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16th May 2014

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY, NSW 2000.

Reclaim Industries Limited Enters Into a Heads of Agreement to Acquire Skills Connect

Dear Sir,

The Directors of Reclaim Industries Limited (“**RCM**” or the “**Company**”) are pleased to announce that they have entered into a Heads of Agreement (“**HOA**”) with the Employment Management Systems Pty Ltd (“**EMS**”), Skills Connect Pty Ltd (“**SCL**”) and Employment Management Systems Pty Ltd Shareholders (“**Vendors**”), to acquire 100% of all rights and title in all the issued capital of EMS. EMS is the legal owner and beneficial owner of SCL.

About SCL

SCL is a privately owned cloud based business that provides a business intelligence solution for multi-sourced human capital. SCL has patented a three way connectivity system between a candidate, HR/Recruitment firms and businesses. This is the first fully integrated, secure, searchable, multi-site enterprise cloud solution with mass personalised individual candidate account management. By utilising a customised Google Search Application, SCL is able to deliver rapid search and filtration of candidates in order to streamline the recruitment process. The key benefits of the Skills Management System are that it provides transparency, accountability and significant cost savings that ensures margins are maintained.

SCL business solutions received the following recognition for its innovation:

- 2012 Winner – Red Herring Global 100 Award – Asia (Hong Kong);
- 2012 Finalist – Red Herring Global 100 Award – Global (Los Angeles, US); and
- 2011 Review – Australian Technology Showcase.

SCL’s notable network partners are iWebGate, lodm, DMSBT and Rackspace.

For more information, please visit <http://skillsconnect.biz/home>.



Heads of Agreement

On the 15th of May 2014, RCM and the Vendors executed a HOA that subject to satisfaction of a number of conditions precedent, will result in RCM acquiring all of the issued capital of EMS.

Under the terms of the HOA, RCM, EMS, SCL and the Vendors are to execute a Share Sale Agreement within 60 days, and agree as follows:

- RCM will issue 400,000,000 fully paid ordinary Consideration Shares upon completion of the acquisition;
- RCM will issue 350,000,000 fully paid ordinary shares upon the achievement of Milestone 1;
- RCM will issue 300,000,000 fully paid ordinary shares upon the achievement of Milestone 2; and
- RCM will issue 20,000,000 fully paid ordinary Facilitation Shares upon completion of the acquisition.

Milestones	Number of Shares to be Issued
<p>Milestone 1 means either:</p> <p>a) SCL achieves \$2.75 million in revenue within the first 12 months of the date on which loan funds are advanced to SCL “Loan Date”; or</p> <p>b) SCL is sold for an amount not less than \$150 million in the 18 months from Loan Date.</p>	350,000,000
<p>Milestone 2 means either:</p> <p>a) SCL achieves \$20 million in revenue within the first 18 months of Loan Date; or</p> <p>b) SCL is sold for an amount not less than \$150 million in the 18 months from Loan Date.</p>	300,000,000
Potential Total Fully Paid Ordinary Shares to be Issued	650,000,000

*Each of the Fully Paid Ordinary Shares shall entitle the shareholder to full voting rights from the date of issue.

Conditions Precedent

The HOA is subject to a number of conditions as follows:

- i) RCM successfully completing a capital raisings to raise not less than \$2,500,000;
- ii) RCM, SCL and EMS obtaining all required shareholder and regulatory approvals;
- iii) EMS Shareholders agreeing to execute the Share Sale Agreement; and
- iv) RCM and the Vendors completing their due diligence on the other, to their absolute satisfaction.

SCL is entitled to nominate 3 persons to the Board of Directors on completion of the transaction.



Due Diligence and Risk Factors

The Company will undertake a due diligence process in relation to the acquisition. Whilst this process is undertaken to identify or eliminate material risks in relation to the acquisition, it should be noted that following completion of the Share Sale Agreement, RCM will be subject to the usual risks associated with information technology companies.

Sophisticated Placement

The Company is seeking to undertake a sophisticated placement to raise \$582,000 at \$0.006 by issuing 97,000,000 shares. 56,000,000 shares will be issued in accordance with the Company's 15% entitlement pursuant to Listing Rule 7.1 and 41,000,000 shares issued subject to shareholder approval being obtained.

Re-compliance With Chapters 1 And 2 of the ASX Listing Rules

In the event that the ASX makes a determination that RCM is required to re-comply with Chapters 1 and 2, the Company will be required to complete a number of elements determined by the ASX Listing Rules summarised but not limited to the following.

RCM would be required to call a meeting of shareholders, at which the shareholders will be asked to vote on the acquisition. If the shareholders approve the transaction to acquire EMS, the Company's shares will be suspended from trading on the ASX until the requirements of Chapters 1 and 2 of the ASX Listing Rules have been satisfied.

Proposed Timetable for Reconciliation

	Date*
Sophisticated Placement on or before	24 May 2014
Despatch of Notice of Meeting	27 June 2014
Meeting of Shareholders to Approve Acquisition	27 July 2014
Results announced and suspension of Company's Shares from trading on ASX	27 July 2014
Lodgement of Disclosure Document	27 July 2014
Closure of Disclosure Document	27 August 2014
Satisfaction of all Requirements of Chapters 1 & 2	3 September 2014
Reinstatement to Trading	6 September 2014

*The above dates are indicative only and are subject to change. The Company will keep shareholders updated on the timing of the implementation of the transaction as it progresses.

Indicative Capital Structure after Completion of the Transaction

In the event that the ASX makes a determination that RCM is to re-comply with Chapters 1 and 2, the Company may need to reconstruct its capital structure as it will require a capital raising at \$0.20 per share.

The table below reflects the indicative capital structure based on the following assumptions:

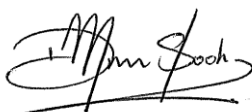
1. The final capital structure without reconstruction; and
2. The final capital structure based on a share price of \$0.01 immediately prior to the issuance of the Notice of Meeting. The reconstruction ratio is one share for every twenty held;

	1. Number of Shares (No Reconstruction)	2. Number of Shares (Reconstruction: 1 share for every 20 shares held) ⁽ⁱⁱ⁾
Current issued capital	379,999,473	18,999,974
Sophisticated placement	97,000,000	4,850,000
Shares to be issued in capital raising, completed as part of the recompliance with Chapters 1 & 2 of the ASX Listing Rules	200,000,000	10,000,000
Facilitation fee	20,000,000	1,000,000
Completion shares to be issued	400,000,000	20,000,000
Total Shares on Issue following Completion and Recompliance ⁽ⁱ⁾	1,096,999,473	54,849,974
Milestone shares to be issued	650,000,000	32,500,000
Total Shares on Issue following Completion and Recompliance assuming Milestones satisfied ⁽ⁱ⁾	1,746,999,473	87,349,974

(i) The above table and total issued shares after completion of the transaction is indicative only and are subject to change.

(ii) The reconstruction ratio may change dependent on the RCM share price at the issuance date of the Notice of Meeting.

Yours sincerely



Deborah Ho
Company Secretary