



ECSIlimited

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To: Australian Securities Exchange Ltd
Attn: Ms. S Dabski
Adviser, Issuers (Sydney)
Companies Announcement Office
Electronics Lodgement System

ECSI Limited enters into Due Diligence Agreement for Purchase of Chinese Coking Facility

The board of **ECSI Limited [ASX Code: ECS]** announces that it has entered into an Agreement for Purchase of the Qitaihe Coking Facility; subject to satisfactory completion of its Due Diligence. The Due Diligence period has been initially set for 45 days.

The agreement follows the recent fact finding and business review to China undertaken by Chairman Jim Green and members of the Company's Board and subsequent preliminary due diligence.

The Qitaihe Coking is located in the Qiezihe District of the city of Qitaihe in the north-east of Heilongjiang Province; China and operates at an annual rate exceeding 150,000tpa. The plant has achieved monthly production rates above 200,000tpa. If the existing Qitaihe Coke Plant is maintained in an adequate condition then it is capable of achieving an annual capacity in excess of 200,000 tonnes.

The Qitaihe Coke Plant currently produces a Grade II coke suited to the local market. It would be the intention of the Company; that once acquired that the plant be upgraded in scale and technology. This change in coking technology could also allow the production of a Grade I coke.

The coal is currently sourced from a number of local mines, either as a washed coal suitable for direct use, or as a raw coal that requires processing in the on-site coal preparation plant.

The coke plant has its own coal preparation plant used to wash the various coals available in the area to produce suitable coke oven feed. The current annual capacity is 600,000tpa.

The plant treats raw coal from the local mines, washing them individually to produce the low ash coking coal products required for coke ovens whilst also producing a higher ash thermal coal suitable for use in a local power station. The local area has a number of power stations, ensuring a ready market for this coal. The Qitaihe Coal Mining Area contains significant coal resources of the order of 4 – 5 billion tonnes ("Bt").

The current plan is for future coal supply to continue the approach used since 2004. The plant appears to have sourced raw coal from a large number of suppliers. It is probably that in the future that the Company will look to purchase of a coal mine within 30 – 50km of the plant site.

ECSI Limited Chairman, Mr Jim Green said the opportunity which is outside the Company's current business activities was one that he felt was of such potential benefit to shareholders that it was worthy of extra work and effort required. He further noted that this was a result of being able to examine new opportunities; utilising the background of 20 years contacts and business experience in China.

The Company will maintain its existing business interests in China and if the transaction is completed will separate the two activities into separate business units. Ultimately it is probable that the Company would float one of the businesses separately.

ECSI Limited is proposing to purchase Alphacoal Limited for \$2 million. ECSI has paid a refundable deposit of \$1 million to establish its capacity and bona fides. The balance is not due for 18 months; and subject to the successful completion of the Company's due diligence.

The final price will be in the vicinity of \$18 million; subject to due diligence and the majority only payable upon the obtaining of stipulated benchmarks.

The Company will appoint this week its Independent Expert to assist in reviewing the data provided. As part of the purchase ECSI obtain the significant work undertaken by Alphacoal's due diligence team.

Placement for \$500,000

The Company has also engaged Alpha Wealth Financial Services Pty Ltd to raise \$500,000 by way of placement. A substantial portion of this money is expected within the next 10 days.

The issue of Placement Shares, under ASX Listing Rule 7.1, is within the Company's 15% placement capacity.

Use of Proceeds

The proceeds of the Placement will be used to supplement ECSI's working capital, fund its due diligence, and ensure its administrative and corporate commitments are met.

This strategy should would create significant value for shareholders and assist the company in the next phase of its growth.

Any questions can be directed to the writer.

Yours faithfully

Jim Green
Chairman

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jim Green', written in a cursive style.

Jim Green

Executive Chairman
For further information
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