of these Notes to Convertible Note

Shares, these Notes are redeemable by the Company from Note Holders by way of cash (on a pro rata basis with all Notes on issue at the time), based on the face value of the Note less the total costs incurred by the Company in the reconstruction and recapitalisation of the Company, including costs related to the holding of the General Meeting.

6.3 DEED OF COMPANY ARRANGEMENT

On 24 March 2011, pursuant to section 439C of the Corporations Act, a meeting of the Creditors was held at which it was resolved that the Company execute the DOCA. The Company entered into the DOCA with the Administrators and Trident Capital on 14 April 2011.

The DOCA approved by the Creditors provides for the following:

- (a) The Deed Administrators are to establish an administration fund (“**the Administration Fund**”) into which the following shall be paid:
 - (i) all cash and negotiable instruments held by the Company as at 14 April 2011;
 - (ii) \$250,000 paid by Trident Capital to the Deed Administrators as a non refundable deposit;
 - (iii) all amounts owing by the Company’s trade debtors as at 14 April 2011;
 - (iv) any proceeds realised from the Asset sale Agreement; and
 - (v) any monies realised from any cause of action the Company may have against any person which accrued to the Company or to which the Company became entitled to on or before the Recapitalisation Proposal was effected.

- (b) Subject to:
 - (i) the Company obtaining all necessary shareholder and regulatory approvals to implement the Recapitalisation Proposal;
 - (ii) Trident Capital paying \$800,000 to the Trustees (\$250,000 of which is a non refundable deposit constituted in the Administration Fund);
 - (iii) the Deed Administrators transferring the Administration Fund to the Trustees;
 - (iv) all proceeds from any cause of action that the Company may have against any person being paid to the Trustees;
 - (v) all causes of action that the Company may have against any person being transferred to the Trustees; and
 - (vi) the secured Creditors of the Company providing all requested documentation to fully release and discharge their security interests to the satisfaction of Trident Capital,

then the following shall occur:

- (i) the provable debts of the Company to Creditors are to be forgiven and in consideration of such, the Creditors become beneficiaries of the Creditors’ Trust; and
- (ii) the DOCA will be fully implemented.

- (c) Should the arrangements under the DOCA fail, then the Company may be wound up, or the Administrators may take any other action permitted by the Corporations Act.
- (d) Upon the satisfaction of the DOCA, the Deed Administrators will return all control of the Company to the Directors then in office and in that event any Claim will only be admissible to proof under the Creditors' Trust.

6.4 CREDITORS' TRUST DEED

Upon the satisfaction of the conditions required pursuant to the DOCA, the Deed Administrators will execute the Creditors' Trust Deed and transfer the Administration Fund and 12,280,509 Post Consolidation Shares to the Trustees to be held by the Trustees pursuant to the terms of the Creditors' Trust Deed.

The Creditors' Trust Deed attached to the DOCA which was approved by the Creditors provides for the following:

- (a) The Trustees are obligated to hold:
 - (i) the Administration Fund; and
 - (ii) 12,280,509 Post Consolidation Shares,on trust to be dealt with and distributed in accordance with the terms of the Creditors' Trust Deed.
- (b) The Creditors' Trust Deed will terminate after the Trustees determine, in their absolute discretion that there remains no further trust property in the Creditors' Trust.

6.5 ASSET SALE AGREEMENT

- (a) In or about April 2011, the Company entered into a Asset Sale Agreement with Carbon Polymers Ltd. Under this agreement Carbon Polymers purchased the business and specified assets from the Company for \$925,000 These assets included:
 - (i) Inventory and any unencumbered assets with the exception of those listed in (b) below; and
 - (ii) equity held by the Company in encumbered assets that were specified under the Asset Sale Agreement.
- (b) The Company retained certain assets that did not form part of the Asset Sale Agreement including:
 - (iii) assets of the Company subject to an encumbrance;
 - (iv) trade debtors;
 - (v) the business of exporting whole tyres;
 - (vi) the Ag-float Products and business associated with those products;
 - (vii) the Reclaim Industries name;
 - (viii) certain environmental licences; and
 - (ix) the Crown III Rubber brand.

SECTION 7 RISK FACTORS

There are numerous risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with the Company's business.

This section identifies areas the Directors regard as major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares pursuant to this Prospectus.

Applicants should be aware that there are risks associated with any share investment. The value of the Shares may be above or below the issue price under this Prospectus. The Shares allotted under this Prospectus carry no guarantee in respect of profitability, dividends or return of capital.

The Shares offered under this Prospectus should be regarded as speculative and investors should be aware that they may lose some or all of their investment. Investors should consider whether the Shares offered under this Prospectus are a suitable investment having regard to their own individual investment objectives, financial circumstances and the risk factors set out below. This list is not exhaustive and, if in any doubt, investors should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

7.1 SPECIFIC RISKS

(a) Implementation of the DOCA

As the Company is currently subject to a Deed of Company Arrangement, there is a risk that if the terms and conditions of the DOCA will not be satisfied, then the Company may proceed to administration or into liquidation. The terms and conditions of the DOCA are summarised in **Section 6.3**.

(b) Intellectual Property Rights

The Company's commercial success depends in part on its ability to protect its intellectual property and commercially sensitive information assets. The commercial value of these assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against the Company under copyright, trade secret, patent, or other laws. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interest, such claims, if made, may harm, directly or indirectly, the Company's business. If the Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.

No formal or informal valuation has been undertaken of the intellectual property assets of the Company. The Company makes no representation as to the value of these assets.

(c) Uncertainty and Future Profitability

The Company has incurred significant losses in the past, ultimately resulting in the appointment of the Administrator. It is not possible to evaluate the Company's future prospects based on past performance. The past performance should not impact the future opportunities of the Company.

While the Directors have confidence in the future revenue-earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

(d) Contract Risks

The Company may enter into agreements and undertakings with third parties from time to time. If the Company is unable to satisfy the conditions of these agreements and undertakings, or if it defaults on its obligations under these agreements and undertakings, the Company's interest in their subject matter may be jeopardised. Further, if the third parties default on their obligations under the agreements and undertakings, the Company may be adversely affected.

(e) Currency risk

As the Company intends exporting tyres and tyre products potential earnings may be affected by exchange rate fluctuations. The value of goods sold internationally is often denominated in United States dollars while the Company's cost base will be in Australian dollars. Consequently changes in the Australian dollar exchange rate will impact on the earnings of the Company. The exchange rate is affected by numerous factors beyond the control of the Company, including interest rates, inflation and the general economic environment.

(f) Acquisitions

The Company may also review and consider other business opportunities. Consequently this strategy may result in the Company making acquisitions of, or significant investments in, complementary or alternative companies or assets. Any such transactions would be accompanied by the risks inherent in making acquisitions of companies and assets. For example, there may be liabilities in connection with such acquisitions which are not identified in the Company's due diligence or the acquisitions may not prove to be successful. Further, risks associated with such acquisitions will also arise from the Company's ability to execute the acquisition and then to correctly manage the business operations and growth strategies moving forward. In addition, any acquisition may be subject to all or any shareholder and regulatory approvals, which may include re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

(g) Dependence on Key Personnel

The success of the Company will to an extent depend on the Directors' ability to successfully manage the Company's performance and exploit new opportunities. The loss of service of the Directors could have an adverse effect on the proposed operations of the Company.

(h) Branding Factors

The Company's products and services will be sold under a number of brands. Should the brand or image be damaged in any way or lose its market appeal, the Company's business could be adversely impacted.

(i) Operational and Technical Risks

The future operations of the Company may be affected by a range of operational and technical factors, including:

- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events; and
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(j) Financial Reporting Risks

The Company was suspended from the official list of the ASX on 17 February 2011 and was subsequently placed in administration on 17 February 2011. The Company did not comply with its financial reporting obligations immediately prior to, and during the period of, its administration. The Company is in the process of preparing the half-year financial reports for 31 December 2010 and 31 December 2011 and the full-year financial report for the year ending 30 June 2011 and will lodge these with ASIC once completed.

Technically, this failure to lodge the financial reports means that the Company is in breach of its financial reporting requirements under Chapter 2M of the Corporations Act. Shareholders should be aware that this breach may attract liability and/or effect the Company's operations going forward and may affect the Company's ability to be reinstated to the ASX. The costs of preparing the accounts will be borne out the costs of the Recapitalisation Proposal. The Company has engaged HLB Mann Judd to provide an Investigating Accountants' Report (please refer to **Section 5**) which sets out the Company's proforma balance sheet as at 30 April 2012.

(k) Environmental Licence Risks

The environmental licences held by the Company have expired and have not been renewed by the Administrators. The Company may need to reapply for some or all of those licences, depending upon which previous business activities of the Company that the Directors decide to recommence. It is possible that those applications for environmental licences could be unsuccessful, in whole or in part. In the event that the environmental licences applied for are not granted, the Company will not be able to recommence operating in that area of the business.

7.2 GENERAL RISKS

(a) Economic and Government Risks

The future viability of the Company is also dependent on a number of other factors which may affect the performance of all industries, including, but not limited to, the following:

- general economic conditions in Australia and its major trading partners;
- changes in Government policies, taxation and other laws;
- the strength of the equity and share markets in Australia and throughout the world;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- natural disasters, social upheaval or war in Australia or overseas; and
- other factors beyond the control of the Company.

(b) Insurance Risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(c) Future Capital Needs

Further funding of projects and potential acquisitions may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

If the Company fails to obtain adequate funds when needed the Company may:

- cease some or all of its business activities;
- be forced to sell its assets; and
- reduce or cease operations.

(d) Investment Risk

The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the Public Offer price paid for the Shares. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

(e) Share Market

A number of factors affect the performance of share market investments that could also affect the price at which the Shares trade on the ASX. The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These factors may materially affect the market price of the Company's securities regardless of the Company's operational performance.

Share market conditions are affected by many factors including but not limited to the following:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- change in Government macro fiscal policies;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- terrorism or other hostilities; and
- other factors beyond the control of the Company.

(f) Competition Risk

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

SECTION 8 ADDITIONAL INFORMATION

8.1 COMPANY INFORMATION

The Company was incorporated on 24 November 1999 and was admitted to the Official List of the ASX on 18 February 2002 and official quotation on the Official List commenced on 21 February 2002. The Company's Shares were suspended from trading on the ASX on 17 February 2011.

8.2 RIGHTS ATTACHING TO SHARES

Shares issued pursuant to the Offers will rank equally with all other fully paid ordinary shares on issue.

The rights attaching to the Shares are set out in the Constitution of the Company. A broad summary (although not an exhaustive or definitive statement) of the rights attaching to the Shares are outlined below.

8.2.1 RANKING OF SHARES

At the date of this Prospectus, all Shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with Post Consolidation Shares.

8.2.2 VOTING RIGHTS

Subject to any special rights or restrictions (at present there are none), at any Shareholder meeting, each Shareholder present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each share held.

Please note that Listing Rules 6.9 amends these provisions in respect of voting by poll, whereby the holder of a partly paid share has a voting entitlement equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

8.2.3 DIVIDEND RIGHTS

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares.

Please note that Listing Rules 6.11 amends these provisions in respect of dividends payable to holders of partly paid shares. Such holders must not be entitled to a greater proportion of a dividend than the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

8.2.4 VARIATION OF RIGHTS

The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

8.2.5 FUTURE INCREASE IN CAPITAL

The allotment and issue of any Shares is under the control of the Directors. Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Directors may issue shares on such terms and conditions as they determine.

8.2.6 TRANSFER OF SHARES

Subject to the Constitution of the Company, the Corporations Act and other relevant laws, the Shares may be transferred by market transfer in accordance with a computerised or electronic system established or recognised under the Listing Rules or the Corporations Act, and by instrument in writing.

The Directors may decline to register a transfer of Shares where:

- the Listing Rules or SCH Business Rules (now the ASX Settlement Operating Rules) permit the Company to do so;
- the Listing Rules or SCH Business Rules (now the ASX Settlement Operating Rules) require the Company to do so; or
- the transfer is in breach of the Listing Rules or any escrow agreement relating to “restricted securities” (defined under the Listing Rules) entered into by the Company under the Listing Rules.

8.2.7 GENERAL MEETINGS

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company’s Constitution, the Corporations Act and any other laws.

8.2.8 RIGHTS ON WINDING UP

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- divide among the Shareholders the whole or any part of the Company’s property; and
- decide how the division is to be carried out between the Shareholders (or different classes of shareholders).

Subject to any special rights (at present there are none), any surplus assets (following full satisfaction of all Creditors’ debts) on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

8.2.9 ASX LISTING RULES

As the Company is already admitted to the Official List of the ASX, the following clauses apply despite the provisions of the Company’s constitution:

- notwithstanding anything contained in the Company’s constitution, if the Listing Rules prohibit an act being done, the act shall not be done;
- nothing contained in the Company’s constitution prevents an act being done that the Listing Rules require to be done;
- if the 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 (as the case may be);

- if the Listing Rules require the Company’s constitution to contain a provision and it does not contain such a provision, the constitution is deemed to contain that provision;
- if the Listing Rules require the Company’s constitution not to contain a provision and it contains such a provision, the constitution is deemed not to contain that provision; and
- if any provision of the Company’s constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

8.3 PROFILE OF THE DIRECTORS

Brief profiles of the Directors are set out below.

- (a) **Stephen John Hewitt-Dutton** – Mr. Hewitt-Dutton has over 20 years of experience in corporate finance, accounting and company secretarial matters. He is an Associate Director of Trident Capital and holds a Bachelor of Business from Curtin University and is an affiliate of the Institute of Chartered Accountants.

Before joining Trident Capital, Mr. Hewitt-Dutton was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 15 years.

- (b) **Bruce Robert Errol Franzen** – Mr. Franzen is a certified practising accountant with over twenty years local and international experience in the resources industry. Bruce has substantial experience in commercial administration and financial control related to offshore oil and gas drilling, exploration and development of large scale capital resource projects.

Bruce has held senior positions for large companies such as Woodside Petroleum, Inpex and Origin Energy. He also was a former Chief Financial Officer and Company Secretary for Globe Metals and Mining from 2007-2009 and a founding director of DMC Mining Limited. He served as an executive director, Company Secretary and Chief Financial Officer of DMC Mining from 2006–2009.

- (c) **KC Dennis Ong** – Mr. Ong is a Director of Trident Management Services. He is an alumni from Deakin University, Victoria, holding a Bachelor of Commerce degree and is Certified Practising Accountant. Mr. Ong has over 25 years of diverse experience in financial management and business advisory to corporations in Australia and South-East Asia.

8.4 CORPORATE GOVERNANCE

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs. To the extent they are applicable; the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations (“**Recommendations**”) as published by ASX Corporate Governance Council.

The Company’s Corporate Governance policy and its Share Trade Policy will be available on the Company’s website. As the Company’s activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

Principle 1 – Lay solid foundations for management and oversight

The Board and management have agreed on their respective roles and responsibilities and the functions reserved to the Board and management. The Board has established and adopted a Board Charter for this purpose. The Board has also established a Nomination and Remuneration Committee Charter which, amongst other functions, guides the Board in its evaluation of the performance of senior executives and encourages an appropriate mix of skills, experience, expertise and diversity on the Board.

Principle 2 – Structure the Board to add value

The Board ultimately takes responsibility for corporate governance, and will be accountable to the Shareholders for the performance of the Company. The functions and responsibilities of the Board are set out in the Company's constitution and the Corporations Act. The Company has adopted a Nomination and Remuneration Committee Charter which encourages a transparent Board selection process in searching for and selecting new directors to the Board and having regard to any gaps in the skills and experience of the directors of the Board and ensuring that a diverse range of candidates is considered.

The Board is comprised of 3 independent directors. The existing structure is considered appropriate given the small scale of the Company's enterprise and the associated economic restrictions this places on the Company. The existing structure is aimed at maximising the financial position of the Company by keeping its operating costs to a minimum.

Principle 3 – Promote ethical and responsible decision making

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, managers, employees and officers of the Company with respect to matters relevant to the Company's legal and ethical obligations. The Board has also established a Workplace Diversity Policy which affirms the Company's commitment to promoting a corporate culture that is supportive of diversity and outlines strategies that the Board can undertake to encourage and promote a diverse working environment.

Principle 4 – Safeguard integrity in financial reporting

The Directors require the Chief Executive Officer and external company auditors to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

A separate audit committee has not been formed. However, the Company has adopted an Audit Committee Charter. The role of the audit committee is carried out by the full Board in accordance with the Audit Committee Charter. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Principle 5 – Make timely and balanced disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the Listing Rules and the Corporations Act. The Directors have established a written policy and procedure to ensure compliance with the disclosure requirements of the Listing Rules.

Principle 6 – Respect the rights of Shareholders

The Directors have established a communications strategy to promote effective communication

with Shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to the ASX, the Company will ensure that all relevant documents are released on the Company's website.

Principle 7 – Recognise and manage risk

The Directors have established a Risk Management Policy regarding the oversight and management of material business risks.

Principle 8 – Remunerate fairly and responsibly

A separate remuneration committee has not been formed. However, the Company has adopted a Nomination and Remuneration Committee Charter. The role of the remuneration committee is carried out by the full Board in accordance with the Nomination and Remuneration Committee charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate committee.

The Board has provided disclosure in relation to Directors' remuneration in **Section 8.6.3** of this Prospectus. Further disclosure will be given to investors annually in accordance with the Listing Rules and the Corporations Act.

Share Trade Policy

The Company has adopted a Trading Policy which sets out the following information:

- closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- trading in the Company's securities which is not subject to the Company's Trading Policy; and
- the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Trading Policy will be available on its website.

8.5 CONTINUOUS DISCLOSURE AND MARKET PRICE OF SHARES

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to the ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company's Shares are currently suspended and as such no market price is available.

8.6 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director has, or has had within two (2) years before lodgement of this Prospectus with ASIC:

- any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers; and
- no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director, either to induce him or her to become, or to qualify them as a Director, or otherwise, for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

8.6.1 SHAREHOLDING QUALIFICATIONS

Directors are not required to hold any Shares under the constitution of the Company.

8.6.2 DIRECTORS' SECURITY HOLDINGS

Other than as set out in this **Section 8**, or elsewhere in the Prospectus, The Directors' have no relevant interests in the Shares of the Company as at the date of this Prospectus.

8.6.3 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The current aggregate remuneration for all non-executive Directors (as set by the Company in general meeting) is a maximum of \$250,000 per annum to be apportioned among the non-executive Directors in such a manner as they determine.

Other than as set out in this **Section 8** or elsewhere in this Prospectus, Mr. Bruce Franzen, Mr. Stephen Hewitt-Dutton and Mr. KC Ong have not received any financial benefit from the Company in the last 12 months.

The Board has approved the annual payment of \$5,000 per month for the Chairman and \$3,000 per month for each non-executive Director for their services, commencing upon the reinstatement of the Company's Shares on the ASX.

8.6.4 AGREEMENTS WITH DIRECTORS

- (a) The Company has entered into an agreement with Trident Management Services Pty Ltd (ACN 118 886 230) for the provision of company secretarial, administrative and accountancy services. Mr. KC Ong who is a Director of the Company is also a Director of Trident Management Services Pty Ltd. At the date of this Prospectus, Trident Management Services Pty Ltd is paid \$4,000 per month exclusive of GST for company secretarial and administrative services and \$250 per hour exclusive of GST for accountancy services as required. The agreement was not subject to Shareholder approval under Part 2E of the Corporations Act as the Board resolved that the exception in section 210 of the Corporations Act applied.

As at the date of this Prospectus, Trident Management Services Pty Ltd has been paid \$23,265 inclusive of GST for the provision of these services in the past 12 months.

- (b) The Company has also entered into Convertible Note Agreements with:

- (i) Mr. Stephen Hewitt-Dutton and/or his nominees; and
- (ii) Mr. KC Dennis Ong and /or his nominees;

under which each of the parties are entitle to be issued 2,000,000 Convertible Note Shares pursuant to the terms of the Convertible Note Agreements referred to in **Section 6.2** of this Prospectus.

- (c) Pursuant to the Public Offer, approval will be sought at the General Meeting of the Company to be held on 20 June 2012 to allow the Company to issue up to:

- (i) 2,000,000 New Shares to Mr. Stephen Hewitt-Dutton and/or his nominees;
- (ii) 2,000,000 New Shares to Mr. KC Dennis Ong and/or his nominees; and

- (iii) 2,000,000 New Shares to Mr. Bruce Franzen and/or his nominees,

8.7 INTERESTS AND FEES OF PROFESSIONALS

Other than as set out in this **Section 8**, or elsewhere in the Prospectus, no expert, promoter, or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with has or has, within two (2) years before lodgement of the Prospectus with ASIC:

- had any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; and
- not recorded any amounts or benefits or has not agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offer.

Price Sierakowski has acted as Solicitors to the Offers. In addition, Price Sierakowski has performed other legal work in relation to the reconstruction of the Company over the last twelve (12) months, including the preparation of the Notice of Meeting. Fees paid or payable to Price Sierakowski in respect of these services at the date of lodgement of this Prospectus are approximately \$100,000 ex GST.

Additional legal fees in relation to the Prospectus, the reconstruction or relisting of the Company may be incurred by the Company subsequent to the lodgement of this Prospectus and will be charged at Price Sierakowski's normal hourly rates.

Trident Capital has acted as corporate advisers to the Company. Trident Capital has also performed other work in relation to the reconstruction of the Company over the last twelve (12) months including management of the recapitalisation process and preparation of documentation. Fees payable to Trident Capital are approximately \$150,000 ex GST. Fees payable to Trident Capital have been charged in accordance with their normal rates.

HLB Mann Judd for work done in relation to the Investigating Accountant's Report is approximately \$9,000 ex GST. HLB Mann Judd performed no other work in relation to the reconstruction of the Company. Fees payable to HLB Mann Judd have been charged in accordance with their normal hourly rates.

Deloitte Touche Tohmatsu for work done in relation to the Auditor's Report is approximately \$100,000 ex GST. Deloitte Touche Tohmatsu has performed no other work in relation to the reconstruction of the Company. Fees payable to Deloitte Touche Tohmatsu have been charged in accordance with their normal hourly rates.

Security Transfer Registrars Pty Ltd remains the Company's Share Registry and will be paid for these services on normal commercial rates.

8.8 CONSENTS

Each of the parties referred to in this **Section 8.8**:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this **Section 8.8**; and

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this **Section 8.8**.

Price Sierakowski has given, and has not before lodgement of this Prospectus withdrawn its written consent to being named in this Prospectus as Solicitors to the Issue in the form and context in which it is named, together with all references to it in this Prospectus. Price Sierakowski has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

Trident Capital has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as corporate advisor to the Issue in the form and context in which it is named, together with all references to it in this Prospectus. Trident Capital has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

Security Transfer Registrars Pty Ltd has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named, together with all references to it in this Prospectus. Security Transfer Registrars Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

HLB Mann Judd has given, and has not before lodgement of this Prospectus withdrawn its consent to be named in this Prospectus as Investigating Accountant and to the inclusion of the Investigating Accountants Report in **Section 5** of this Prospectus. HLB Mann Judd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than its report and references to it.

Deloitte Touche Tohmatsu has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the auditor in the form and context in which it is named, together with all references to it in this Prospectus. Deloitte Touche Tohmatsu has had no involvement in the preparation of any part of this Prospectus other than being named as auditor. Deloitte Touche Tohmatsu has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

8.9 EXPENSES

The expenses of the Offers and Recapitalisation Proposal are expected to comprise the following estimated costs and are exclusive of any GST payable by the Company.

Expenses of The Offers and Recapitalisation Proposal	Minimum Subscription
	\$
Corporate Advisory fees	\$150,000
Legal fees	\$100,000
Investigating Accountant's fees	\$9,000
Audit, Accounting and Tax	\$120,000
ASIC and ASX fees	\$12,500
Other Costs	\$23,500
Commissions associated with Capital Raising @ 6%	\$135,000
Total Estimated Expenses	\$550,000

8.10 LITIGATION

There is currently no present or pending litigation of which the Company is aware against either Company or the Company's Directors.

8.11 TAXATION

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of the Directors accept any liability or responsibility in respect of the taxation consequences of the matters referred to above.

8.12 ELECTRONIC PROSPECTUS

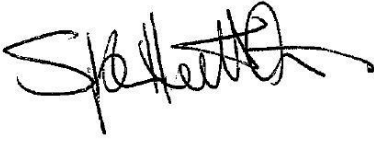
ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of shares in response to an electronic application form subject to compliance with certain provisions. If you have received this Prospectus as an electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and it will send you free of charge either a hard copy or a further electronic copy of the Prospectus or both. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies shall be dealt with in accordance with section 722 of the Corporations Act.

SECTION 9 DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

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

Signed for and on behalf of the Company.

A handwritten signature in black ink, appearing to read 'Stephen Hewitt-Dutton', with a stylized flourish at the end.

Stephen Hewitt -Dutton
Chairman

31 May 2012

SECTION 10 DEFINITIONS

Definitions used in this Prospectus are as follows:

Administrators	means Richard Albarran, David Ross and Blair Pleash jointly and severally, in their capacity as deed administrators of the DOCA.
AUD \$	means Australian dollars. All amounts in this Prospectus are in Australian dollars unless stated otherwise.
Applicant	means a person who submits an Application.
Application	means a valid application to subscribe for Shares under this Prospectus.
Application Monies	means the amount of money in dollars and cents payable for Shares pursuant to this Prospectus.
Associates	has the meaning given in the Corporations Act.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691).
Board	means the Board of Directors of the Company.
Business Day	means a day on which trading banks are open for business in Perth, Western Australia except a Saturday, Sunday or public holiday.
Asset Sale Agreement	means the Asset Sale Agreement between the Company and Carbon Polymers Limited (ACN 000 764 572) dated on or about on or about 19 May 2011
CHESS	means ASX Clearing House Electronic Sub-register System.
Claim	means a debt owing by, or a claim subsisting against the Company whether present or future, certain or contingent, ascertained or sounding only in damages, being debts or claims arising on or before the 17 February 2011
Closing Date	means an indicative date of 28 June 2012 or other such date and time as the Company may determine.
Company	means Reclaim Industries Ltd (ACN 090 671 819) (Subject to Deed of Company Arrangement).
Consolidation	means the one (1) for five (5) consolidation of the Company's issued capital to be approved at the General Meeting.
Convertible Note Agreements	means the convertible Note agreements entered into between the Company and Jemaya Pty Ltd, Tranquilo Investments, Kobia Holdings Pty Ltd, Trident Capital, Foster West Securities Pty Ltd, Mr. Stephen Hewitt-Dutton and Mr. KC Dennis Ong and /or his nominees (each as excluded investors under section 708 of the Corporations Act) as summarised in Section 6.2.
Convertible Note Shares	means the issue of 120,000,000 Shares issued upon the conversion of the Notes pursuant to the Convertible Note Agreements.
Conversion Offer	means an offer 120,000,000 Convertible Note Shares at an issue price of \$0.005 per Convertible Note Share to Note holders as set out in Section 1 of this Prospectus.
Conversion Offer Application Form	means the Conversion Offer Application Form attached to, and forming part of this Prospectus.

Corporations Act	means the Corporations Act 2001 (Cth).
Creditor(s)	means any person having a Claim against the Company.
Creditors' Offer	means the offer the Creditors' Shares to the Deed Administrator under this Prospectus in accordance with the terms of the DOCA.
Creditors' Offer Application Form	means the Creditors' Offer Application Form attached to, and forming part of this Prospectus.
Creditors' Trust	means the trust to be formed following the completion of the DOCA pursuant to the terms of the Creditors' Trust Deed.
Creditors' Trust Deed	means the Creditors' trust deed between the Trustees and the Company to come into effect upon completion of the DOCA.
Creditors' Shares	means the issue of 12,280,509 Shares to the Trustees of the Creditors' Trust.
Deed Administrators	has the same meaning as Administrators.
Directors	means the directors of the Company.
DOCA	means the Deed of Company Arrangement executed on 14 April 2011 between the Administrators, the Company and Trident Capital.
Existing Shares	means the 113,597,454 Shares in the Company on issue at the date of this Prospectus.
Existing Shareholder	means the holder of an Existing Share.
Exposure Period	means the period of seven (7) days after the date of lodgement of the Prospectus, which period may be extended by ASIC by not more than seven (7) days pursuant to section 727(3) of the Corporations Act 2001.
General Meeting	means the meeting of shareholders to be held on 20 June 2012, details of which are summarised in Section 3.2 .
Issue	means the issue of Shares in accordance with the Offer.
Listing Rules	means the listing rules of ASX.
Minimum Subscription	means the raising of \$2,250,000 by the issue of 225,000,000 Shares pursuant to this Prospectus.
Notes	means the convertible notes issued under the Convertible Note Agreements.
Notice of General Meeting	means the notice convening the General Meeting.
Offers	means the Public Offer and the Creditors' Offer and the Conversion Offer.
Official List	means the official list of ASX.
Opening Date	means the first date for receipt of completed Application Forms which is 9:00am EST on 2 June 2012 or other such date and time as the Company may determine.
Post Consolidation Shares	means the 22,719,491 Shares in the Company on issue following the one for five capital consolidation to be approved by the Existing Shareholders at the General Meeting.
Prospectus	means this prospectus dated 31 May 2012.
Public Offer	means the offer pursuant to this Prospectus of 225,000,000 Shares at an issue price of \$0.01 each to raise \$2,250,000 as set out in Section 1 of this Prospectus.

Public Offer Application Form	means the Public Offer Application Form attached to, and forming part of this Prospectus.
Quotation	means official quotation as defined in the Listing Rules.
Recapitalisation Proposal	means the proposal for the recapitalisation of the Company to be implemented in accordance with the resolutions approved by Shareholders at the General Meeting as described in Section 3.2 of this Prospectus.
Replacement Prospectus	means the prospectus which replaces the prospectus lodged by the Company with ASIC on 18 May 2012.
Share(s)	means a fully paid ordinary share or shares in the capital of the Company.
Shareholder	means the holders of Shares registered in the Company's share registry.
Share Registry	means Security Transfer Registrars Pty Ltd (ACN 008 894 488).
Subscription Account	means the bank account that will be established by the Company for the purpose of depositing all the Application Monies until such time as they are eligible for withdrawal.
Trident Capital	means Trident Capital Pty Ltd (ACN 100 561 733)
Trustees	means Richard Albarran, David Ross and Blair Pleash, jointly and severally as Trustees of the Creditors' Trust.

Guide to the Public Offer Application Form

This Offer Application Form relates to the Public Offer of Shares in Reclaim Industries Ltd. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus dated 31 May 2012. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable), and an Offer Application Form on request and without charge.

Please complete the all relevant sections of the Offer Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Offer Application Form. Further particulars in the correct forms of resitable titles to use on the Application Form are contained in the table below.

- A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 200,000 Shares and thereafter in multiples of 100,000 Shares.
- B Insert the relevant account Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by 1c.
- C Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the Company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that presently registered in the CHES system.
- D Enter your Tax File Number (TFN) or exemption category. Where applicable please enter the TFN for each joint Applicant. Collection of TFNs is authorized by taxation laws. Quotation for your TFN is not compulsory and will not affect your Application.
- E Please enter your postal address for all correspondence. All communications to you from the Shares Registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F Please enter your telephone number(s), area code, email address and contact name in case we need to contact you regarding your Application.
- G Reclaim Industries Ltd will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES sub register of securities holdings and an electronic issuer sponsored sub register of securities holdings. Together the two sub registers will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of securities allotted.

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES sub register, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For Further information refer to the relevant section of the Prospectus.

- H Please complete cheque details as requested.

Make your cheque payable to "Reclaim Industries Ltd – Subscription Account" in Australian currency and cross it "Not Negotiable" Your cheque must be drawn on an Australian Bank.

The amount should agree with the amount shown in section B.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

- I Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Offer Application Form, the Applicant(s) agrees that this Application is for shares in Reclaim Industries Ltd upon and subject to the terms of this Prospectus, and agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Offer Application Form.

Lodgement of Applications

Return your completed Offer Application Form with cheque(s) attached to:

In Person to: Reclaim Industries Ltd C/- Trident Capital Level 24, 44 St Martin's Tower 44 St Georges Terrace PERTH WA 6000	OR	By Post to: Reclaim Industries Ltd C/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831
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Application Forms must be received no later than 28 June 2012 which may be changed immediately after the Opening Date at any time at the discretion of the Company.

Correct form of Registrable Title

Only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the examples below:

Type of Investor	Correct form of Registrable Title	Incorrect form Registrable Title
Individual Use Names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18). Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company - Use Company title, not abbreviations	ABC Pty Ltd	ABC P/L; ABC Co
Trusts - Use Trustees(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates - Use executor(s) person name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships - Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

SECTION 12

CREDITORS' OFFER APPLICATION FORM

CREDITORS OFFER APPLICATION FORM AND INSTRUCTIONS

Reclaim Industries Ltd (ACN 090 671 819)
(Subject to Deed of Company Arrangement)

Please read all instructions on the reverse of this form

Share Registrars Use Only	
Broker reference – Stamp only	
Broker Code	Adviser Code

A Number of Shares applied for

B Full name details, title, given name(s) (no initials) and surname or Company name

Name of Applicant 1

Name of applicant 2 or <Account Designation>

Name of applicant 3 or <Account Designation>

D Write Your Full Postal Address Here
Number/Street

Suburb/Town

F Chess HIN (if applicable)

C Tax File Number(s)
Or exemption category

E Contact Details
Contact Name

Contact daytime telephone Number

State/postcode

G You should read the Prospectus dated 31 May 2012 carefully before completing this Offer Application Form. The Corporations Act prohibits any person from passing on this Offer Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of Reclaim Industries Ltd; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Offer Application Form or a copy of the Offer Application Form or a direct derivative of the Offer Application Form, before applying for Shares.

Return of the Offer Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company. Please note that the Company will not accept electronic lodgement of Offer Application Forms or electronic funds transfer.

Guide to the Creditors Offer Application Form

This Creditors Offer Application Form relates to the Creditors' Offer of Shares in Reclaim Industries Ltd. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus dated 31 May 2012. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable), and an Offer Application Form on request and without charge.

Please complete the all relevant sections of the Offer Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Offer Application Form. Further particulars in the correct forms of resistible titles to use on the Application Form are contained in the table below.

- A Insert the number of Shares you wish to apply for.
- B Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHESS) participants should complete their name and address in the same format as that presently registered in the CHESS system.
- C Enter your Tax File Number (TFN) or exemption category. Where applicable please enter the TFN for each joint Applicant. Collection of TFNs is authorized by taxation laws. Quotation for your TFN is not compulsory and will not affect your Application.
- D Please enter your postal address for all correspondence. All communications to you from the Shares Registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- E Please enter your telephone number(s), area code, email address and contact name in case we need to contact you regarding your Application.
- F Reclaim Industries Ltd will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. In CHESS, the Company will operate an electronic CHESS sub register of securities holdings and an electronic issuer sponsored sub register of securities holdings. Together the two sub registers will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of securities allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHESS sub register, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For Further information refer to the relevant section of the Prospectus.

- G Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Offer Application Form, the Applicant(s) agrees that this Application is for shares in Reclaim Industries Ltd upon and subject to the terms of this Prospectus, and agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Offer Application Form.

Lodgement of Applications

Return your completed Offer Application Form with cheque(s) attached to:

In Person to: Reclaim Industries Ltd C/- Trident Capital Level 24, 44 St Martin's Tower 44 St Georges Terrace PERTH WA 6000	OR	By Post to: Reclaim Industries Ltd C/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831
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Application Forms must be received no later than 28 June 2012 which may be changed immediately after the Opening Date at any time at the discretion of the Company.

Correct form of Registrable Title

Only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the examples below:

Type of Investor	Correct form of Registrable Title	Incorrect form Registrable Title
Individual Use Names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18). Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company - Use Company title, not abbreviations	ABC Pty Ltd	ABC P/L; ABC Co
Trusts - Use Trustees(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates - Use executor(s) person name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships - Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

SECTION 13

CONVERSION OFFER APPLICATION FORM

CONVERSION OFFER APPLICATION FORM AND INSTRUCTIONS

Reclaim Industries Ltd (ACN 090 671 819)
(Subject to Deed of Company Arrangement)

Please read all instructions on the reverse of this form

Share Registrars Use Only

Broker reference – Stamp only

Broker Code	Adviser Code
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A Number of Shares applied for

B Full name details, title, given name(s) (no initials) and surname or Company name

Name of Applicant 1

Name of applicant 2 or <Account Designation>

Name of applicant 3 or <Account Designation>

D Write Your Full Postal Address Here

Number/Street

Suburb/Town

F Chess HIN (if applicable)

G You should read the Prospectus dated 31 May 2012 carefully before completing this Offer Application Form. The Corporations Act prohibits any person from passing on this Offer Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

I/We declare that:

(a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of Reclaim Industries Ltd; and

(b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Offer Application Form or a copy of the Offer Application Form or a direct derivative of the Offer Application Form, before applying for Shares.

Return of the Offer Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company. Please note that the Company will not accept electronic lodgement of Offer Application Forms or electronic funds transfer.

C Tax File Number(s)
Or exemption category

E Contact Details

Contact Name

Contact daytime telephone Number

()

State/postcode

Guide to the Conversion Offer Application Form

This Conversion Offer Application Form relates to the Conversion Offer of Shares in Reclaim Industries Ltd. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus dated 31 May 2012. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable), and an Offer Application Form on request and without charge.

Please complete the all relevant sections of the Offer Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Offer Application Form. Further particulars in the correct forms of resistible titles to use on the Application Form are contained in the table below.

- A Insert the number of Shares you wish to apply for.
- B Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that presently registered in the CHES system.
- C Enter your Tax File Number (TFN) or exemption category. Where applicable please enter the TFN for each joint Applicant. Collection of TFNs is authorized by taxation laws. Quotation for your TFN is not compulsory and will not affect your Application.
- D Please enter your postal address for all correspondence. All communications to you from the Shares Registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- E Please enter your telephone number(s), area code, email address and contact name in case we need to contact you regarding your Application.
- F Reclaim Industries Ltd will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES sub register of securities holdings and an electronic issuer sponsored sub register of securities holdings. Together the two sub registers will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of securities allotted.

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES sub register, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For Further information refer to the relevant section of the Prospectus.

- G Please complete cheque details as requested.
Make your cheque payable to "Reclaim Industries Ltd – Subscription Account" in Australian currency and cross it "Not Negotiable" Your cheque must be drawn on an Australian Bank.
The amount should agree with the amount shown in section B.
Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- H Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Offer Application Form, the Applicant(s) agrees that this Application is for shares in Reclaim Industries Ltd upon and subject to the terms of this Prospectus, and agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Offer Application Form.

Lodgement of Applications

Return your completed Offer Application Form with cheque(s) attached to:

In Person to: Reclaim Industries Ltd C/- Trident Capital Level 24, 44 St Martin's Tower 44 St Georges Terrace PERTH WA 6000	OR	By Post to: Reclaim Industries Ltd C/- Trident Capital PO Box Z5183 St Georges Terrace PERTH WA 6831
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Application Forms must be received no later than 28 June 2012 which may be changed immediately after the Opening Date at any time at the discretion of the Company.

Correct form of Registrable Title

Only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the examples below:

Type of Investor	Correct form of Registrable Title	Incorrect form Registrable Title
Individual Use Names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18). Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company - Use Company title, not abbreviations	ABC Pty Ltd	ABC P/L; ABC Co
Trusts - Use Trustees(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates - Use executor(s) person name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships - Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son