



ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED

ABN 28 009 120 405



## Prospectus

### Non-Renounceable Rights Issue

26 August 2011

Prospectus for non-renounceable rights issue of 2 New Shares for every 3 fully paid ordinary shares held at 0.6 cents per New Share to raise approximately \$3.8 million before expenses.

Subscribers for New Shares will receive, at no cost, 1 New Option for every 2 New Shares issued to them at an exercise price of approximately 2 cents.

This Offer is partially underwritten.

There is no minimum subscription and Eligible Shareholders may apply for Additional New Shares in excess of their Entitlement.

**The last date for applications and payment to be received is 5:00pm on 27 September 2011 (unless extended).**

#### IMPORTANT NOTICE

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay. The New Shares and New Options offered under this Prospectus should be considered as speculative.

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## **IMPORTANT NOTICE**

This Prospectus is dated 26 August 2011 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

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

The Prospectus sets out information in relation to the non-renounceable offer by ECT of New Shares and New Options in the share capital of Environmental Clean Technologies Limited ACN 109 120 405 (**ECT**) (Offer).

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

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

It is important that you carefully read this Prospectus in its entirety before deciding to invest in ECT and, in particular, that you consider the risk factors that could affect the financial performance of ECT. In addition to the general risks applicable to all investments in listed companies (which are further described in section 6.3), there are specific risks associated with an investment in ECT. These risks are discussed in section 6.2. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### **Disclaimer**

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

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

### **Ineligible shareholders**

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

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

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

However, non-Australian and non-New Zealand resident shareholders can apply for an allocation of Shares on the same terms as this Offer. Subject to relevant legislation and regulations in the country of domicile of the Shareholder, the Board may allocate a portion of any Shortfall to non-Australian and non-New Zealand resident shareholders who have applied for an allocation of Shares.

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

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

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

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

The New Shares and New Options are not being offered or sold to the public within New Zealand, other than to existing Shareholders of ECT with registered addresses in New Zealand to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Prospectus and Entitlement and Acceptance Form have not been registered, filed or approved by a New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

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

### **Electronic Prospectus**

This Prospectus may be viewed online at [www.asx.com.au](http://www.asx.com.au) and [www.ectltd.com.au](http://www.ectltd.com.au). If you are an Eligible Shareholder and have access to an electronic version of this Prospectus, you should ensure that you download and read the entire document. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form. The Entitlement and Acceptance Form will be mailed to Eligible Shareholders together with a hard copy of this Prospectus.

### **Defined terms and abbreviations**

Terms and abbreviations used in this Prospectus are defined in section 8.

## Application for New Shares and New Options

If you wish to apply for New Shares and New Options, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Prospectus, with payment, by the Closing Date. Eligible Shareholders who wish to make payment via BPAY are not required to return the Entitlement and Acceptance Form. Details of how to make a payment via BPAY are set out in section 3.5. If you have not received a personalised Entitlement and Acceptance Form, please contact Security Transfer Registrars Pty Limited on +61 8 9315 2333 or via email at [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au).

## SUMMARY OF THE OFFER

### The Offer

ECT is offering approximately 634 million New Shares at \$0.006 per New Share to raise approximately \$3.8 million before costs and expenses under this Prospectus, on the basis of 2 New Shares for every 3 fully paid ordinary shares in ECT (**Shares**) held on the Record Date (5.00pm on 7 September 2011) (**Offer**).

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Prospectus.

In addition, subscribers for New Shares will receive 1 New Option, at no cost, for every 2 New Shares issued to them.

This Offer is partially underwritten by Iain McEwin, non-executive director and key Shareholder of the Company. Details of the Underwriting Agreement are set out in section 7.7.

Persons with registered addresses in Australia or New Zealand who are registered holders of Shares on the Record Date (**Eligible Shareholders**) will be entitled to participate in the Offer.

### Reasons for the Offer

The purpose of the Offer, and the intended use of the funds raised by the Offer, is to:

- complete Phase 1 of the Design for Tender in respect of the Proposed Coldry Production Plant as described in section 4.2;
- fund the net cash loss between the cost of producing, and the revenue derived from, the 2,000 tonnes of Coldry BCE to be used by Datang in the Test Burn;
- meet short-term, working capital requirements in respect of the Test Burn; and
- meet operational expenditure in respect of the on-going development of the Coldry Technology and the MATMOR Technology.

## KEY OFFER DETAILS

Key financial data relating to the Offer	
<b>New Share issue Price</b>	\$0.006
<b>New Option exercise price</b>	Approximately \$0.02 The actual exercise price will be announced on or before 2 September 2011. Refer section 1.14.
<b>Offer ratio</b>	2 New Shares for every 3 Shares held by Eligible Shareholders on the Record Date. Additionally, subscribers will be issued 1 New Option, at no cost, for every 2 New Shares issued.
<b>Number of New Shares to be issued</b>	Approximately 634 million
<b>Number of New Options to be issued</b>	Approximately 317 million
<b>Amount to be raised under the Offer</b>	Approximately \$3.8 million (before expenses)
<b>Underwriting</b>	Partially underwritten by Iain McEwin (details of the Underwriting Agreement are set out in section 7.7)
<b>Number of Shares on issue following completion of the Offer</b>	Approximately 1,586 million fully paid Shares
<b>Number of Options on issue following completion of the Offer</b>	Approximately 836 million Options

## Key Dates\*

<b>Announcement Date:</b> Announcement of the Offer and lodgement of Prospectus with ASIC	Friday 26 August 2011
<b>Ex Date:</b> The date on which ECT Shares commence trading without the entitlement to participate in the Offer	Tuesday 30 August 2011
<b>Record Date:</b> The date for determining entitlements of Shareholders to participate in the Offer (at 5:00pm)	Monday 5 September 2011
<b>Prospectus sent to Shareholders:</b> Anticipated despatch of Prospectus and Entitlement and Acceptance Forms	Tuesday 6 to Friday 9 September 2011
<b>Closing Date:</b> The last day for receipt of Entitlement and Acceptance Forms and payment (at 5:00pm)	Tuesday 27 September 2011
<b>Trading of New Shares and New Options:</b> Date on which New Shares and New Options will begin trading on ASX on a deferred settlement basis	Wednesday 28 September 2011
<b>Despatch Date:</b> Anticipated entry of New Shares and New Options into uncertified accounts	Wednesday 5 October 2011
<b>Normal Trading:</b> Date on which normal trading of New Shares and New Options commences	Thursday 6 October 2011

\* These dates are subject to change and are indicative only. ECT reserves the right to amend this indicative timetable without notice. In particular, ECT reserves the right, subject to the Corporations Act and the ASX Listing Rules to close the Offer early, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares and New Options.



## LETTER FROM THE CHAIRMAN

Dear Shareholder

The Directors of ECT are pleased to offer you the opportunity to increase your investment in the Company through this pro rata offer of New Shares and attaching New Options.

This non-renounceable Offer provides Shareholders the right to subscribe for 2 New Shares for every 3 Shares held at an issue price of 0.6 cents per New Share. Subscribers for New Shares will also receive, at no cost, 1 New Option for every 2 New Shares issued to them. Each New Option will be an ESIO exercisable on or before 16 January 2014. The New Options will rank equally with existing ESIOs.

The Offer will raise approximately \$3.8 million before expenses, which are expected to be approximately \$200,000 (not including Brokerage or Shortfall Fees). If the Offer is fully subscribed, the Company will issue approximately 634 million New Shares and 317 million New Options. The Company will apply for ASX listing of the New Shares and New Options as ESI and ESIO respectively.

The Company will consider applications for Additional New Shares from Eligible Shareholders under the Offer and also reserves its right to invite third parties to participate in any Shortfall.

Existing holders of ESIOs and Unlisted Options who do not exercise these Options by the Record Date are not entitled to participate in the Offer in respect of those Options.

The Company is a sales and marketing led, technology commercialisation vehicle. Our business model is based on licensing technology, essentially creating annuity based revenue streams without the need to raise equity or carry debt to finance construction. The Company's focus has been on commercialising the Coldry and MATMOR Technologies. The Company plans to licence the construction and operation of a large scale Coldry production plant at the Loy Yang Power Station in Victoria's Latrobe Valley.

Following termination of the joint venture agreement between ECT and Tincom Australia Pty Ltd on 31 May 2011, the Directors have been reviewing the Company's options to progress the commercial deployment of the Coldry Technology. Future directions for the Company which are currently being considered include:

- negotiating with coal producers, coal trading companies and coal consumers in several countries to secure Coldry Technology licensing arrangements;
- engaging a new partner to participate in the Victorian Coldry Project; and
- entering into large scale coal off-take agreements with overseas black coal consumers, primarily power station operators, to support the ongoing commercial operations of the Proposed Coldry Production Plant.

Important steps in realising the future direction of the Company are:

- successful completion of the Test Burn to be conducted by Datang;
- completion of Phase 1 of Arup's Design for Tender; and
- continuing to pursue opportunities to secure off-take agreements and other contractual commitments in respect of the sale and supply of Coldry BCE.

The Design for Tender will cost approximately \$3.6 million and will be delivered in three phases. Phase 1, to be concluded at the end of 2011 or early 2012, will cost approximately \$1 million and will allow for the results from the Test Burn to be incorporated into the remaining DFT program. The net cost of funding

production of the Test Burn tonnage and its delivery to China will be approximately \$0.5 million. The Company also requires additional funding to satisfy its working capital requirements through to the first half of 2012.

The Directors are seeking to minimise Shareholder dilution by phasing its capital raising to align with the results of the Test Burn and on-going funding requirements for the continuing development of the Coldry and MATMOR Technologies into 2012.

The Company is in the early stages of the commercial scale up of its Coldry Plants. Like other companies at a similar stage of commercialisation of its products, the Company faces a number of risks which could adversely impact on its performance and the value of its Shares. While details of the risk are provided in section 6, the Directors consider the key risks for the Company to be:

- the failure of the Datang Test Burn;
- inability to secure a long-term, off-take agreement with Datang; and
- inability to enter into a binding contract with GEAC for coal supply and siting of the Proposed Coldry Production Plant.

To apply for New Shares and New Options under the Offer, you must complete and return the Entitlement and Acceptance Form accompanying this Prospectus, with payment, no later than 5.00 pm on Tuesday 27 September 2011.

Iain McEwin is non-executive Director and a key Shareholder of the Company. He has agreed to take up his full Entitlement to New Shares under the Offer and partially underwrite the Offer by subscribing for New Shares to the value of \$100,000 to be issued under any Shortfall. Ashley Moore, Chief Operating Officer and executive Director intends to take up his full Entitlement under the Offer.

I invite you to read the Prospectus in its entirety. On behalf of ECT, we recommend this Offer to you and encourage your participation.

**Mike Davies**  
**Managing Director and Executive Chairman**

26 August 2011

## INVESTMENT DETAILS

### 1 Details of the Issue and Terms of the Offer

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This section is intended to provide information on the Offer under this Prospectus.

#### 1.1 This Offer

ECT is making a non-renounceable offer to Eligible Shareholders to subscribe for New Shares on the basis of 2 New Shares for every 3 Shares held as at 5:00 pm on the Record Date at an issue price of 0.6 cents per New Share.

The price payable for each New Share under the Offer is the same as the placement announced on 18 August 2011, which represents a 14% discount on the closing market price of Shares on ASX on 17 August 2011.

Subscribers for New Shares will also receive, at no cost, 1 New Option for every 2 New Shares issued to them.

The number of New Shares and New Options that you are entitled to (that is, your Entitlement and the number of Rights you have) is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus.

Rights are non-renounceable which means that Eligible Shareholders may not transfer, dispose of or otherwise deal with any part of their Entitlement. There will be no trading of Rights on ASX

Eligible Shareholders will not be obliged to pay brokerage or other fees in respect of the New Shares and New Options acquired under the Offer.

#### 1.2 Underwriting

This Offer is partially underwritten by Iain McEwin, non-executive director and key Shareholder of the Company. Pursuant to the Underwriting Agreement, Mr McEwin (or entities controlled by him) must subscribe for New Shares, up to the value of \$100,000, to be issued under any Shortfall. The agreement to partially underwrite the Offer is in addition to Mr McEwin agreeing to subscribe for his full Entitlement to New Shares under the Offer.

#### 1.3 Use of the proceeds of Offer

The Offer will raise approximately \$3.8 million (before costs and expenses), if fully subscribed.

The funds raised under the Offer will be used to:

- complete Phase 1 of the Design for Tender in respect of the Proposed Coldry Production Plant and, if the Offer is fully subscribed, initiate Phase 2 of the Design for Tender as described in section 4.2;
- fund the net cash loss between the cost of producing, and the revenue derived from, the 2,000 tonnes of Coldry BCE to be used by Datang in the Test Burn;
- meet short-term, working capital requirements in respect of the Test Burn; and

- meet operational expenditure in respect of the on-going development of the Coldry and MATMOR Technologies.

Further details on the intended use of the proceeds of the Offer are set out in section 4.3.

It is important to note that there is no minimum subscription for the Offer and the Offer is only partially underwritten. Accordingly, the Company may not raise the full amount under the Offer or by the placement of any Shortfall.

If the Offer is not fully subscribed, ECT will be constrained in its ability to further develop the Coldry Technology and advance its plans for the Proposed Coldry Production Plant.

Note:

The Company will pay holders of an AFSL (as determined by the Board) a Brokerage Fee of 5% of the gross proceeds of any New Shares (including any Additional New Shares) issued to Eligible Shareholders under the Offer. The Board also reserves the right to pay an additional 5% fee to the holder of an AFSL for the placement of a substantial portion of any Shortfall (Shortfall Fee). The estimated expenses of the Offer set out in section 7.17 do not include any Brokerage or Shortfall Fees that may be paid to holders of an AFSL and accordingly, the estimated expenses may increase to the extent of any such payment. The total Brokerage Fees and any Shortfall Fees cannot be calculated as at the date of this Prospectus as it is dependent on the number of New Shares issued in connection with the holders of an AFSL.

#### **1.4 Your Entitlement**

Your Entitlement, that is, the number of Rights you have (or, the number of New Shares and New Options to which you are entitled) under the Offer is shown on your personalised Entitlement and Acceptance Form accompanying this Prospectus. Fractional entitlements to New Shares and New Options will be rounded up to the nearest whole number. Please note that if you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.

Your Rights are non-renounceable, which means that Eligible Shareholders may not transfer, dispose of or otherwise deal with any part of their Entitlement. There will be no trading of Rights on ASX.

The Record Date for the purpose of the Offer is 5.00 pm on 5 September 2011. Persons with registered addresses in Australia or New Zealand who are registered as the holders of Shares on the Record Date (Eligible Shareholders), will be entitled to participate in the Offer.

#### **1.5 Closing date**

The Company will accept applications from the date of this Prospectus until 5.00 pm on 27 September 2011 or such other date as the Directors in their absolute discretion may determine subject to the requirements of the ASX Listing Rules. Applications for any Shortfall will be accepted after the Closing Date.

For the convenience of Eligible Shareholders, an Australian reply paid envelope has been enclosed with this Prospectus.

#### **1.6 Total number of New Shares and New Options to be issued**

The total number of New Shares to be issued pursuant to this Offer will be approximately 634 million and 317 million respectively (the exact numbers will depend on rounding-up of individual holdings and the level of acceptances of the Offer).

The gross proceeds (before costs and expenses) of this Offer will be approximately \$3.8 million. The expenses of the Offer are expected to be approximately \$200,000 exclusive of GST and disbursements. The estimated costs of the Offer do not include any Brokerage Fees or Shortfall Fees payable to holders of an AFSL in respect of the issue of New Shares.

### **1.7 Application for Additional New Shares**

Eligible Shareholders, excluding related parties of the Company, unless approved by Shareholders, may apply to take up Additional New Shares in addition to their Entitlements. Eligible Shareholders may apply for Additional New Shares by indicating on the Entitlement and Acceptance Form the number of Additional New Shares for which they wish to apply. Additional New Shares will form part of the Shortfall (if any).

### **1.8 Entitlements not taken up**

The Offer under the terms of the Issue may be accepted in whole or in part. If Eligible Shareholders decide not to accept all or any part of their Entitlement under the Offer, their Entitlement will lapse and those New Shares will become part of any Shortfall to which sections 1.7 and 1.9 will apply.

### **1.9 Placement of any Shortfall**

This Offer is partially underwritten. The Directors reserve the right, at their discretion, to place any Shortfall to Eligible Shareholders, the Underwriter and any other persons who wish to participate in any Shortfall. The issue of Additional New Shares and the placement of any Shortfall will occur within 3 months of the Closing Date of the Offer. The issue price of New Shares under the Shortfall will not be less than the price of New Shares. If applications for any Shortfall (including Additional New Shares) cannot be filled in full or in part, surplus Application Monies will be returned to applicants without any adjustment for interest. The Company does not guarantee that an application for any Shortfall (including Additional New Shares) will be filled, in full or in part.

If any New Shares under the Shortfall are offered to any person, that offer will be made on the basis of this Prospectus.

### **1.10 Issue of New Shares and New Options**

ECT expects to issue the New Shares and New Options on or before 5 October 2011. No issue of New Shares and New Options will be made unless permission is granted for quotation of the New Shares and New Options on ASX.

Application Monies will be held in trust for applicants in a subscription account until New Shares and New Options are allotted to such applicants. Interest earned on Application Monies will be for the benefit of ECT and will be retained by ECT irrespective of whether New Shares and New Options are issued.

### **1.11 Withdrawal of Offer**

The Company reserves the rights not to proceed with the Offer at any time before the issue of the New Shares and attaching New Options. If the Offer does not proceed, the Company will return all Application Monies as soon as practicable after giving notice of its withdrawal, without any adjustment for interest.

### **1.12 ASX quotation**

ECT will apply for admission of the New Shares and New Options to quotation on ASX within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the New Shares and New Options within 3 months after the date of this Prospectus, ECT will not issue any New Shares and New Options and will repay all Application Monies within the time prescribed under the Corporations Act, without interest.

### **1.13 Ranking of New Shares**

The New Shares will be in the same class and will rank equally with existing Shares on issue in the Company. A summary of the rights attaching to the New Shares (and existing Shares) is set out in section 7.4.

### **1.14 Ranking and exercise price of New Options**

The New Options will be in the same class and will rank equally with the existing ESIOs on issue in the Company. A summary of the rights attaching to the New Options (and ESIOs) is set out in section 7.5. In accordance with the terms of issue of the ESIOs, as a consequence of this Offer, the exercise price of the ESIOs will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2. As at the date of this Prospectus, the exercise price for the New Options and ESIOs is \$0.02. The actual exercise price for the New Options and ESIOs will be announced on or before 2 September 2011.

### **1.15 Market prices of Shares and ESIOs**

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

- highest price was 2.4 cents on 26 May 2011; and
- lowest price was 0.6 cents on 25 August 2011.

The closing price for Shares on ASX on 25 August 2011, being the last day of trading of Shares prior to the date of this Prospectus, was 0.6 cents.

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

- highest price was 1.3 cents on 27 May 2011; and
- lowest price was 0.2 cents on 19 August 2011.

The closing price for ESIOs on ASX on 25 August 2011, being the last day of trading of ESIOs prior to the date of this Prospectus, was 0.3 cents.

### **1.16 Ineligible Shareholders**

This Prospectus contains an Offer to Eligible Shareholders with a registered address in Australia or New Zealand.

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

Subject to compliance with relevant legislation in their country of domicile non-Australian or New Zealand resident shareholders can apply for an allocation of any Shortfall. Refer to sections 1.7 and 1.9.

### **1.17 Taxation implications**

The Board considers that it is not appropriate to provide advice regarding the taxation consequences of subscribing for New Shares and New Options under this Prospectus in any tax jurisdiction.

ECT recommends that Eligible Shareholders consult their own independent accountant, legal adviser or other professional adviser regarding the taxation treatment of subscribing for and disposing of New Shares and New Options under this Offer. ECT and its officers and advisers do not accept any responsibility or liability for any taxation consequences of Eligible Shareholders subscribing for and disposing of New Shares and New Options.

### **1.18 Entitlement and Acceptance Form is binding**

A completed and lodged Entitlement and Acceptance Form, together with the Application Monies for the number of New Shares and Additional New Shares (if any) applied for, or the payment for New Shares and Additional New Shares (if any) via BPAY, cannot be withdrawn and constitutes a binding application for the number of New Shares and Additional New Shares (if any) specified by the Eligible Shareholder in the Entitlement and Acceptance Form, or for which payment is made via BPAY, on the terms set out in this Prospectus. The Entitlement and Acceptance Form does not need to be signed to be binding.

In relation to the Offer to Eligible Shareholders, ECT will not process applications until the expiry of the Offer Period. No preference will be conferred on applications on the basis of when those applications were received in the Offer Period.

If the Entitlement and Acceptance Form is not completed correctly, ECT in its absolute discretion can reject it or treat it as valid. ECT's decision as to whether to accept or reject an Entitlement and Acceptance Form or how to construe, amend or complete it is final.

### **1.19 Enquiries**

Enquiries concerning the Entitlement and Acceptance Form should be directed to Security Transfer Registrars Pty Limited on +61 8 9315 2333 or at [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au).

## 2 Answers to Key Questions

Question	Answer
What is the Offer?	<p>2 New Shares for every 3 Shares held at Record Date at an Issue Price of 0.6 cents per New Share.</p> <p>Subscribers of New Shares will also receive, at no cost, 1 New Option for every 2 New Shares issued to them under the Offer.</p> <p>The Offer is expected to raise approximately \$3.8 million before expenses.</p>
Who can participate in the Offer?	<p>Only Eligible Shareholders can participate in the Offer. Eligible Shareholders are persons who are registered holders of Shares on the Record Date with registered addresses in Australia or New Zealand.</p> <p>Non-Australian or non-New Zealand resident Shareholders can apply for an allocation of any Shortfall under the same terms as the Offer. Subject to the warning set out in this Prospectus, the Board, subject to availability and relevant regulations in the country of domicile of the Shareholder, may allocate a portion of the Shortfall to non-Australian or non-New Zealand resident Shareholders.</p>
How much do I have to pay to participate in the Offer?	<p>The Issue Price for a New Share is 0.6 cents.</p> <p>No additional amount is payable for a New Option. The exercise price for a New Option is estimated to be 0.195 cents. The actual exercise price will be announced on or before 2 September 2011.</p> <p>You may subscribe for all, or part of, your Entitlement, or more than your Entitlement by applying for Additional New Shares (however, as set out in section 1.9, any Shortfall will be placed at the discretion of the Directors).</p>
What are the terms of the New Shares?	<p>The New Shares issued under the Offer will rank equally with existing Shares on issue in the Company. The rights and liabilities attaching to Shares (and New Shares) are detailed in section 7.4.</p> <p>The New Options issued under the Offer will rank equally with existing ESIOs on issue in the Company. The rights and liabilities attaching to ESIOs (and New Options) are detailed in section 7.5.</p>
Is the Offer underwritten?	<p>The Offer is partially underwritten by the Underwriter. The Underwriter has agreed to subscribe for New Shares up to the value of \$100,000 to be issued under any Shortfall.</p> <p>The Directors reserve the right, in their discretion, to place any further Shortfall with Eligible Shareholders, who have applied for Additional New Shares, or with persons other than Eligible Shareholders. See sections 1.9 and 7.7 for further details.</p>
Can the Offer be withdrawn?	<p>Yes. The Directors reserve the right to withdraw the Offer</p>



Question	Answer
	<p>and this Prospectus any time, subject to the Corporations Act, ASX Listing Rules and other applicable laws.</p> <p>No agreement to issue the New Shares and New Options under this Offer arises until expiry of the Offer Period.</p> <p>If the Offer is withdrawn, ECT will refund Application Monies in accordance with the Corporations Act, without any adjustment for interest.</p>
<p>What is the purpose of the Offer?</p>	<p>Refer to section 1.2 for details.</p>
<p>What is my entitlement?</p>	<p>Your entitlement as an Eligible Shareholder is set out in your personalised Entitlement and Acceptance Form accompanying this Prospectus.</p> <p>If you did not receive your personalised Entitlement and Acceptance Form please contact Security Transfer Registrars Pty Limited on +61 8 9315 2333 or via email at registrar@securitytransfer.com.au.</p>
<p>What are my options?</p>	<p>You may either:</p> <ul style="list-style-type: none"> <li>take up all or part of your Entitlement;</li> <li>take up all of your Entitlement and apply for Additional New Shares(as set out in section 1.9, any Shortfall will be placed at the discretion of the Directors); or</li> <li>do nothing and allow your Entitlement to New Shares and New Options to lapse with any Shortfall to be placed at the Directors’ discretion.</li> </ul> <p>Please read the Prospectus carefully before selecting an option.</p>
<p>How do I exercise my Rights?</p>	<p>If you are an Eligible Shareholder, and you wish to subscribe for all or some of the New Shares and New Options making up your Entitlement (and Additional New Shares in excess of your Entitlement) you must complete the Entitlement and Acceptance Form accompanying this Prospectus, and forward it, with your Application Monies, to:</p> <p>Rights Issue  Environmental Clean Technologies Limited  c/- Security Transfer Registrars Pty Limited  PO Box 535  Applecross, Western Australia  AUSTRALIA 6153</p> <p>ECT must receive your Entitlement and Acceptance Form by the Closing Date.</p> <p>Alternatively, you may accept this Offer by making payment of the Application Monies by BPAY. Payment by BPAY does not require you to complete the Entitlement and Acceptance Form. Please see section 3.5 regarding acceptance of Offer and payment of Application Monies via BPAY.</p>

Question	Answer
Can I sell or transfer my Rights?	No, as the Offer is non-renounceable, you cannot sell or transfer any of your Rights. There will be no trading of Entitlements on ASX.
Is there a cooling off period?	No, there is no cooling off period. As such, in most circumstances, you cannot withdraw an application for New Shares, New Options or Additional New Shares once the Entitlement and Acceptance Form and/or Application Monies have been received by ECT.
How can I obtain further information?	<p>ECT encourages you to seek advice from your financial or other professional adviser.</p> <p>Enquiries concerning this Prospectus should be directed to ECT. Enquiries concerning the Entitlement and Acceptance Form should be directed to Security Transfer Registrars Pty Limited on +61 8 9315 2333 or at <a href="mailto:registrar@securitytransfer.com.au">registrar@securitytransfer.com.au</a>.</p>

## 3 Your options under the Offer

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### 3.1 Entitlement

Your Entitlement is shown on the accompanying personalised Entitlement and Acceptance Form. Before taking any action in relation to the Offer, you should read this Prospectus in its entirety, and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

You may:

- take up all or part of your Entitlement;
- take up all of your Entitlement and apply for Additional New Shares (as set out in section 1.9, any Shortfall will be placed at the discretion of the Directors); or
- do nothing and allow your Entitlement to New Shares and attaching New Options to lapse with any Shortfall to be placed at the Directors' discretion.

### 3.2 Take up all or part of your Entitlement

If you wish to take up all or part of your Entitlement:

- complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form, specifying the amount of your Entitlement you wish to take up; and
- ensure your application and Application Monies are received by the Company at:

Rights Issue  
Environmental Clean Technologies Limited  
c/- Security Transfer Registrars Pty Limited  
PO Box 535  
Applecross, Western Australia  
AUSTRALIA 6153

Facsimile: +61 (0) 8 9315 2233

**by 5.00 pm on the Closing Date** (the Closing Date is currently Tuesday 27 September 2011, but ECT reserves the right to extend the Offer). For acceptance of Offer and payment of Application Monies via BPAY please refer to section 3.5.

### 3.3 Take up all of your Entitlement and apply for Additional New Shares

If you wish to take up all of your Entitlement and apply for Additional New Shares:

- complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form, specifying that you wish to take up the total amount of your Entitlement and the amount of Additional New Shares you wish to take up (as set out in section 1.9, any Shortfall will be placed at the discretion of the Directors); and

- ensure your application and Application Monies are received by the Company at:

Rights Issue  
Environmental Clean Technologies Limited  
c/- Security Transfer Registrars Pty Limited  
PO Box 535  
Applecross, Western Australia  
AUSTRALIA 6153

Facsimile: +61 (0) 8 9315 2233

**by 5.00 pm on the Closing Date** (the Closing Date is currently Tuesday 27 September 2011, but ECT reserves the right to extend the Offer).

### 3.4 Do nothing

If you do nothing, your Entitlement will lapse and the New Shares and New Options which represent your Entitlement will form part of any Shortfall which will be issued to the Underwriter and, in the event of any Shortfall of New Shares exceeding a value of \$100,000, to any other such persons as the Directors, in their absolute discretion, determine. Any Shortfall will be issued within 3 months of this Prospectus. The issue of any Shortfall will be at a price that is not less than the Issue Price under this Prospectus. Although you will continue to own the same number of Shares in ECT, your percentage shareholding in ECT will be diluted.

Please carefully read this Prospectus in its entirety before making your decision.

### 3.5 Form of payment

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

- Bank cheque drawn on and redeemable at any Australian bank;
- Personal cheque drawn on and redeemable at any Australian bank. Eligible Shareholders must ensure there are sufficient funds in the account on which the personal cheque is drawn so that the cheque clears in favour of ECT when it is first presented for payment;
- Money order; or
- BPAY<sup>®</sup><sup>[1]</sup>.

#### If paying by cheque

Cheques or bank cheques should be made payable to “**Environmental Clean Technologies Limited - Rights Issue**” and crossed “**Not Negotiable**”. Eligible Shareholders are asked not to forward cash. Receipts for payment will not be provided.

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

## **If paying via BPAY**

To apply and pay via BPAY, you should:

- Read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- Make your payment via BPAY for the number of New Shares and Additional New Shares you wish to subscribe for (being the Issue Price of 0.6 cents (\$0.006) per New Share multiplied by the number of New Shares and Additional New Shares you are applying for) so that it is received no later than 5:00pm on 27 September 2011, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution. Your unique BPAY reference number is shown on your personalised Entitlement and Acceptance Form.

### **If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.**

If your BPAY payment is received by 5:00pm on 27 September 2011, or such later date as the Company may specify, the New Shares and attaching New Options are anticipated to be allotted to you on or before 5 October 2011 (which date may change without notice).

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

If you have multiple holdings you will be issued multiple BPAY reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares and Additional New Shares that you wish to apply for in respect of that holding.

## 4 Overview of ECT

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### 4.1 Background

ECT is a public company established in 1985 and based in Melbourne, Australia. In February 1986 the Company became listed on ASX.

ECT is in the business of commercialising and selling disruptive, leading-edge technologies that have game-changing potential within the energy and resources sector due to their capability to deliver environmental and commercial benefits. We are focused on advancing a portfolio of such technologies that have attractive market potential. This potential is largely informed by global markets that exhibit significant potential for growth and enable us to secure sustainable profits through licensing royalties or other commercial mechanisms.

Our business model is based on partnering with, or engaging the services of, experts in those fields essential to the technical and commercial development of our technologies.

Disruptive technologies naturally sit outside of an existing paradigm, and as such, presents unique marketing challenges. Our approach to market analysis allows us to dovetail technology and product development with sales and marketing strategies designed to engage end users and drive adoption of the end product.

### 4.2 ECT's strategy

ECT is a sales and marketing led, technology commercialisation vehicle. Our business model is based on licensing technology, essentially creating annuity based revenue streams without needing to raise equity or carry debt to finance construction. The Company's objective has been the commercialisation of its Coldry and MATMOR Technologies. The Company plans to licence the construction and operation of the large scale Proposed Coldry Production Plant, located at the Loy Yang Power Station in Victoria's Latrobe Valley.

Following termination of the joint venture agreement between ECT and Tincom Australia Pty Ltd on 31 May 2011, your Directors have been reviewing the Company's options to progress the commercial deployment of the Coldry Technology. Future directions for the Company which are currently being considered include:

- negotiating with coal producers, coal trading companies and coal consumers in several countries to secure Coldry technology licensing arrangements;
- engaging a new partner to participate in the Victorian Coldry Project; and
- entering into large scale coal off-take agreements with overseas black coal consumers, primarily power station operators, to support the ongoing commercial operations of the Proposed Coldry Production Plant.

Important steps in realising the future direction of the Company are:

- successful completion of the Test Burn to be conducted by Datang;
- completion of Phase 1 of the Arup Design for Tender; and
- continuing to pursue opportunities to secure off-take agreements and other contractual commitments in respect of the sale and supply of Coldry BCE.

## Datang

Datang is a subsidiary of China Datang Corporation, a leading Chinese, state-owned power generation enterprise. It specialises in power generation and supply, and related coal mine development and production.

On 25 May 2011, ECT announced that it had signed the Coal Supply Agreement with Datang to undertake the Test Burn of 2,000 metric tonnes of Coldry BCE in one of Datang's black coal-fired power stations. Pursuant to a Memorandum of Understanding between ECT and Datang signed on 19 January 2011, the parties agreed that if the Test Burn is successful, the Company and Datang will target a commercial scale coal supply agreement.

On 25 August 2011 Datang agreed to revise the date on which the Test Burn sample lot is to be delivered to the Australian port for shipping to China, and the subsequent Test Burn. The original date for shipping was by the end of August 2011.

## Arup

Arup is a global engineering firm providing design, planning and project management services. Over the past 3 years, Arup has worked closely with ECT on the development of the Demonstration Plant. During the time it has worked with ECT, Arup has accumulated considerable knowledge of the Coldry process and understands the opportunities for minimising capital and operating costs. ECT intends for Arup to undertake the Design for Tender for the Plant to be located at the Loy Yang Power Station with sufficient documentation and engineering plans to enable a reputable Australian construction contractor (for example McConnell Dowell) to prepare a capital cost estimate of a suitable accuracy to support the further development of the Project. The level of accuracy should provide a prospective contractor with the confidence to prepare a "Lump Sum Price", with a minimum design contingency amount or "Guaranteed Maximum Price". Arup's fee for delivering the DFT is estimated to be \$3.6 million. To support ECT's planned phased capital raising program, Arup has divided the DFT into the following three phases:

- Phase 1 will entail the commencement of the DFT project, preliminary investigation and assessment of the Loy Yang Power Station site including the availability of resources, and early stage design works. The cost of Phase 1 is estimated at \$1 million.
- Phase 2 will entail the preliminary design of the plant hopper civils (foundation, piling and other civil engineering aspects), mechanical plant and equipment, and the conveyor and transfer systems. The cost of Phase 2 is estimated at \$1 million.
- Phase 3 will entail refinements of the design for the Plant and civil works, the preparation of tender documentation and review of tender responses. This phase will also include a capital expenditure and operating cost review of the Plant and its operation. The cost of Phase 3 is estimated at \$1.6 million.

### 4.3 Use of funds

The Offer seeks to raise approximately \$3.8 million before expenses. These funds will be used to:

- complete Phase 1 of the Design for Tender in respect of the Proposed Coldry Production Plant;
- fund the net cash loss between the cost of producing, and the revenue derived from, the 2,000 tonnes of Coldry BCE to be used by Datang in the Test Burn;
- meet short-term, working capital requirements in respect of the Test Burn; and
- meet operational expenditure in respect of the on-going development of the Coldry and MATMOR Technologies.

The intended use of the funds raised by the Offer (including any funds raised by the placement of any Shortfall within 3 months of the Closing Date) is summarised, based on a subscription of 50% and 100%, in the table below.

Application of Funds	50% Subscribed	100% Subscribed
Test Burn (net cost)	\$0.5 million	\$0.5 million
Design for Tender – Phase 1	Phase 1 will not proceed	\$1.0 million
Short term working capital requirements (including costs of the Offer)	\$1.2 million	\$2.1 million
Estimated expenses of the Issue*	\$0.2 million	\$0.2 million
<b>Total</b>	<b>\$1.9 million<sup>†</sup></b>	<b>\$3.8 million<sup>†</sup></b>

<sup>†</sup>The total amount raised from the Offer does not include any amounts raised on the exercise of the New Options.

\*This amount does not include any Brokerage Fees or Shortfall Fees payable by ECT in respect of New Shares issued to Eligible Shareholders whose Entitlement and Acceptance Forms bear the stamp of the holder of an AFSL. ECT is unable to estimate the total Brokerage Fees and any Shortfall Fees that may be payable to the holders of AFSLs.

The actual amount of expenditure may vary from the table above.

#### 4.4 Consequences if the Offer is not fully subscribed or any Shortfall cannot be placed

The use of the proceeds of the Offer and activities of the Company will be directly affected by the:

- amount of funds available from acceptance of Entitlements under the Offer;
- ability of the Company to place all of or a proportion of any Shortfall within 3 months of the Closing Date; and
- total amount of capital available to the Company following the placement **of any Shortfall**.

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

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

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



## 4.5 The Directors

**Mr Stephen Carter** MBA, Dip. Applied Science, Advanced Dip. Company Directors, Diploma Stockbroking.  
FAICD, MSAA  
Non Executive Director

Stephen has extensive experience in delivering strategic projects including the commissioning of Crown Casino, the commercial preparation for the integration of Ansett/Air New Zealand, delivery of a multi-million dollar funding package for the redevelopment of the Melbourne Showgrounds, the review and transformation of Air New Zealand's engineering division and the commercial repositioning of Spotlight Pty Ltd.

**Mr Mike Davies** Diploma Civil Engineering, Graduate of Macquarie University Advanced Management Program.  
Managing Director and Executive Chairman

Mike is an experienced senior manager having spent fourteen years in General Manager and CEO/Managing Director roles. The largest part of Mike's career was spent in the employment of Caterpillar Inc., the global leader in the mining and construction equipment industries, and of Caterpillar dealers including Hastings Deering Limited and Gough Group (New Zealand) Limited. He was CEO/Managing Director of Gough Group Limited between 1992 and 1997. Mike was also CEO/Managing Director of Joy Mining Machinery Australia Limited, the Australian subsidiary of Joy Global Inc., the global leader in underground coal mining equipment, between 1997 and 1999, before commencing his consulting business. Mike has had extensive exposure to the mining industry in Australasia, USA, Europe, Asia and Africa.

**Mr Iain McEwin**  
Non Executive Director

Iain has considerable business experience in the ownership and operation of his own business as a supplier to the building and construction industry. Iain is a key Shareholder in ECT.

**Ashley Moore** Bachelor of Engineering (Chemical), MIEAust, CPEng  
Chief Operating Officer and Executive Director

Ashley was appointed to the positions of Chief Operating Officer and Executive Director of the Company on 17 August 2011. Ashley is a graduate of Melbourne University in chemical engineering and is a Chartered Professional Engineer. He has extensive industry experience in all facets of supply chain management, sales and marketing and major project delivery from more than 25 years in the industry. Ashley joined ECT in October 2009 as Business Manager, Coldry, during which time he displayed exemplary leadership and team building skills.

## 5 Effect of the Issue on the Company

### 5.1 Structure of Capital Raising

The capital raising will consist of the Offer of approximately 634 million New Shares at \$0.006 per New Share for a total cash consideration of approximately \$3.8 million before expenses. Subscribers for New Shares will also receive, at no cost, 1 New Option for every 2 New Shares issued to them.

As at the date of this Prospectus, ECT has 951,908,845 Shares, and 519,139,537 Options on issue. All Shares in the Company are fully paid.

After the successful conclusion of the Offer, ECT will have approximately 1,586,514,742 Shares and approximately 836,442,485 Options on issue.

The following table shows the current capital structure position and post-Offer capital structure position of ECT:

	Current Structure	Capital Issued due to Offer	Capital Structure post Offer
Fully paid ordinary shares (ESI)	951,908,845	634,605,897	1,586,514,742
Listed Options - expiring 16 January 2014 (ESIO)	519,139,537	317,302,948	836,442,485
Unlisted Options – Exercisable at 5.59 cents expiring 25 September 2011	708,306	Nil	708,306
Unlisted Options – Exercisable at 4.04 cents expiring on 8 October 2011	794,806	Nil	794,806
Unlisted Options – Exercisable at 3.795 cents expiring on 17 November 2011	962,106	Nil	962,106
Unlisted Options – Exercisable at 3.12 cents expiring 23 December 2011	360,999	Nil	360,999
Convertible Notes <sup>†</sup>	US\$646,055	Nil	US\$646,055

<sup>†</sup> The convertible notes have a total face value of US\$646,055 (AUD624,932 at an exchange rate of US\$1.03 : AUD1.00 as at 19 August 2011. The book value is AUD596,112, being the converted amount at the prevailing USD:AUD rate when the US dollars were received by the Company) convertible into ordinary shares based on the average of the three lowest volume weighted average price during the 15 trading days prior to the date of conversion of part or all of the convertible note in accordance with the terms and conditions set out in the Funding Agreement between the Company and La Jolla Cove Investors, Inc. dated 28 October 2010. All of the convertible notes mature and are repayable on 2 November 2013 if not converted beforehand.

## 5.2 Pro-forma Unaudited Consolidated Balance Sheet

The pro-forma unaudited consolidated balance sheet of ECT set out below has been prepared to illustrate the financial position of ECT following completion of the Offer. This pro-forma unaudited consolidated balance sheet is intended to be illustrative only and will not necessarily reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Offer.

Pro-forma post-capital raising balance sheet assuming a 50% and 100% subscription based on the unaudited preliminary results for the full financial year to June 30 June 2011 are as follows:

	CONSOLIDATED As at 30 June 2011	50% Subscribed	UNAUDITED PRO FORMA	100% Subscribed	UNAUDITED PRO FORMA
	\$	\$	\$	\$	\$
<b>Current Assets</b>					
Cash and Cash Equivalents	670,653	1,700,000	2,370,653	3,600,000	4,270,653
Trade and Other Receivables	63,557		63,557		63,557
Other	90,457		90,457		90,457
<b>Total Current Assets</b>	<b>824,667</b>	<b>1,700,000</b>	<b>2,524,667</b>	<b>3,600,000</b>	<b>4,424,667</b>
<b>Non Current Assets</b>					
Investments	2		2		2
Property Plant & Equipment	270,001		270,001		270,001
Intangible Assets	8,640,000		8,640,000		8,640,000
<b>Total Non Current Assets</b>	<b>8,910,003</b>	<b>0</b>	<b>8,910,003</b>	<b>0</b>	<b>8,910,003</b>
<b>TOTAL ASSETS</b>	<b>9,734,670</b>	<b>1,700,000</b>	<b>11,434,670</b>	<b>3,600,000</b>	<b>13,334,670</b>
<b>Current Liabilities</b>					
Trade and Other Payables	453,840		453,840		453,840
Interest Bearing Liabilities	293,489		293,489		293,489
Provisions	80,088		80,088		80,088
<b>Total Current Liabilities</b>	<b>827,417</b>	<b>0</b>	<b>827,417</b>	<b>0</b>	<b>827,417</b>
<b>Non Current Liabilities</b>					
Other	654,620		654,620		654,620
<b>Total Non Current Liabilities</b>	<b>654,620</b>	<b>0</b>	<b>654,620</b>	<b>0</b>	<b>654,620</b>
<b>TOTAL LIABILITIES</b>	<b>1,482,037</b>	<b>0</b>	<b>1,482,037</b>	<b>0</b>	<b>1,482,037</b>
<b>NET ASSETS</b>	<b>8,252,633</b>	<b>1,700,000</b>	<b>9,952,633</b>	<b>3,600,000</b>	<b>11,852,633</b>
<b>Equity</b>					
Contributed Equity	44,989,191	1,900,000	46,889,191	3,800,000	48,789,191
Other reserves	221,033		221,033		221,033

Accumulated Losses	(36,957,591)	(200,000)	(37,157,591)	(200,000)	(37,157,591)
<b>TOTAL EQUITY</b>	<b>8,252,633</b>	<b>1,700,000</b>	<b>9,952,633</b>	<b>3,600,000</b>	<b>11,852,633</b>

Pro forma adjustments underlying the pro forma balance sheet are:

- Gross proceeds of \$3.8 million from the Offer with expenses of the Issue being \$200,000.
- The Application Monies received have been recorded as cash and cash equivalents.
- The cost of the Issue will be treated as an increase in accumulated losses.

## 6 Risk Factors

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### 6.1 Introduction

Like other companies at a similar stage of development, the Company faces a number of specific and general risk which could adversely impact the Company's performance and the value of its Shares. Eligible Shareholders should be aware of and consider these risks and should consult their stockbroker, accountant, lawyer or other professional adviser before deciding whether to subscribe for New Shares and New Options under the Offer.

### 6.2 Specific risk factors

The following is not an exhaustive summary, but points to some of the specific risks that are peculiar to a company involved in the production of Coldry BCE product. Any one or a combination of such risks could affect the Company adversely and thus the value of any investment in the Company. The Board is unable to speculate as to the extent of such adversity, and thus an investment in the Company should be regarded as speculative.

#### Test Burn

There are a number of risks in respect of the impending Test Burn; namely:

Production or delivery of the BCE pellets required for the Test Burn (**Sample Lot**) could be impeded by delays in sourcing the raw coal required for production of the Sample Lot, or transporting the finished Sample Lot to China. The raw coal is being sourced from Loy Yang mine on a small scale, and is therefore a low priority for the mine. Production is required to operate on a 24 hour basis, and though the factory has previously run continuously, the production rates today are higher than previously. Bulk transport of Coldry BCE by sea has not been previously attempted.

- The quality of the Sample Lot may deviate from that agreed to with Datang. The major parameters of quality are moisture content and heating value. The quality of BCE can be impacted by the ash composition of the raw coal. ECT does not currently manage the mining plan in respect of raw coal to satisfy ash composition requirements.
- Application testing in Datang's boiler and systems may not produce a satisfactory result. Contamination of the Sample Lot in transit could decrease the performance of the Sample Lot. Excessive handling may result in levels of dust higher than acceptable to Datang.

To mitigate the risks associated with the Test Burn, ECT is closely coordinating the raw lignite offtake plans with the Loy Yang mine and the transit requirements with the selected transportation companies. Support from key equipment and service providers is being used to strive for the best possible operating performance of the Demonstration Plant. Production quality is monitored on a continuous basis, and process corrections applied when deviations are noted. Sea freight broking and support companies have been engaged to support the required approvals and freight availability for the final shipments of the Sample Lot.

Specifications from Datang are clearly understood and reflected in the supply contract. Appropriate production and shipment measurements will be taken to ensure compliance with the agreed Coldry BCE product specifications.

## Sales and Purchase Contract with Datang

Following the Test Burn, Datang is not contractually obliged to purchase commercial quantities of Coldry BCE from ECT. However, the parties signed a non-binding MoU on 19 January 2011, which contains, amongst other things, the product specifications, annual quantities and pricing structure acceptable to the parties.

## Design for Tender engineering works

The cost, deliverables or design schedule of Phase 1 of the Design for Tender may not be achieved, delaying or compromising subsequent phases of the DFT.

ECT believes that its engineering partner, Arup, is the most experienced provider to deal with Coldry Technology and develop the Design for Tender. Using other service providers could increase the risks associated with delivering the Design for Tender as other providers do not have Arup's level of knowledge of ECT and our Coldry Technology.

## Financial Risks

As a small technology company without an established revenue stream, ECT is reliant on the funds raised from this Offer to satisfy its working capital and technology development requirements. If this Offer is not sufficiently subscribed for and ECT is unable to secure funding from an alternate source, for example through a placement or the issue of some form of convertible funding, ECT will not have sufficient working capital to continue its operations beyond the end of 2011. Without the necessary working capital the Company is likely to become insolvent and external administrators would need to be appointed to manage the affairs of the Company. Such an appointment could materially reduce or eliminate the amount that Shareholders can realise from their investment in ECT.

## Market conditions

The demand for black coal has been growing in recent years and consequently, international coal prices have trended upwards. If the growth in demand for coal reduces significantly or substantial new black coal resources become available to meet international demand, the price of coal may be reduced to the point where Coldry production from any of ECT's projects are not commercially viable.

Although ECT is not able to directly take action to mitigate the risks in respect of market conditions, coal fired power stations continue to be constructed in China, India and other developing countries. Coal demand from these stations is expected to remain in place for the life of the stations. Further, the availability and expense associated with newly discovered and developed black coal reserves is expected to continue to rise in line with the difficulty of exploitation of these newly discovered reserves.

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

## Changes to Australian and foreign legislation and policy

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

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

The Australian Parliament is currently considering legislation to introduce a tax on the production of carbon dioxide emissions (**Carbon Tax**). The Carbon Tax may increase ECT's production costs in respect of Coldry BCE due to increases in the price of electricity and raw coal. At this stage, the Company is unable to quantify the increase in production costs. ECT does not expect to be one of Australia's 500 largest polluting companies (**Top 500 Polluters**) and therefore will not be required to pay the Carbon Tax directly. Like most Australian businesses and consumers, ECT's financial exposure to the Carbon Tax is an indirect one, resulting from being a consumer of products or services produced or supplied by the Top 500 Polluters.

The proposed Minerals Resource Rent Tax, as announced, will be applied to mine gate products, and not further down the supply chain or value chain. As such, its implementation will impact Coldry Technology's costs in respect of raw materials rather than the cost of the finished BCE product. ECT considers that the implementation of the Minerals Resource Rent Tax would increase ECT's costs, but to a lesser degree than competitive materials sourced from within Australia. The Company believes the introduction of the proposed Minerals Resource Rent Tax will increase the profit margin on Coldry BCE.

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

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

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

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

- obtain and maintain commercially valuable patents;
- protect know-how, technical information and trade secrets;
- operate without infringing upon the intellectual property rights of others; and
- prevent others from infringing ECT's intellectual property rights and intellectual property rights licensed to ECT.

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

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

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

The Company is still at a relatively early stage of commercialising the products generated by its Coldry and MATMOR Technologies. Whilst there have been some commercial sales of Coldry BCE, the Directors anticipate that full commercialisation of ECT's products and a resultant revenue stream will take four to six years to achieve.

The acceptance of the Company's Coldry BCE in the global market and full commercialisation of this product is dependent, in part, on the successful completion of the Test Burn. If the Test Burn is not successful, the Company may be unable to secure an off-take agreement with Datang in respect of further sales of its product and may have difficulty in marketing its Coldry BCE to other Chinese consumers.

## Design and construction of the Proposed Coldry Production Plant

The design and construction of the Proposed Coldry Production Plant is subject to multiple risks including:

- ability of the Company to engage McConnell Dowell or other suitable partner for the construction of the Proposed Coldry Production Plant;
- issues with the integration of the Plant with the Loy Yang Power Station;
- ability of the Company to engage Transfield Services or other suitable operator for the Plant;
- ability to secure contracts in respect of transporting the Coldry BCE pellets from the Plant to shipping ports; and
- ability to secure a contract with a shipping provider in respect of the BCE to be exported globally

### Key employee risks

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

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

### Climatic risks

The Coldry Technology uses an evaporative, rather than drying, approach to achieving the dewatering of raw lignite. Accordingly, the process draws upon atmospheric air, which is warmed using available energy from the host power station. The elevated temperature causes moisture from the surface of the coal to be absorbed as it passes through the packed bed dryer. If the ambient humidity or the waste energy available from the power station does not meet expectations based on historical operations, then the anticipated production capacity of the Proposed Coldry Production Plant may be less than planned.

To mitigate the risks associated with changes in climatic conditions, ECT will review all historical and projected operational conditions using detailed engineering calculations to ensure robust projections are made with respect to operating conditions.

### Environmental risks

The Proposed Coldry Production Plant will require the approval of the Environmental Protection Authority (EPA). This process may be drawn out, introducing delays into the execution of the Project.

The approvals granted by the EPA may impose stringent conditions in respect of nuisance or fugitive dust emissions. Accordingly, ECT's capital expenditure requirements may need to be increased beyond our original projections in order to comply with any conditions imposed by the EPA.

The environmental emissions resulting from the Coldry Technology are water vapour emitted from the processed raw coal, water as recovered in the chiller sub-systems, and air from the packed bed dryer. The Coldry production process operates at low temperatures, which does not liberate any volatile coal components into the atmosphere. The water vapour and air streams from the Proposed Coldry Production Plant will require monitoring to provide proof of emissions to the EPA. However, ECT does not anticipate that the emissions will require any form of remediation prior to discharge into the atmosphere. This is based on long-term experience at our Bacchus Marsh demonstration plant.



Recovered water will be unlikely to be discharged, but rather provided as a valuable by-product for sale or transfer to the Loy Yang Power Station, reducing its need to draw upon alternate sources such as river water. Should discharge of recovered water be required due to operational modes of the Plant or the Loy Yang Power Station, capacity to monitor quality, rather than remedial correction of quality is the likely conditions that would be imposed upon the Plant by the EPA.

Air discharged from the packed bed dryer will be moist, and residual dust will be collected and trapped in a number of designed features within the Plant prior to the air being discharged. Any monitoring conditions imposed will be incorporated within the design of the Plant. It should be noted, however, that the Plant will be installed adjacent to the largest open pit mine in Australia, which places in context the likely conditions required to be met.

### **Production risks**

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

### **Risk as to profitability**

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

### **Dependency on others**

The future success of the Company will be in part dependent on the competency of organisations chosen from time to time to be operators of the Company's Coldry projects and on each operator's capacity to manage day to day operations. The Company's future growth will also be dependent in part upon engagement of management capable of managing and expanding its operations beyond the present Coldry projects. The Company is yet to formally engage a number of key providers in respect of the Proposed Coldry Production Plant.

### **Contract Risks**

The Company intends to enter into licence agreements with operators and sub-contractors for the construction and operation its Proposed Coldry Production Plant. Sale of Coldry BCE will be effected through various marketing and off-take agreements. A number of the necessary contractual relationships are yet to be formalised. Once entered into, these contracts will carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.

### **Currency exchange risks**

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

## **6.3 General risk factors**

### **Economic conditions**

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

### **Geo-political factors**

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

### **Share market conditions**

ECT, being a company listed on ASX, is subject to the market forces that influence the broad share market trends and the price of securities of individual companies. Recent global political and economic events, including the continuing terrorist threats and global financial crisis, may cause share price fluctuations in the Australian share market and globally. Accordingly, assuming that the New Shares are granted Official Quotation on ASX, they may trade on ASX at higher or lower prices than the Issue Price.

### **Competition Risk**

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

### **Operational Risks**

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

## 7 Additional information

### 7.1 Disclosure

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

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

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

### 7.2 Documents

The following table provides a list of all of ECT's announcements lodged with ASX prior to the date of this Prospectus since the annual financial report was lodged with ASX on 27 October 2010 (copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC):

#### List of ASX Announcements – 27 October 2010 – 25 August 2011

28 October 2010	Funding Agreement Signed with La Jolla Cove Investors
28 October 2010	Proxy Form amendment
4 November 2010	Appendix 3B
4 November 2010	Section 708A Cleansing Statement
15 November 2010	Victoria Coldry Project Update
26 November 2010	AGM Chairman's Address
26 November 2010	Results of Meeting
6 December 2010	Top 40 securityholders
6 December 2010	Appendix 3B
6 December 2010	Section 708A Cleansing Statement
6 December 2010	Top 40 Amended date
7 December 2010	Appendix 3B
24 December 2010	Securities Trading Policy
30 December 2010	Appendix 3B
10 January 2011	Appendix 3B
21 January 2011	Appendix 3B
4 February 2011	Coldry pilot plant upgrade adds commercial capability
8 February 2011	Appendix 3B
9 February 2011	ECT Achieves First Local Coldry Sale
11 February 2011	Appendix 3B
21 February 2011	Open Briefing Interview

24 February 2011	Half Yearly Reports and Accounts
25 February 2011	Appendix 3B
4 March 2011	Small Shareholding Facility
1 April 2011	Appendix 3B
4 April 2011	Victoria Coldry Project Signed
5 April 2011	Appendix 3B
13 April 2011	Appendix 3B
18 April 2011	Appendix 3B
2 May 2011	TinCom deposits initial funds to joint venture
11 May 2011	Small Shareholding Sale Facility Completed
17 May 2011	Appendix 3B
20 May 2011	Appendix 3B
25 May 2011	ECT signs coal supply agreement with China Datang Corp.
31 May 2011	Termination of Tincom Joint Venture
2 June 2011	Top 40 Shareholders
6 June 2011	Appendix 3B
16 June 2011	ECT Enhances Management Team
16 June 2011	Appendix 3B
29 June 2011	Advances to Final Stage in USA
1 July 2011	Chairman to retire
4 July 2011	Director resigns
5 July 2011	Shareholder Update – Coldry Technology
5 July 2011	Director resignation and new director appointment
7 July 2011	Board Renewal
8 July 2011	Final Director’s Interest Notice
8 July 2011	Initial Director’s Interest Notice
8 July 2011	Suspension from Official Quotation
11 July 2011	Reinstatement to Official Quotation
11 July 2011	New Director Appointment
12 July 2011	Initial Director’s Interest Notice
18 July 2011	Appendix 3B
20 July 2011	Update – Victorian Coldry Project and Capital Raising
28 July 2011	Update Coldry Patent – Australia
15 August 2011	Resignation of Chief Executive
16 August 2011	Appendix 3B
16 August 2011	Trading Halt
18 August 2011	Shareholder Update – Executive Team / Capital Raising
18 August 2011	Appendix 3B
19 August 2011	Appendix 3B
22 August 2011	Initial Director’s Interest Notice
22 August 2011	Cleansing Statement

### **7.3 Continuous disclosure prospectus**

This Prospectus contains information required under the special prospectus content rules for continuously quoted securities pursuant to section 713 of the Corporations Act. That section enables disclosing entities

to issue a special prospectus in relation to continuously quoted securities of a body or options to acquire continuously quoted securities of a body.

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

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

The New Shares will rank equally with, and have the same rights and liabilities, as the existing Shares on issue in the Company.

The rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. Rights are affected by the Corporations Act, the ASX Listing Rules and statute and general law. The following is a summary of the rights attaching to Shares as set out in the Constitution.

#### **Voting**

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

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

#### **General meetings**

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

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

#### **Dividends**

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

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividends, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2.5 of Chapter 2H

of the Corporations Act. The Directors may from time to time pay to the Shareholders any interim dividends that they may determine.

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

No dividend shall carry interest as against the Company.

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

### **Transfer of Shares**

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

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

### **Issue of Shares**

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

### **Issue of Options**

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

#### **Issue of Preference Shares**

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

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

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

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

If the securities of the Company are CHESS Approved Securities and held in uncertificated mode, then the Company shall allot such CHESS Approved Securities and enter them into the Shareholder's uncertificated

holding in accordance with the Listing Rules and ASTC Settlement Rules(now the ASX Settlement Operating Rules). In these circumstances the Shareholder will not receive a Share certificate.

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

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

### **Variation of rights**

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

### **Winding up**

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

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

### **ASX Listing Rules**

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

## **7.5 Rights and liabilities attaching to New Options**

The New Options will rank equally with, and have the same rights and liabilities, as existing ESIOs.

The rights and liabilities attaching to New Options offered under this Prospectus arise from the terms of issue of the existing ESIOs which are set out in the "Notice of Exercise of Options" provided to holders of ESIOs at the time of issue of those ESIOs. The New Options can be traded on ASX.

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

- each New Option entitles the New Option holder (**Holder**) to subscribe for and be allotted 1 Share upon the exercise of the New Option and payment to the Company of the exercise price. For information on the exercise price, refer to section 1.14;
- the New Options are exercisable by the Holder at any time prior to 5.00pm on 16 January 2014 (**Expiry Date**). New Options not exercised on or before the Expiry Date will automatically lapse;
- Holders may exercise all their New Options at once, or may exercise parcels of their New Options which are multiples of 25,000 (or such lower multiple as the Company permits in its absolute discretion);
- to exercise the New Options the Holder must complete a "Notice of Exercise" and deliver it to the registered office of the Company (or such other place as the Company may notify Holders in writing) together with payment of the exercise price any time prior to the Expiry Date;
- a Notice of Exercise is not effective if it is received by the Company after the Expiry Date;
- the Company must send a Holder before the Expiry Date of the New Options any notice required by the ASX Listing Rules to be sent to Holders;
- upon the exercise of a New Option and receipt of all relevant documents and payment of the exercise price, the Holder will be allotted and issued 1 Share for every New Option exercised ranking pari passu with all other issued Shares.
- Shares issued pursuant to the exercise of a New Option will be issued not more than 10 Business Days of receipt of the Notice of Exercise;
- the Company will apply to ASX to have the issued Shares granted Official Quotation within 10 Business Days of allotment of those Shares;
- the Company will keep and maintain a register of Option holders (**Register**) and must ensure the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements;
- the Company must send to the Holder a holding statement or other statement in respect of the New Options so held and any Shares issued on exercise of those New Options within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASX Settlement Operating Rules and the Constitution;
- if required by the ASX Listing Rules, the Company must tell the Holder in writing of the exercise price and Expiry Date of the Options within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent;
- there will be no entitlement inherent in the New Options for Holders to participate in new issues of securities which may be offered to Shareholders during the currency of the New Options. However, prior to any new pro rata issue of securities to Shareholders, Holders will be notified by the Company before the record date to provide them with an opportunity to exercise their New Options prior to the date for determination of entitlements to participate in that new issue of securities;
- in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders (whether renounceable or non-renounceable) after the date of issue of the New



Options, the exercise price of the New Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;

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

## 7.6 Effect on exercise price of Options

As consequence of the Offer, the exercise price of all Options may be altered in accordance with their terms of issue and consistent with ASX Listing Rule 6.22.2. For more information on the exercise price of the New Options and ESIOs refer to section 1.14.

## 7.7 Underwriting Agreement

The Company has entered into an underwriting agreement with Iain McEwin (Underwriter) dated 25 August 2011 pursuant to which the Underwriter has agreed to partially underwrite the Offer.

Under the terms of the Underwriting Agreement:

- the Underwriter must subscribe for 14,576,766 New Shares, being his full Entitlement under the Offer, by the Closing Date;
- if at the Closing Date, the Offer is not fully subscribed, ECT may give notice in writing to the Underwriter of the number of New Shares under the Shortfall for which the Underwriter must subscribe, being up to 16,666,667 New Shares (**Notice**).
- upon receipt of the Notice, the Underwriter (or an entity controlled by the Underwriter) must, on the next business day following receipt of the Notice, subscribe for the number of New Shares set out in the Notice;
- the Underwriter has no right to terminate the Underwriting Agreement; and
- the Underwriter is not entitled to an underwriting fee.

## 7.8 Privacy

ECT collects information about each Eligible Shareholder provided on the Entitlement and Acceptance Form for the purpose of processing applications for New Shares and to administer the Eligible Shareholder's security holding in ECT.

By submitting an Entitlement and Acceptance Form, each Eligible Shareholder agrees that ECT may use the information provided on those forms for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to ECT's share registry, related bodies corporate, agents, contractors and

third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

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

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

A Shareholder has a right to gain access to the information that ECT holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to ECT's Company Secretary at ECT's registered office.

## **7.9 Disclaimer**

The information contained in section 4 does not represent any forecast or projection as to the future revenue or profitability of ECT. See section 6 regarding risk factors generally in respect of your decision on whether to take part in the Offer.

## **7.10 CHES and issuer sponsorship**

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

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

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

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

## **7.11 Allotment of New Shares and New Options**

New Shares and New Options will be allotted and holdings statements shall be despatched no later than 4 October 2011 to allottees at the address appearing in the register of members or such other address as may be advised by the allottee.

## **7.12 Interests of Directors**

Other than as set out below or elsewhere in this Prospectus, no Director, and no firm in which a Director is a partner, holds, or held at any time during the last two years before the date of this Prospectus, any

interest in the formation or promotion of ECT, any property acquired or proposed to be acquired by ECT in connection with its formation or promotion or in connection with the Offer.

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

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

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

	Position	Existing Shares	Existing Options	Entitlement under Offer	
				New Shares	New Options
S Carter	Non-executive Director	0	0	N/A	N/A
M Davies	Managing Director and Executive Chairman	0	0	N/A	N/A
I McEwin*	Non-executive Director	21,865,148	22,790,920	14,576,766	7,288,383
A. Moore†	Chief Operating Officer and Executive Director	1,750,000	0	1,166,667	538,334

\* McEwin is a key Shareholder of ECT. He has agreed to take up his full Entitlement under the Offer and to partially underwrite the Offer by subscribing for New Shares, up to the value of \$100,000, to be issued under any Shortfall.

† Ashley Moore intends to take up his full Entitlement under the Offer.

### 7.13 Directors' Remuneration

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

The annual remuneration payable to a non-executive Director is currently \$36,000.

The remuneration paid to Directors for the financial year ended 30 June 2011 is detailed below.

Director	Directors' Remuneration				
	Salary	Directors' Fees	Super	Options	Total
S Carter	\$0	\$36,000	\$0	Nil	36,000
M Davies†	\$0	\$0	\$0	Nil	Nil
I McEwin*	\$0	\$0	\$0	Nil	Nil
A. Moore^	\$0	\$0	\$0	Nil	Nil

† Mr Davies was appointed to the Board on 5 July 2011

\* Mr McEwin was appointed to the Board on 11 July 2011

^ Mr Moore was appointed to the Board on 17 August 2011

## **7.14 Litigation**

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

## **7.15 Material contracts**

Below is a summary of the contracts and MoUs which are material to ECT's ongoing development and deployment of the Coldry Technology. This summary reflects the information previously disclosed to the market through ASX announcements.

### **Arup Collaboration Agreement**

In March 2008, ECT entered into an agreement with Arup pursuant to which Arup became the Company's world-wide design and engineering partner for its Coldry Technology. Pursuant to the agreement, Arup will design the Proposed Coldry Production Plant.

### **JC Steele & Sons Collaboration Agreement**

ECT entered into a "Collaboration Agreement" with JC Steele & Sons in October 2010 pursuant to which JC Steele & Sons supplied a pug mill and extruder to the Demonstration Plant and became ECT's preferred supplier of extruders for the Proposed Coldry Production Plant and other plants to be established world-wide.

### **Datang Coal Supply Agreement**

On 25 May 2011, ECT announced that it had signed the Coal Supply Agreement with Datang pursuant to which ECT will supply 2,000 metric tonnes of Coldry BCE for testing in one of Datang's black coal-fired power stations in China. Delivery of the Test Burn Coldry BCE pellets was originally scheduled for the third quarter of 2011. On 25 August 2011, Datang and ECT agreed to revise the delivery time for the Sample Lot and the subsequent Test Burn. ECT and Datang have re-enforced their mutual commitment to the delivery of the Sample Lot. Pursuant to a Memorandum of Understanding between ECT and Datang signed on 19 January 2011, the parties agreed that if the Test Burn is successful, the Company and Datang will target a commercial scale coal supply agreement.

### **Great Energy Alliance Corporation (GEAC) Memorandum of Understanding**

GEAC is an Australian proprietary company that owns and operates Loy Yang Power Station, the largest electricity generator in Victoria and the Loy Yang mine, the largest open cut lignite mine in Australia with an annual output of approximately 30 million tonnes. ECT and GEAC have entered into a Memorandum of Understanding in which both parties have agreed to cooperate in the establishment and operation of the Proposed Coldry Production Plant at the Loy Yang site.

The terms of the MOU between GEAC and ECT include:

- The purchase by ECT from GEAC of up to 5,000,000 tpa of lignite over a 50 year period, to produce 2,000,000 tpa of Coldry Black Coal Equivalent (BCE) pellets;
- A site in the vicinity of the Loy Yang Power Station, as well as the services of electricity, heated water and others to be provided by GEAC, and
- The collaboration between ECT and GEAC with technical issues concerning the mine (via GHD) and power station (via Worley Parsons).

## Coldry IP Purchase Agreement.

In June 2009, following Shareholder approval, ECT acquired the intellectual property rights to the Coldry Technology. In consideration for the acquisition of these rights, the vendors of the Coldry Technology received \$1.0 million in cash and 55 million Shares and 110 million ESIO. The acquisition of the Coldry IP rights was publicly announced on 29 June 2009.

## McConnell Dowell Memorandum of Agreement.

In April 2008, ECT and McConnell Dowell signed a “Memorandum of Agreement” for the procurement and construction of the Demonstration Plant and any subsequent Coldry plants in Australia. The Roles and responsibilities of the parties are set out in the Memorandum of Agreement including agreed outcomes to be achieved by McConnell Dowell in the project development phase at no cost, provided the Constructor role is held by McConnell Dowell and the framework in respect of a construction contract. The Memorandum of Agreement is binding until terminated or superseded by a construction contract.

### 7.16 Interest of other persons

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

#### Norton Rose Australia

Fees for professional services undertaken as legal advisers to ECT in connection with the Offer of approximately \$60,000 (plus GST and disbursements) as at the date of this Prospectus. The fees charged by Norton Rose Australia are in accordance with the Firm’s standard hourly rates.

#### Various suppliers

Fees for other services provided in connection with the Offer including marketing, share registry fees, printing, postage and handling, ASIC lodgement fees, ASX quotation fees and company secretarial and consulting fees of approximately \$140,000 plus GST. Members and staff of the above companies, firms or their associates may be Eligible Shareholders.

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

### 7.17 Expenses of the Offer

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

Expense	Total
Legal fees and expenses (excluding GST and disbursements)	\$60,000
Other expenses including marketing, share registry fees, printing, postage and handling costs, ASIC	\$140,000

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lodgement fees, ASX quotation fees, company secretarial fees and consulting fees.

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Total	\$200,000
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### **7.18 Brokerage Fees**

The Company will pay holders of an AFSL (as determined by the Board) the Brokerage Fee in respect of any New Shares (including any Additional New Shares) issued to Eligible Shareholders whose Entitlement and Acceptance Form bears the stamp of the holder of an AFSL. The estimated expenses of the Offer set out in section 7.17 do not include any Brokerage Fees that may be paid to holders of an AFSL and accordingly, the estimated expenses may increase to the extent of any such payment. The total Brokerage Fees cannot be calculated as at the date of this Prospectus as it is dependent on the number of New Shares and Additional New Shares issued in connection with the holders of AFSLs.

### **7.19 Shortfall Fee**

The Board reserves the right to pay a Shortfall Fee to the holder of an AFSL for the placement of a substantial portion, as determined by the Board, of any Shortfall (excluding Additional New Shares). The estimated expenses of the Offer set out in section 7.17 do not include any Shortfall Fee that may be paid to the holder of an AFSL and accordingly, the estimated expenses may increase to the extent of any such payment. The total Shortfall Fee cannot be calculated as at the date of this Prospectus as it is dependent on the existence of any Shortfall and the placement of a substantial portion of the Shortfall by the holder of an AFSL.

## 7.20 Governing Law

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

## 7.21 Consents and disclaimers

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

### Security Transfer Registrars

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

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

### Norton Rose Australia

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

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

### PKF

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

## 7.22 Directors' Consent to Lodgement

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

Dated 26 August 2011

**Mike Davies**  
Managing Director

## 8 Definitions

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

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

**Additional New Shares** means any New Shares applied for by Eligible Shareholders in excess of their Entitlement. The Additional New Shares form part of any New Shares issued under the Shortfall;

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

**Application Monies** means monies payable by Eligible Shareholders in respect of applications for New Shares;

**Arup** means Arup Pty Limited ACN 000 966 165;

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

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

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

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

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

**Black Coal Equivalent** or **BCE** means the black coal equivalent pellets produced by the Coldry Technology from lignite or sub-bituminous coals;

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

**Brokerage Fee** means 5% of the gross proceeds (plus GST) of any New Shares (including Additional New Shares) issued to Eligible Shareholders under the Offer whose Entitlement and Acceptance Form bears the stamp of a holder of an AFSL.

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

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

**Closing Date** means, subject to section 1.5, 27 September 2011;

**Coal Supply Agreement** means the agreement between ECT and Datang in respect of the Test Burn announced to ASX on 25 May 2011;

**Coldry Technology** means ECT's patented technology for the de-watering and upgrading of brown coal to produce a Brown Coal Equivalent product;

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

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



**Datang** means China Datang (Beijing) International Trade Co., Ltd, a subsidiary of China Datang Corporation;

**Demonstration Plant** means ECT's Coldry BCE demonstration plant in Bacchus Marsh, Victoria;

**Design for Tender** or **DFT** means the full engineering specifications for the Proposed Coldry Production Plant drafted by Arup;

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

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

**Eligible Shareholder** means those shareholders who have a registered address in Australia or New Zealand and who are registered as holders of Shares as at the Record Date;

**Entitlement** or **Rights** means the entitlement or right to apply for 2 New Shares for every 3 Shares held by an Eligible Shareholder as at Record Date. Additionally, subscribers for New Shares will receive, at no cost, 1 New Option for every 2 New Shares issued;

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Prospectus and, unless the context requires otherwise, includes any application or similar form accompanying this Prospectus in relation to the placement of any Shortfall;

**ESI** means the ASX code for a Share which is quoted on ASX;

**ESIO** means the ASX code for an Option which is quoted on ASX and which is exercisable on or before 16 January 2014;

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

**Issue** means the issue of New Shares and New Options pursuant to this Prospectus;

**Issue Price** means 0.6 cents per New Share;

**JC Steele & Sons** means JC Steele & Sons Australia LLC ARBN 073 084 876;

**MATMOR Technology** means the patented retort and process for the production of high-quality iron from brown coal and iron oxide bearing materials such as mill scale, nickel tailings and, high or low grade iron ore;

**McConnell Dowell** means McConnell Dowell Constructors (Aust) Pty Ltd ACN 002 929 017;

**MoU** means memorandum of understanding;

**New Option** means an ESIO granted pursuant to this Prospectus to acquire 1 fully paid Share in the Company, exercisable no later than 5.00pm on 16 January 2014;

**New Share** means a Share issued at 0.6 cents each pursuant to this Prospectus;

**Offer** means the non-renounceable offer of New Shares and New Options to Eligible Shareholders pursuant to this Prospectus and includes any Offer in relation to the placement of any Shortfall;

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

**Official Quotation** means official quotation of the New Shares and New Options (as the case requires) by ASX in accordance with the ASX Listing Rules;

**Opening Date** means the date of this Prospectus, 26 August 2011;

**Option** means an option to acquire one Share in the Company;

**Proposed Coldry Production Plant or Plant** means the Coldry production plant to be constructed at the Loy Yang Power Station in Loy Yang, Victoria. The plant will have a production capacity of 2 million tonnes of Coldry BCE pellets.

**Prospectus** means this transaction specific prospectus dated 26 August 2011;

**Record Date** means 5.00pm on 5 September 2011;

**Sample Lot** has the meaning given in section 6.2;

**Shares** means fully paid ordinary shares (ESI) in the capital of the Company;

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

**Shortfall** means the number of New Shares (if any) to which Eligible Shareholders have an Entitlement but which are not subscribed for pursuant to this Prospectus by 5.00 pm on the Closing Date. Any Additional New Shares applied for will be satisfied out of the Shortfall;

**Shortfall Fee** means 5% of the gross proceeds (plus GST) of New Shares (excluding Additional New Shares) issued pursuant to placement of a substantial portion, as determined by the Board, of the Shortfall by the holder of an AFSL. The Shortfall Fee is payable in addition to any Brokerage Fee that is due and payable to the holder of the AFSL in respect of New Shares and Additional New Shares issued in connection with that AFSL;

**Test Burn** means the testing of 2,000 tonnes of Coldry BCE pellets in one of Datang's black coal-fired power stations in China. The pellets for the test burn are being produced at ECT's Demonstration Plant;

**Underwriter** means Iain McEwin;

**Underwriting Agreement** means the underwriting agreement between ECT and Iain McEwin dated 25 August 2011, the key terms of which are set out in section 7.7;

**Unlisted Option** means an Option which is not listed on ASX; and

**Victorian Coldry Project or Project** means the design and construction of the Proposed Coldry Production Plant.

References in this Prospectus to:

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

## 9 Corporate Directory

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### **Directors**

Stephen Carter  
Mike Davies  
Iain McEwin  
Ashley Moore

### **Company Secretary**

John Osborne

### **Solicitors to the Offer**

Norton Rose Australia  
RACV Tower  
485 Bourke Street  
Melbourne VIC 3000

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

Level 8  
530 Little Collins Street  
Melbourne VIC 3000

### **Share Registry\***

Security Transfer Registrars  
770 Canning Highway  
Applecross WA 6153

### **Auditor\***

PKF  
Level 14  
140 William Street  
Melbourne VIC 3000

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

### **ASX CODE**

ESI  
ESIO