



**ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED**

# PROSPECTUS

19 June 2017

**Environmental Clean Technologies Limited**  
**ACN 009 120 405**  
**ASX Code: ESI**

Prospectus for the issue of New Bonus Options for no consideration, exercisable at 4.5 cents per option to Eligible Shareholders on a one (1) for four (4) basis.

Record Date to determine entitlements 5:00 pm AEST Friday 21 July, 2017.

## **IMPORTANT NOTICE**

This is an important document and requires your immediate attention. It should be read in its entirety. If after reading this Prospectus you have any questions about ECT or the New Bonus Options you should consult your stockbroker or other professional adviser.

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## **IMPORTANT NOTICE**

This Prospectus is dated 19 June 2017 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.

In accordance with section 711(6) of the Corporations Act, the expiry date of this Prospectus is the date 13 months after the date of this Prospectus, and no New Bonus Options will be issued on the basis of this Prospectus more than 13 months after the date of this Prospectus.

This Prospectus sets out information in relation to the issue of New Bonus Options in Environmental Clean Technologies Limited ACN 109 120 405 (**ECT**).

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

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

It is important that you carefully read this Prospectus in its entirety so that you understand the terms and conditions of the New Bonus Options issue and the risks associated with an investment in ECT. These risk factors are discussed in section 5. You should carefully consider these risks in light of your personal circumstances and seek professional advice from a stockbroker or other professional adviser before deciding whether to invest in ECT.

### **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Issue 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 Issue. Neither ECT nor any other person warrants the future performance of ECT or any return on any investment in ECT, 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 statements 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.

### **Ineligible Shareholders**

No New Bonus Options will be issued to, persons with registered addresses outside of Australia and New Zealand. ECT considers it unreasonable to extend the Issue to those Shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of the New Bonus Options that would be issued in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

### **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 is not intended to constitute an offer of New Bonus Options in any place outside Australia and New Zealand unless the person to whom the Prospectus has been sent has been expressly and personally invited in writing by ECT to participate in the Issue. The distribution of this Prospectus in Australia and New Zealand may be restricted by law and persons who come into possession of it 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, this Prospectus may not be sent or passed to persons outside Australia and New Zealand or otherwise distributed outside Australia and New Zealand.

In particular, the Issue 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, this Prospectus may not be sent to investors in the United States or otherwise distributed in the United States.

The New Bonus Options are not being issued to the public within New Zealand, other than to existing Shareholders of ECT with registered addresses in New Zealand to whom the Issue is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). This Prospectus has 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. If you are an Eligible Shareholder and do not receive a hard copy of this Prospectus, you should contact Security Transfer Australia Pty Limited on 1300 992 916 or via email at [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au).

### **Defined terms and abbreviations**

Terms and abbreviations used in this Prospectus are defined in the Glossary in Section 7.

## 1 Chairman's Letter

On behalf of the Board, I am pleased to advise you of the issue of New Bonus Options as described in this Prospectus.

ECT continues to develop and implement a diverse range of capital management programs that are both commercially sensible and aligned with the Company's capital requirements over the medium and longer term.

As part of this broader program, the Issue aims to reward shareholders for their loyalty and encourage ESIOA and ESIOB option holders to convert their options into fully paid ordinary shares in ECT.

Over the past six months, ECT has continued its focus on advancing the development of an integrated Coldry Demonstration and Matmor Pilot project in India (the India Project) as outlined in our recent ASX announcements. Alongside the anticipated finalisation of the Master Project Agreement and NITI Aayog review process, we continue to work on project commencement through site and civil works, and the opening of the ECT India office.

Further, ECT has continued to develop and scale up our R&D capability at the High-Volume Test Facility (HVTF) in Bacchus Marsh. ECT is pursuing a number of unique opportunities to partner with industry organisations for collaborative large-scale trial programs.

Supporting both the broader India project and the continued domestic R&D program, we recently received our Overseas Ruling (Coldry) from AusIndustry and over the first quarter FY18 hope to receive a favourable Overseas Ruling (Matmor).

The significance of what we've achieved to date should not be underestimated. Additionally, market conditions domestically are providing for greater incentive to develop Coldry commercially in Victoria, and so we should also not underestimate the work ahead for the company as we consider the viability of building an expanded production presence in our local market.

Nor should we underestimate the significant underpinning of this success through our extensive R&D program which continues to support the development of new technology to follow in future commercialisation projects for ECT.

One of the most exciting developments evolving from our Matmor and HydroMOR technologies has been progress with our hydrogen research. We would encourage all shareholders to review the Company and ASX announcements on our progress with our hydrogen initiatives.

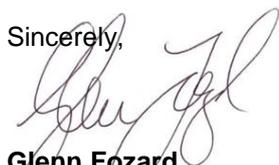
In short, hydrogen is a highly valuable and sought after industrial chemical. In recent times, it's also become the global gateway to a clean energy future, with industry conglomerates in countries like Japan investing heavily in hydrogen generation technology development, with an eye on how they can use Victoria's world-class brown coal reserves to deliver a cleaner energy solution.

The pursuit of an economic method for generating hydrogen is one of the great modern energy challenges and I'm pleased to confirm that ECT is positioning to take on part of that challenge with our expanding R&D activities related to Hydrogen co-generation.

Exciting opportunities lie before us as we develop and demonstrate our combined Coldry and Matmor technologies at scale in our Indian project as well as scoping new opportunities here in Australia for application to Latrobe Valley resources, along with our continuing interest in industry collaboration for the supply of upgraded lignite products here in Victoria.

We welcome your continued support of these projects, and for the Board, Executive and staff at ECT who are committed to realising our full potential.

Sincerely,



**Glenn Fozard**  
Executive Chairman

## 2 Investment Overview & Details of the Issue

### 2.1 The Company

Environmental Clean Technologies (ECT) is a public company listed on the Australian Stock Exchange (ASX: ESI).

Based in Melbourne, Australia, ECT is in the business of commercialising innovative technologies to increase the economic and environmental benefits derived from low grade, low rank coal, and 'waste' iron ore resources.

Current projects of the Company include:

- Bacchus Marsh High Volume Test Facility (HVTF):
  - Facility to support continuous improvement, further R&D, with expected current capacity of 10-15,000 tpa, targeting up to 25,000 tpa Coldry pellet output for enhanced R&D program data collection at large pilot scale
  - Output may find a market consistent with R&D Tax Incentive feedstock rules. ECT will be entitled to sell output from its High-Volume Test Facility, provided it locates a ready market, without compromising its AusIndustry rebates.
- India integrated Demonstration Plant:
  - Large Government of India owned partners, NMDC and NLC for up to 25,000 tpa (metal) integrated Coldry & Matmor plant
  - Completion of Techno-Economic Feasibility study June 2016 triggered advance to commercial discussions
  - Master Project Agreement under negotiation.

ECT's commercialisation strategy is a core part of its business model. Revenue is the goal.

- Commercialisation is the process that converts ideas, research, or prototypes into viable products and production systems.
- Commercialisation relies on the creation of effective manufacturing, supply chain, and implementation strategies.
- Research, development, and commercialisation require significant investment before revenue is realised.
- Our commercialisation strategy also includes marketing and sales systems, which will seek to drive the transition from research investment to revenue generation.
- Transition to revenue:
  - The initial project in India will represent a transition from an 'investment model' to a 'revenue model' due to its 'Demonstration and Integrated' nature, with opportunities to optimise economics following successful completion of the 'India Project.'
- Target revenue streams include:
  - Technology IP License – royalties based on \$/tonne Coldry and Matmor Capacity
  - Detailed Design Services – delivered as part of the IP & Project Management agreements
  - OEM Services – delivered as part of Project Management services

- Bespoke & adaptive:
  - Revenue modelling for future projects will necessarily incorporate tailored aspects of the business model and revenue streams, reflecting project specific criteria, with an average earnings indicator being derived from installed capacity data.
- Timing:
  - Initial revenues targeted to be realised during commercial demonstration (design, OEM, and EPC), i.e. following the period of the Master Project Agreement and subject to successful demonstration of the technology under the Master Project Agreement.
- Assessment:
  - Engaging market analysts to provide regular valuation views based on active and pipeline projects to provide guidance to the market.

## **2.2 The Issue**

The Issue is an issue of New Bonus Options to Eligible Shareholders. The total number of New Bonus Options available under this Issue is approximately 743,519,773.

## **2.3 New Bonus Options**

Eligible Shareholders will be issued one (1) New Bonus Option (ESIOC) for every four (4) Shares (ESI) held at 5:00 pm AEST on the Record Date.

A New Bonus Option entitles the holder to exercise the New Bonus Option for a Share for a price of 4.5 cents. The holder may exercise the New Bonus Option at any time prior to 5.00 pm on the Expiry Date which is July 31, 2019.

No monies will be raised from the issue of New Bonus Options.

If the New Bonus Options are exercised in full, the Company will raise approximately \$33.5 million. Any funds raised from the exercise of the New Bonus Options are expected to be used for working capital purposes and to pay outstanding liabilities of the Company.

More information on New Bonus Options is set out in section 6.4.

## **2.4 Risk Factors**

An investment in Options or Shares involves risk. Information on the risk factors is set out in section 5.

## **2.5 What you should do**

Eligible Shareholders do not need to do anything to receive New Bonus Options. If after reading this Prospectus you have any questions about ECT, the Issue or New Bonus Options you should consult your stockbroker or other professional adviser.

# **3 Details of the Issue**

## **3.1 The Issue**

Eligible Shareholders will receive one (1) New Bonus Option for every four (4) Shares held by them at the Record Date for no consideration.

### 3.2 ASX quotation

ECT will apply for admission of New Bonus Options for quotation on ASX within 7 days after the date of this Prospectus. If ASX does not grant Official Quotation of the New Bonus Options by 26 June 2017, ECT will not issue any New Bonus Options.

### 3.3 Timetables

The timetable for the Issue of the New Bonus Options is as follows:

<b>New Bonus Options</b>	
<b>Event</b>	<b>Date</b>
Lodge Prospectus with ASIC and ASX Note: Securities quoted on a "cum" basis	19 June 2017
"Ex" date* Bonus Options quoted on a deferred settlement basis	20 July 2017
<b>Record Date</b>	5.00 pm AEST on Friday 21 July 2017
<b>Issue of Bonus Options</b> Despatch of holdings statements for New Bonus Options and copy of prospectus**+	2 August 2017
Expected Official Quotation of New Bonus Options on ASX**	3 August 2017
New Bonus Options Expiry Date**	31 July 2019

\* Securities are quoted on an "ex" basis.

\*\*These dates are indicative only and are subject to change. ECT reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend this indicative timetable in consultation with ASX and its advisers. ECT reserves the right to withdraw the Issue without prior notice.

+See ASX Listing Rule Chapter 19 for defined terms.

### 3.4 How to apply for New Bonus Options – Eligible Shareholders

Eligible Shareholders do not need to do anything to receive New Bonus Options.

### 3.5 Allocation of Options

Eligible Shareholders will receive one (1) New Bonus Option for every four (4) Shares held by them at the Record Date which is 5:00 pm AEST on Friday 21 July 2017. Fractional entitlements to New Bonus Options will be rounded to the nearest whole number.

### 3.6 Use of proceeds

No monies will be raised from the issue of the New Bonus Options.

Given the period before the New Bonus Options mature and the associated risks, a detailed consideration of the use of potential capital raised from the exercise of the New Bonus Options is not warranted. If all of the New Bonus Options are exercised, ECT expects to raise approximately \$33.5 million. Funds raised on exercise of the New Bonus Options are expected to be used for working capital purposes and to pay the Company's ongoing liabilities.

## 4 Effect of the Issue on the Company

The Company's financial reports for the financial year ended 30 June 2016 are available from the Company's website ([www.ectltd.com.au](http://www.ectltd.com.au)) or the ASX website ([www.asx.com.au](http://www.asx.com.au)).

The Company's half-year financial report for the period ended 31 December 2016 was lodged with ASX on 28 February 2017.

The effect of the Issue on the financial position of the Company will consist of the expenses incurred by the Company in conducting the Issue, as set out in section 6.16 of this Prospectus.

In addition, if the New Bonus Options are exercised, the Company will issue Shares and will receive the subscription moneys paid for the Shares (the Exercise Price).

### 4.1 Effect of the Issue on the financial position of the Company

No monies will be raised from the issue of New Bonus Options.

The maximum amount of funds that may be raised by the Company, if all New Bonus Options are exercised is approximately \$33.5million.

The Directors are not able to provide any information as to how many New Bonus Options may be exercised or when they may be exercised.

#### ***Basis of Preparation and Presentation***

The following financial information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards ('AAS') adopted by the Australian Accounting Standards Board ('AASB'), which are consistent with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board, the Corporations Act and the accounting policies of the Company.

The financial information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The financial information presented below should, therefore, be read in conjunction with the financial statements of ECT for the half year ended 31 December 2016, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

The Pro Forma historical consolidated Statement of Financial Position has been prepared solely for the purposes of inclusion in this Prospectus, and has been extracted from the statutory consolidated financial statements of ECT for the half-year ended 31 December 2016 with adjustments applied to reflect the Company's capital structure that will be in place following completion of the New Bonus Options issue. The statutory consolidated financial statements of ECT for the half-year ended 31 December 2016 have been reviewed by BDO East Coast Partnership who have issued an unqualified review opinion with an emphasis of matter paragraph regarding the fact there is a material uncertainty regarding the ability of ECT to continue as a going concern in the event further equity investment and loan facilities are not received.

As a listed public company ECT is obliged to comply with the continuous disclosure requirements of the ASX and Corporations Act. The ASX companies' announcement platform (available from the ASX's website at [www.asx.com.au](http://www.asx.com.au)) lists announcements made by ECT, including the detail of the historical financial results of ECT.

#### ***Pro Forma historical consolidated Statement of Financial Position***

Set out in the table below are the adjustments that have been made to the reviewed consolidated Statement of Financial Position of ECT as at 31 December 2016 to present the pro forma

consolidated Statement of Financial Position of the Company. Other than the expenditure of the costs incurred in relation to the issue, the issue of the New Bonus Options will have no impact on ECT's financial position. The adjustments made below comprise the impact of the costs of the New Bonus Options issue and the impact of material subsequent events of a capital nature that have occurred since the last reporting date of 31 December, as if the New Bonus Options issue and subsequent events had occurred as at 31 December 2016. These adjustments include assumptions relating to matters that are known as at the date of the Prospectus.

**Table: ECT pro forma historical consolidated Statement of Financial Position as at 31 December 2016**

\$000	31-Dec-16 Reviewed	Notes	Subsequent Events	Pro forma Historical Statement of Financial Position	
				Pro forma adjustments	Pro forma balance
<b>Current assets</b>					
Cash and cash equivalents	1,635	1	235	(85)	1,784
Trade and other receivables	1,105		-	-	1,105
Other assets	14		-	-	14
<b>Total current assets</b>	<b>2,754</b>		<b>235</b>	<b>(85)</b>	2,903
<b>Non-current assets</b>					
Property, plant, and equipment	723		-	-	723
Investments accounted for using the equity method	0		-	-	0
Intangibles	6,000		-	-	6,000
<b>Total non-current assets</b>	<b>6,723</b>		-	-	6,723
<b>Total assets</b>	<b>9,477</b>		<b>235</b>	<b>(85)</b>	9,627
<b>Current liabilities</b>					
Trade and other payables	578		-	-	578
Borrowings	1,783	2	(740)	-	1,043
Provisions	2,078		-	-	2,078
<b>Total current liabilities</b>	<b>4,439</b>		<b>(740)</b>	-	3,699
<b>Non-current liabilities</b>					
Trade and other payables	441		-	-	441
<b>Total Non-current liabilities</b>	<b>441</b>		-	-	441
<b>Total liabilities</b>	<b>4,880</b>		<b>(740)</b>	-	<b>4,140</b>
<b>Net assets</b>	<b>4,597</b>		<b>975</b>	<b>(85)</b>	<b>5,487</b>
<b>Equity</b>					
Issued capital	61,042	3	1,096	-	62,138
Reserves	4,094	4	(122)	-	3,972
Retained earnings	(60,538)	5	-	(85)	(60,623)
<b>Total equity</b>	<b>4,597</b>		<b>975</b>	<b>(85)</b>	<b>5,487</b>

Notes:

- (1) All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures, and commentary.

## Note 1 – Cash and cash equivalents

<b>CASH AND CASH EQUIVALENTS</b>	
<b>\$000</b>	<b>Pro forma</b>
Reviewed balance of ECT as at 31 December 2016	1,635
<i>Subsequent events:</i>	
Repayment of Brevet loan facility	(1,465)
Draw-down upon Brevet loan facility	725
Proceeds from conversion of options	975
	<u>235</u>
<i>Pro-forma adjustments:</i>	
Offer costs in relation to issuance of New Bonus Options	(85)
	<u>(85)</u>
Pro-forma Balance	<u><u>1,784</u></u>

On 10 January 2017 ECT repaid the Brevet loan facility of \$1,465,000. Since 31 December 2016 ECT has drawn down \$725,000 of the new Brevet loan facility. Subsequent to 31 December 2016, 107,729,018 of options have been converted raising \$975,000.

The costs incurred in relation to the issuance of the New Bonus Options are expected to be \$85,000.

## Note 2 – Borrowings

<b>Borrowings</b>	
<b>\$000</b>	<b>Pro forma</b>
Reviewed balance of ECT as at 31 December 2016	1,783
<i>Subsequent events:</i>	
Repayment of Brevet loan facility	(1,465)
Draw-down upon Brevet loan facility	725
	<u>(740)</u>
Pro-forma Balance	<u><u>1,043</u></u>

On 10 January 2017 ECT repaid the Brevet loan facility of \$1,465,000. ECT drew down \$360,000 of the new Brevet loan facility during January 2017 and \$365,000 during March 2017.

## Note 3 – Issued Capital

<b>ISSUED CAPITAL</b>	
<b>\$000</b>	<b>Pro forma</b>
Reviewed balance of ECT as at 31 December 2016	61,042
<i>Subsequent events:</i>	
Proceeds from exercise of options	975
Transfers from options reserve on exercise of options	122
	<u>1,096</u>
Pro-forma Balance	<u><u>62,138</u></u>

Subsequent to 31 December 2016, 107,729,018 options have been exercised raising \$975,000. The impact of the conversion of these options to shares resulted in transfers from the options reserve of \$122,000.

## Note 4 – Reserves

<b>Reserves</b>	
<b>\$000</b>	<b>Pro forma</b>
Reviewed balance of ECT as at 31 December 2016	4,094
<i>Subsequent events:</i>	
Transfers from options reserve on exercise of options	(122)
	<u>(122)</u>
Pro-forma Balance	<u><b>3,972</b></u>

The exercise of options subsequent to 31 December 2016 has resulted in a transfer from the options reserve to issued capital of \$122,000.

## Note 5 – Retained earnings

<b>RETAINED EARNINGS</b>	
<b>\$000</b>	<b>Pro forma</b>
Reviewed balance of ECT as at 31 December 2016	(60,538)
<i>Pro-forma adjustments:</i>	
Costs incurred in relation to New Bonus Options issue	(85)
	<u>(85)</u>
Pro-forma Balance	<u><b>(60,623)</b></u>

The costs incurred in relation to the issuance of the New Bonus Options are expected to be \$85,000.

### 4.2 Effect on the Company's Income Statement

The issue of New Bonus Options will have no effect on the Company's income statement.

### 4.3 Effect on the Company's Capital Structure

Set out below is a table showing the changes to the capital structure of the Company following the issue of the New Bonus Options:

	<b>Pre-Issue</b>	<b>Post Issue</b>
<b>Shares (ESI)</b>	2,974,079,092 issued capital (as at 19 June 2017)	2,974,079,092 issued capital (as at 19 June 2017)
<b>Options</b>	ESIOA - 1,016,807,823	ESIOA - Exercised or expired by 31 July 2017
	ESIOB - 842,142,527	ESIOB - Exercised or expired by 31 July 2017
	Unlisted - 170,000,000	Unlisted - 170,000,000
		ESIOC (New Bonus Options) - 743,519,773

Shareholders will note that the above table represents Share and Option figures that were current as at the date of the Prospectus. Immediately post issue some ESIOA and ESIOB will remain on issue but all will be exercised or expire by 31 July 2017.

These are subject to change through the exercise of options between the date of the Prospectus and the Issue Date (expected to be 2 August 2017) and as such should be viewed as a guide only.

#### **4.4 Effect on control of the Company and dilution**

Given that Options do not convey ownership in the Company unless exercised, the Issue will have no material effect on the ownership of the Company at the issue date.

The exercise of New Bonus Options will be dilutive to existing Shareholders.

### **5 Risk Factors**

There are risks associated with an investment in options such as New Bonus Options. If the holder exercises a New Bonus Option, the holder will be issued with a Share. There are risks associated with an investment in Shares. The risks associated with an investment in Shares include the risks associated with an investment in ECT.

Like other companies at a similar stage of development, ECT faces a number of specific and general risks which could adversely impact ECT's performance and the value of its Options and Shares. Eligible Shareholders should be aware of and consider these risks and should consult their stockbroker or other professional adviser.

#### **5.1 Risks Associated with New Bonus Options**

New Bonus Options entitle the holder to subscribe for a Share at a price of 4.5 cents.

Because Shares are readily available on the market, a New Bonus Option is only valuable if it allows its holder to acquire a Share for a price less than the holder can acquire the Share on-market.

Shares are currently trading at a price of approximately 1.5 cents. See section 6.9 for more detailed trading information.

Accordingly, but for the fact that a New Bonus Option can be exercised at any time up to the Expiry Date, a New Bonus Option will have no value. Eligible Shareholders should have regard to the fact that New Bonus Options will only have value if and to the extent that at a particular time the New Bonus Option allows the holder to acquire a Share at less than the market price, or if, and to the extent at that time there is, a prospect that the New Bonus Option will in the future, but prior to the Expiry Date, allow the holder to acquire a Share at less than the prevailing market price.

Because New Bonus Options will be listed for quotation on ASX, many of the risk factors applicable to Shares also apply to New Bonus Options. Fluctuations in the market price of the New Bonus Options are a key risk for investors in New Bonus Options.

#### **5.2 Risks Associated with Shares**

The New Bonus Options, following issue, may be exercised and the Shares that will be issued on exercise entitle the holder to participate in an increase in the value of ECT, by way of dividends that may be declared by ECT in the future and in the assets of ECT if it is wound up.

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 threat of terrorism and global political and financial volatility, may cause share price fluctuations in the Australian share market and globally. Fluctuations in the price of the Shares are therefore a key risk for investors in New Bonus Options.

#### **5.3 Specific risks associated with the performance of ECT**

##### **Financial risks**

There are limited financial risks associated with the issue of New Bonus Options as the options are issued for nil consideration. However, ECT considers it appropriate to identify the general financial risks that relate to the future exercising of New Bonus Options and acquiring Shares.

As a small technology company without an established revenue stream, ECT may be reliant on the funds raised from the subsequent exercise of those options acquired through this offer to satisfy its working capital and technology development requirements. If market conditions at and before the time the options come to maturity are not supportive of the exercise price, or the prospects of the Company not viewed as sufficiently positive by option holders, then ECT may not have sufficient working capital to continue its operations.

Without the necessary working capital, ECT 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 investors can realise from their investment in ECT.

## **Market conditions**

ECT's technologies interact with a number of domestic and global markets including;

- Thermal Coal - Production and sales of Coldry pellets, may be used in a range of applications including power generation
- Iron & Steel - Production of Matmor reduced iron and steel products, will compete in the global steel market
- Iron ore and Coking coal markets - A subset of the Iron & Steel market place, but with substantively different supply and demand structures, and
- CO<sub>2</sub> emissions/emissions mitigation markets - Production techniques which have lower emissions profiles than incumbents.

### ***Thermal Coal***

Trends in thermal coal pricing have been somewhat variable in recent years, as the market supply-demand balance shifts. With more emphasis on price, higher cost producers of thermal coal have exited the market place, which has supported a more stable pricing structure.

Total global demand is relatively stable, at around 6 billion tonnes per year<sup>1</sup> (hard coal equivalent), and is expected to remain around that level over the coming decade. With flat demand and increasing emphasis on emissions profile for energy generation, the market will undergo some structural change.

Risks to ECT exist around protracted periods of oversupply, causing low pricing and impacting potential project development. Should emissions reduction become less important, and financial recognition of the value of reduced or avoided CO<sub>2</sub> emissions not be present, this may impact negatively ECT project development.

### ***Iron & Steel***

Global production of crude steel now sits at around 1.6 billion tonnes per year<sup>2</sup>. This market is increasing, up nearly 6% year on year, with significant growth drivers being US and India demand. The supply market is dominated by China, at nearly half of the production, but marked by low (though tightening) capacity utilisation.

Critical steel-making raw materials and capacity utilisation drive price movements.

Progressively though, efficiencies and emissions profiles are impacting capacity utilisation, with a growing number of older technology facilities closing, particularly in China. Access to new technologies, as well as alternative raw materials is expected to be of growing importance in this market.

Risks to ECT exist if capacity replacement ceases or significantly slows in all markets, limiting the prospect of ECT project development. If there is a prolonged and steep decrease in the pricing of raw materials, this may also limit ECT project development.

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<sup>1</sup> BP Energy Outlook 2017

<sup>2</sup> World Steel Association, March 2017 quarterly report

## ***Iron ore and Coking coal***

The pricing of these critical steel making raw materials is driven almost entirely through the supply and demand balance of each commodity. Iron ore is in slight oversupply, and coking coal is in a tight supply condition. Certain sectors of the iron ore market have less pricing power, such as those associated with lower grade (less Fe%) and fine particle size (less amenable to current steel making technologies).

Risks to ECT exist if different raw materials are developed, or significant changes in the price and cost of these raw materials occur such that ECT project development may be impacted. If alternative processes are developed to take advantage of stranded iron ore resources (such as medium grade fines), then there may be some limited impact on ECT project development

## **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 with protection in Australia, China, India, Europe, New Zealand, Canada and the USA.

A key component of the MATMOR Technology is covered by an invention that is the subject of Australian Patent number 767268. Advances in MATMOR research have led to a new process called HydroMOR, currently the subject of a provisional patent application.

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;
- prevent others from infringing ECT's intellectual property rights and intellectual property rights licensed to ECT; and
- apply its intellectual property in the delivery of plant that has economically viable capital and operating costs.

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 ECT'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 are still evolving.

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

ECT has made significant progress in the development of both the Coldry and Matmor technology. Key milestones that have been achieved, include:

- Completion in June 2016 of the detailed techno-feasibility study conducted by ECT and MN Dastur
- A new Australian provisional patent application for an improved Metal Oxide Reduction process, HydroMOR
- ECT representation at the Sydney Clean Energy Roundtable including company presentation to India's Federal Minister for Power, Coal, New & Renewable Energy and Mines the Hon. Shri Piyush Goya
- Successful completion of the FY2016 R&D Tax rebate program with a refund of ~\$1.5M

- Completion of a term sheet with the company's existing R&D Debt provider Brevet Capital Advisers LLC (Brevet) to fund ECT's estimated \$10M funding contribution for execution of the proposed Indian project in collaboration with project partners NLC and NMDC
- Completion of stage 1 and stage 2 upgrades to the Bacchus Marsh High Volume Test Facility
- Commencement of engineering basic design program and site works in India to support the establishment of the 'India Project', and
- Receipt of a positive ruling from the Australian Federal Government AusIndustry agency on the ECT application for an 'Advance Finding and Overseas Ruling' in relation to its Coldry R&D Project in India.

These achievements have provided solid progress towards the commercialisation of the Coldry and Matmor technologies. However, the Directors are cognisant of the risks for the next phase of delivery. These include, but are not limited to;

- Positive outcome from the NITI Aayog review process in support of the Master Project Agreement
- Final approval of the Master Project Agreement from NLC and NMDC to then proceed with the integrated Coldry Demonstration / Matmor Pilot plant project in India;
- Negotiation and agreement upon, and implementation of, the Project sub-agreements that will complete the corporate, legal and finance structure for the 'India Project.'
- Successful and timely construction of the proposed Indian plant
- Commercial validation of the Coldry and Matmor technologies through successful completion of the proposed Indian Pilot Plant R&D program, and
- Timely lodgement of one or more patent applications based on the provisional patent application for HydroMOR.

### **Key employee risks**

ECT has built a small team with corporate, finance, engineering and technical expertise in the Coldry and Matmor technologies. A loss of any of ECT's key personnel may delay the commercial exploitation of these technologies while replacement expertise is secured and trained.

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

### **Production risks**

There can be no assurance given that ECT will achieve sustainable and viable levels or commercial grade quality of Coldry or Matmor products from any of its projects. Additionally, there is no assurance that even if ECT produces commercially viable quantities of Coldry or Matmor product, there will be a market for the sale and supply of these products. Accordingly, ECT 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 commercial production levels from its core technologies may not be achieved, and even if achieved, may not result in the Company being profitable. The ability of ECT 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 ECT's commercial products is dependent in part on the successful completion of the proposed 'India Project.' If the 'India Project' is not successfully completed, and the technologies are not validated for commercial scale, ECT may be unable to generate the necessary revenue from subsequent commercial projects for ECT to continue as a going concern in the future.

## **Dependency on others**

The future success of ECT will be in part dependent on the competency of organisations chosen from time to time to be operators of ECT's projects and on each operator's capacity to manage the day to day operations. ECT's future growth will also be dependent in part upon engagement of management capable of managing and expanding the Company's operations beyond the present projects.

## **Contract Risks**

ECT is in the final stages of negotiating significant contracts with both Australian and India-based organisations.

While India maintains a common law legal system inherited from the British legal system, the Indian legal system is particular unto itself and features a number of characteristics that must be understood and managed.

In any jurisdiction, the contracts that ECT enters into will carry risks associated with the performance by the other parties to those contracts of their obligations as to the timing and quality of work performed.

ECT intends to enter into service agreements with operators and sub-contractors for the construction and operation of its Proposed 'India Project.' Future sale of commercial products will be effected through various marketing and off-take agreements. A number of the necessary contractual relationships are yet to be formalised.

## **5.4 General risks associated with the performance of ECT**

### **Economic conditions**

The performance of ECT may be significantly affected by changes in economic conditions, and particularly conditions that affect the coal, iron ore, steel and power generation sectors. 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 national economies or the Australian economy or on financial markets and investments generally or specifically.

### **Competition Risk**

The structure of the markets in which ECT 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 ECT.

### **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.

### **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.

### **Changes to Australian and foreign legislation and policy**

There may be changes to the *Income Tax Assessment Act 1997* (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.

## 6 Additional Information

### 6.1 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 continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Copies of documents lodged with 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 Issue Period for this Prospectus:

- The Company's most recent annual financial report lodged with ASIC;
- Any half-year financial report of the Company 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 ECT after the lodgement of that annual financial report and before lodgement of this Prospectus with ASIC.

### 6.2 Documents

The following table provides a list of all the announcements lodged by ECT with ASX prior to the date of this Prospectus and after the date on which the 2016 annual report was lodged with ASX on 25 October 2016 (copies of documents lodged with ASIC in relation to ECT may be obtained from, or inspected at, an office of ASIC):

<b>List of ASX Announcements - 25 October 2016 to 19 June 2017</b>	
Date	Title
26/10/2016	Change of Director's Interest Notice
26/10/2016	Appendix 3B
04/11/2016	Change of Director's Interest Notice
04/11/2016	Appendix 3B
11/11/2016	Corporate Presentation
11/11/2016	Change of Director's Interest Notice
11/11/2016	Appendix 3B
18/11/2016	Appendix 3B
22/11/2016	Appendix 3B
24/11/2016	Results of Meeting
24/11/2016	AGM Presentation
24/11/2016	New Patent Application Filed
24/11/2016	Appendix 3B
05/12/2016	Appendix 4G and Corporate Governance Statement
09/12/2016	Shareholder Update - India Activity
16/12/2016	High Volume Test Facility Upgrades Complete
22/12/2016	India Project Funding Strategy
23/12/2016	Capital Management Update
16/01/2017	Shareholder Update - India Activity
17/02/2017	Trading Halt
20/02/2017	Shareholder Update - Capital Management
21/02/2017	India Coldry Project Receives Positive Overseas Ruling
22/02/2017	Change in substantial holding

<b>List of ASX Announcements - 25 October 2016 to 19 June 2017</b>	
22/02/2017	Appendix 3B
28/02/2017	Half Year Accounts
03/03/2017	Capital Management Update
09/03/2017	Shareholder Update - Bacchus Marsh Plant
10/03/2017	Change of Director's Interest Notice
10/03/2017	Appendix 3B
15/03/2017	Appendix 3B
03/04/2017	Appendix 3B
18/04/2017	Appendix 3B
18/04/2017	Appendix 3B
18/04/2017	Shareholder Update - India Activity
24/04/2017	Change of Director's Interest Notice
24/04/2017	Appendix 3B
28/04/2017	Equity Lending Facility Update
09/05/2017	Appendix 3B
19/05/2017	Shareholder Update
26/05/2017	Shareholder Update - India Project
29/05/2017	Replacement Appendix 3B
29/05/2017	Appendix 3B
29/05/2017	Shareholder Update - India Project
31/05/2017	Appendix 3B
01/06/2017	Change in substantial holding

### **6.3 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 Issue, the effect of the Issue on ECT and the rights and liabilities attaching to the New Bonus Options and Shares. 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.

### **6.4 Rights and liabilities attaching to New Bonus Options**

The rights and liabilities attaching to New Bonus Options are set out in the Options Terms (Annexure A) attached to this Prospectus.

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

- Each New Bonus Option entitles the Holder to subscribe for and be allotted one (1) Share upon the exercise of the New Bonus Option and payment to ECT of the exercise price of 4.5 cents;
- The New Bonus Options are exercisable by the Holder at any time prior to 5.00 pm on the Expiry Date which is July 31, 2019. New Bonus Options not exercised on or before the Expiry Date will automatically lapse;
- Holders may exercise all their New Bonus Options at once, or may exercise parcels of their New Bonus Options, such parcels being multiples of \$10,000 of New Bonus Options (or such lower multiple as ECT permits in its absolute discretion);

- To exercise the New Bonus Options, the Holder must complete a “Notice of Exercise,” available from the Company and deliver it to the registered office of ECT (or such other place as ECT 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 ECT after the Expiry Date;
- ECT must send a Holder before the Expiry Date of the New Bonus Options any notice required by the ASX Listing Rules to be sent to Holders;
- Upon the exercise of a New Bonus Option and receipt of all relevant documents and payment of the exercise price, the Holder will be allotted and issued one (1) Share for every New Bonus Option exercised ranking pari passu with all other issued Shares;
- Shares issued pursuant to the exercise of a New Bonus Option will be issued not more than 15 Business Days after receipt of the Notice of Exercise;
- ECT will apply to ASX to have the issued Shares granted Official Quotation within 15 Business Days of allotment of those Shares;
- ECT will keep and maintain the Register and must ensure the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements;
- ECT must send to the Holder a holding statement or other statement in respect of the New Bonus Options so held and any Shares issued on exercise of those New Bonus 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, ECT must tell the Holder in writing of the exercise price and Expiry Date of the New Bonus 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 Bonus Options for Holders to participate in new issues of securities which may be issued to Shareholders during the currency of the New Bonus Options. However, prior to any new pro rata issue of securities to Shareholders, Holders will be notified by ECT before the record date to provide them with an opportunity to exercise their New Bonus Options prior to the date for determination of entitlements to participate in that new issue of securities;
- In the event ECT 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 Bonus Options, the exercise price of the New Bonus 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 Bonus Option is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the New Bonus 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 ECT 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;
- Holders are bound by the terms of issue of the New Bonus Options and the Constitution; and
- Subject to the Constitution, ASX Listing Rules and ASX Settlement Operation Rules, all New Bonus Options are transferrable.

## 6.5 Rights and liabilities attaching to Shares

The rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at ECT's registered office during normal business hours or at [www.ectltd.com.au](http://www.ectltd.com.au). 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 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:

- ASX Settlement Operation Rules Transfer or any other method of transferring or dealing in Shares introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or Listing Rules and in any such case recognised under the Corporations Act; or
- 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 options in the Company 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 ECT 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 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 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 how 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.

## **6.6 Privacy**

ECT collects information about each Shareholder and Optionholder.

The Corporations Act requires ECT to include information about the security holder (including name, address, and details of the securities held) in the Company's public register. The information contained in ECT's public register 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.

Shareholders and Optionholders have a right to gain access to the information that ECT holds about themselves subject to certain exemptions under law. A fee may be charged for access to such information. Requests for access to such information must be made in writing to ECT's Company Secretary at ECT's registered office.

## **6.7 Disclaimer**

The information contained in this Prospectus does not represent any forecast or projection as to the future revenue or profitability of ECT. See section 5 regarding risk factors generally in respect of your decision on whether to take part in the Issue.

## **6.8 CHESS and issuer sponsorship**

ECT participates in CHESS. All trading on ASX in Shares and Options is, and / or New Bonus Options will be, settled through CHESS. ASX Settlement, a wholly-owned subsidiary of ASX, operates CHESS 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 CHESS sub-register. Both these sub-registers constitute ECT's principal register of Shareholders.

Holders of New Bonus 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 CHESS, that person will receive a CHESS statement which will set out the number of New Bonus Options issued to that person under this Prospectus, provide details of their HIN (Holder Identification Number), and provide the participant identification number of the sponsor.

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

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

## **6.9 Market price of Shares and Options**

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 2.1 cents on 24th March 2017, and
- lowest price was 1.2 cents on 8th June 2017.

The closing price for Shares on ASX on 16 June 2017, being the last day of trading of Shares prior to the date of this Prospectus, was 1.5 cents.

The closing price for ESIOA's on ASX on 16 June 2017, being the last day of trading of Options (ESIOA) prior to the date of this Prospectus, was 0.6 cents.

The closing price for ESIOB's on ASX on 16 June 2017, being the last day of trading of Options (ESIOB) prior to the date of this Prospectus, was 0.2 cents.

## 6.10 Treatment of Overseas Shareholders

This Prospectus contains an Issue 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 Bonus Options under the Issue does not breach securities law in the relevant overseas jurisdictions. Participation in the subscription of New Bonus options will constitute a representation that there has been no breach of such laws.

## 6.11 Allotment of Options

New Bonus Options are expected to be issued on the 2 August 2017, and trading is expected to commence on the 3<sup>rd</sup> August 2017. Holdings statements are expected to be despatched no later than 4th August 2017 to allottees at the address appearing in the register of members of ECT or such other address as may be advised by the allottee.

## 6.12 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 Issue.

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 Issue.

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

2017	Balance at the start of year	Other	Balance at the end of the year
A Moore	11,250,0002	28,888,890	40,138,892

The Company Secretary discloses his relevant interests (whether the shareholding is held in his personal name or otherwise) in Shares, as at the date of this Prospectus as follows:

2017	Balance at the start of year	Other	Balance at the end of the year
A Giles	13,138,609	-	13,138,609

### 6.13 Directors' Remuneration

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

The annual remuneration pool for Non-Executive Directors is currently \$250,000.

The remuneration paid to Directors has been previously reported in the 2016 Annual Report available on the Company's website – [www.ectltd.com.au](http://www.ectltd.com.au).

### 6.14 Litigation

ECT 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.

### 6.15 Interest of other persons

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

#### *Cornwall Stodart*

Fees for professional services undertaken as legal advisers to ECT in connection with the Issue of approximately \$20,000 (plus GST and disbursements) as at the date of this Prospectus. The fees charged by Cornwall Stodart are in accordance with the Firm's standard hourly rates.

#### *Various suppliers*

Fees for other services provided in connection with the Issue including marketing, share registry fees, printing, postage and handling, ASIC lodgement fees, ASX quotation fees and company secretarial and consulting fees. 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 Issue 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 Issue, 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 Issue.

### 6.16 Expenses of the Issue

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

<b>Expense</b>	<b>Total</b>
Legal fees and expenses (excluding GST and disbursements)	\$20,000
Other expenses including marketing, share registry fees, printing, postage and handling costs, ASIC lodgement fees, ASX quotation fees, company secretarial fees and consulting fees.	\$65,000
<b>Total</b>	<b>\$85,000</b>

### 6.17 Governing Law

This Prospectus and the contracts which arise under it are governed by the law applicable in Victoria, Australia.

## 6.18 Consents and disclaimers

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

**Security Transfer Australia** Security Transfer Australia Pty Limited (**Security Transfer Australia**) 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 Australia has had no involvement in the preparation of any part of the Prospectus other than being named as share registrar to ECT. Security Transfer Australia has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

### *Cornwall Stodart*

Cornwall Stodart (legal advisers to ECT in relation to the Issue) has given and not withdrawn its written consent to being named in the Prospectus in the form and context in which it is named.

Cornwall Stodart 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 Cornwall Stodart'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 Cornwall Stodart consent above.

### *BDO*

BDO have given and not withdrawn its written consent to being named as auditors of ECT in the form and context in which it is named. With the exception of the consent as stated above, BDO 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.

## 6.19 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 19 June 2017

  
**Glenn Fozard**  
**Chairman**

## 7 Glossary

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;

**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);

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

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

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

**Company Secretary** means the company secretary of the Company at the date of this Prospectus;

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

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

**Directors** mean 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 Shareholders** means those persons who have a registered address in Australia or New Zealand and who are registered as holders of Shares as at 5.00 pm on the Record Date which is 21 July 2017;

**ESIOA** – Environmental Clean Technologies Limited Listed Options (ESIOA), Expiry Date 31-JUL-2017.  
Exercise Price: \$0.009

**ESIOB** – Environmental Clean Technologies Limited Listed Options (ESIOA), Expiry Date 31-JUL-2017.  
Exercise Price: \$0.015

**Exercise Price** means 4.5 cents;

**Expiry Date** means 31 July 2019;

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

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

**New Bonus Option** means an option issued for no consideration pursuant to this Prospectus to acquire one (1) fully paid Share in ECT, exercisable no later than 5.00 pm on the Expiry Date;

**Official Quotation** means official quotation of New Bonus Options by ASX in accordance with the ASX Listing Rules;

**Option** means an option to acquire a Share in ECT;

**Optionholder** means a person who holds Options;

**Prospectus** means this transaction specific prospectus dated 19 June 2017;

**Record Date** means 5.00 pm AEST on 21 July 2017 in relation to entitlements to Issue the New Bonus Options;

**Registry** and **Security Transfer Australia** means Security Transfer Australia Pty Limited ACN 008 894 488;

**Share** means a fully paid ordinary share in the capital of ECT; and

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

## **8 Corporate Directory**

### **Directors**

Glenn Fozard	Chairman
Ashley Moore	Managing Director
Barry Richards	Non-Executive Director
David Smith	Non-Executive Director

### **Company Secretary**

Adam Giles, Corporate Communications Manager

### **Solicitors to the Issue**

Cornwall Stodart  
Level 10, 114 William Street  
Melbourne VIC 3000

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

388 Punt Road  
South Yarra, VIC 3141

### **Share Registry\***

Security Transfer Australia  
770 Canning Highway  
Applecross WA 6153

### **Auditors\***

BDO  
Collins Square, Tower Four  
Level 18, 727 Collins Street, Melbourne VIC 3001

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

### **ASX CODES**

ESI

ESIOA

ESIOB

## Annexure A – Terms of the New Bonus Options

### 1. Definitions and Interpretation

#### 1.1 Definitions

In these conditions, the following expressions have the following meanings:

- (1) **ASTC** means ASX Settlement and Transfer Corporation Pty Ltd;
- (2) **ASTC Settlement Rules** means the settlement rules of the ASTC;
- (3) **ASX** means ASX Limited;
- (4) **ASX Listing Rules** means the listing rules of ASX except to the extent of any waiver by ASX of their application to the Company;
- (5) **Bonus Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (6) **Business Day** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (7) **Company** means the Environmental Clean Technologies Limited (ACN 009 120 405);
- (8) **Corporations Act** means *Corporations Act 2001* (Cth);
- (9) **Exercise Notice** has the meaning given in clause 3.1(1);
- (10) **Exercise Period** means, in relation to an Option, the period between the date of issue of the Option and 5.00 pm (Melbourne Time) on the Expiry Date;
- (11) **Exercise Price** means, in relation to an Option, the amount of 4.5 cents payable on exercise of an Option;
- (12) **Expiry Date** means 31 July 2019;
- (13) **Holder** means the holder of an Option;
- (14) **Option** means, at any time, an option to subscribe for 1 Share issued or granted by the Company subject to these conditions;
- (15) **Pro rata Issue** has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules;
- (16) **Register** means the register of Holders of Options referred to in clause 6.1; and
- (17) **Share** means a fully paid ordinary share in the capital of the Company.

#### 1.2 Interpretation

In these conditions unless the context otherwise requires:

- (1) **Business Day.** If any day appointed or specified by these conditions for the payment of any money or the doing of any act or thing falls on a day that is not a Business Day, the day so appointed or specified will be deemed to be the next day which is a Business Day.
- (2) **Collective references.** Reference to any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.
- (3) **Defined expressions.** If an expression is defined, other parts of speech or grammatical forms of the expression have a corresponding meaning.

- (4) **Gender.** Words importing any gender include all genders.
- (5) **Headings.** Headings are for ease of reference only and do not affect the interpretation of these conditions.
- (6) **Numbers.** Words importing the singular include the plural and vice versa.
- (7) **Persons.** References to persons include bodies corporate and any other entity.
- (8) **Reconstructed bodies.** References to a body which has ceased to exist or has been reconstructed, amalgamated, reconstituted or merged, or the functions of which have become exercisable by any other person or body in its place, will be taken to refer to the person or body established or constituted in its place or the person or body by which its functions have become exercisable.
- (9) **Representatives and assigns.** References to a person include the legal personal representatives, successors and assigns of that person.
- (10) **Statutory amendments.** A reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether of the same or any other legislative authority having jurisdiction).
- (11) **Variation.** References to these conditions or an agreement or document include the conditions, agreement or document as varied, changed or replaced from time to time.
- (12) **Writing.** References to writing include any mode of representing or reproducing words in tangible and permanently visible form.
- (13) **Dollars.** References to money is to Australian currency.
- (14) **No Limitation.** References to "including" and similar expressions are not words of limitation.

## 2. Entitlement on Exercise of Options

Subject to these conditions, each Option entitles the Holder to subscribe for and be allotted 1 Share upon the exercise of the Option and payment to the Company of the Exercise Price.

## 3. Exercise of Options

### 3.1 Exercise Notice

- (1) The Holder may at any time during the Exercise Period give a notice (**Exercise Notice**) to the Company requiring the Company to issue Shares on exercise of the Options.
- (2) An Exercise Notice must be in writing and must be delivered 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 for each of the Options exercised.
- (3) The directors of the Company may prescribe the form of an Exercise Notice, which must be given by a Holder in order to exercise an Option.
- (4) Holders may exercise all their Options at once, or may exercise parcels of their Options which are multiples of \$10,000 (or such lower multiple as the Company permits in its absolute discretion).

### 3.2 Issue of Shares

- (1) On exercise of any Options, the Company must allot to the Holder the number of Shares for which the Options are exercised at the Exercise Price.

- (2) The Company must allot the Shares within 15 Business Days of receipt of the Exercise Notice.
- (3) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the Options exercised in cash or cleared funds.

### 3.3 Uncertificated Holding Statements

- (1) The Company must send to the Holder a holding statement or other statement in respect of the Options so held and any Shares issued on exercise of those Options within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASX Settlement Operating Rules and the constitution of the Company.
- (2) 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.

### 3.4 Ranking of Shares Allotted on Exercise

Shares allotted upon exercise of Options will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the constitution of the Company.

### 3.5 Lapse

- (1) Any Option which has not been exercised by 5.00 pm (Melbourne Time) on the Expiry Date will lapse.
- (2) An Exercise Notice is not effective if it is received by the Company after the expiration of the Exercise Period.

## 4. Quotation of Shares

If Shares in the Company are quoted on ASX at the time of exercise of the Options, the Company will make application to ASX for the number of Shares as corresponds to the number of Options exercised within 15 Business Days of the allotment of those Shares.

## 5. New, Bonus and Pro Rata Issues

### 5.1 General

- (1) Holders will be issued their Options before the applicable record date for the new issue which they will be entitled to participate in that new issue.
- (2) Except as expressly set out in these conditions, a Holder does not have any right to change the Exercise Price of an Option or the number of Shares over which an Option can be exercised.

### 5.2 Rights Issues

If the Company Offers Shares by way of a Pro-rata Issue (except a Bonus Issue) to the holders of Shares (whether renounceable or non-renounceable), the Exercise Price of an Option will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

### 5.3 Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the Option had been exercised before the record date for the Bonus Issue.

#### 5.4 Reconstructions of Capital

In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the 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.

### 6. Maintenance of Register and Transfers of Options

#### 6.1 Register of Holders of Options

- (1) The Company will keep and maintain, or cause to be kept and maintained, a register of Holders of Options.
- (2) The Company must ensure that the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements.

#### 6.2 Transfers of Options

- (1) Subject to the constitution of the Company, ASX Listing Rules and ASX Settlement Operating Rules, all Options are transferable.
- (2) Subject to clause 6.2(1), the provisions of constitution of the Company relating to a transfer of Shares apply, with necessary alterations, to a transfer of Options.

### 7. Miscellaneous

#### 7.1 Severance

- (1) If a provision of these conditions or its application to any person or circumstance is or becomes invalid, illegal or unenforceable then the provision must, as far as possible, be interpreted as narrowly as possible to ensure that it is not illegal, invalid or unenforceable.
- (2) If any provision or part of it cannot be so interpreted, then the provision or its part is taken to be void and severable. The remaining provisions of these conditions are not affected or impaired in any way.

#### 7.2 Holders bound by Constitution

A Holder is bound by these conditions and the constitution of the Company.

#### 7.3 Waiver and Variation

- (1) Subject to the ASX Listing Rules, ASX Settlement Operating Rules and the constitution of the Company, the directors of the Company may by resolution:
  - (a) waive strict compliance with any of these conditions; or
  - (b) add to, vary or otherwise change any of these conditions for any reason including to ensure compliance with the ASX Listing Rules either generally in relation to all Holders or as they apply to a particular Holder.
- (2) Any waiver, addition, variation or other change under clause 7.3(1) must not be made unless:
  - (a) any Holder effected by the waiver, addition, variation or other change so consents in writing; or
  - (b) the directors of the Company reasonably consider that the waiver, addition, variation or other change is required to ensure compliance with the ASX Listing Rules or any law or requirement binding on the Company or does not adversely affect a Holder's rights under these conditions.

#### 7.4 Notice of Expiry

The Company must send a Holder before the Expiry Date of the Options any notice required by the ASX Listing Rules to be sent to Holders.

#### 7.5 Governing law

These conditions are to be construed according to and is governed by the laws of Victoria, Australia. Each of the Company and the Holder submits to the exclusive jurisdiction of the courts in and of Victoria in relation to any dispute arising under these conditions.