



## **Notice under section 708A(12C)(e) of the Corporations Act**

**Thursday, 4 November 2010:** On 28 October 2010, Environmental Clean Technologies Limited (**ECT** or **Company**) (ASX:ESI) announced that it had entered into a Funding Agreement with La Jolla Cove Investors, Inc. (**La Jolla Cove**) pursuant to which the Company will issue a series of convertible notes to La Jolla Cove with a total issue price of up to US\$2,500,000.

The Company has received an initial subscription amount of US\$400,000 from La Jolla Cove and will, today, issue a Convertible Note to La Jolla Cove in the amount of US\$400,000 (**Convertible Note**).

The Company provides the following notice under section 708A(12C)(e) of the *Corporations Act 2001* (**Corporations Act**) (as inserted by ASIC Class Order CO [10/322] *On-sale for convertible notes issued to wholesale investors*):

### **1. Issue of Convertible Note**

#### **(1) Effect of the issue of the Convertible Note on the Company**

The issue of the Convertible Note will result in:

- an increase in cash held by the Company (by the amount received by the Company in its bank account on conversion of the US\$400,000); and
- an increase in the indebtedness of the Company in a corresponding amount.

#### **(2) Rights and liabilities attaching the Convertible Note**

The Convertible Note will be issued on the following terms:

- The Convertible Note will have an issue price of US\$400,000.
- The Convertible Note will have a maturity date of 4 November 2013. On this date, ECT will be required to repay the outstanding principal amount of the Convertible Note (being, the outstanding issue price of the Convertible Note to the extent that it has not been converted).
- No interest will be charged on the Convertible Note unless the market price of the Company's ordinary shares is trading on ASX below \$0.020 (2 cents) per share. In such case, interest will be payable on the outstanding principal amount of the Convertible Note for each day on which the trading price of the Company's shares is below \$0.020 (2 cents) at a rate of 4.75% per annum. Interest will be payable monthly in arrears and will be paid, at the Company's option, by either cash or the issue of new ordinary shares in the Company.
- At the election of La Jolla Cove, the Convertible Note will be able to be converted, either in whole or in part, into fully paid ordinary shares in

ECT. The number of ordinary shares into which the Convertible Note may be converted will be equal to the dollar amount being converted divided by the Conversion Price. The "Conversion Price" will be equal to the lesser of:

- (a) the "ceiling price" of A\$0.20 (20 cents per share); and
  - (b) 80% of the average of the three lowest Volume Weighted Average Prices (**VWAP**) during the 15 trading days prior to La Jolla Cove's election to convert.
- The Convertible Note will be issued with an issue price in US\$ but repayment obligations and the calculations for conversion will be based on the actual A\$ amount received by the Company in its bank account on conversion of the US\$ issue price.

## **2. Issue of ordinary shares on conversion of the Convertible Note**

### **(1) Effect of the issue of Ordinary Shares on conversion of the Convertible Notes**

Upon conversion of the Convertible Note, ECT will issue new fully paid ordinary shares in the Company to La Jolla Cove or its nominee. The number of new ordinary shares issued to La Jolla Cove will depend on the Company's three lowest VWAP during the 15 trading days prior to La Jolla Cove's election to convert the Convertible Note.

For example:

- if the average of the three lowest VWAP was \$0.020 (2 cents) and La Jolla Cove sought to convert \$100,000, ECT would issue La Jolla Cove 5,000,000 ordinary shares.
- if the average of the three lowest VWAP was \$0.010 (1 cent) cent and La Jolla sought to convert \$400,000, ECT would issue La Jolla 40,000,000 ordinary shares.

ECT currently has 784,693,457 fully paid ordinary shares on issue. The effect of the issue of the ordinary shares would be to:

- increase the number of ordinary shares on issue; and
- decrease the indebtedness of the Company under the Convertible Note,

in each case depending on the amount converted.

### **(2) Rights and liabilities attaching the shares**

Each new ordinary share issued to La Jolla Cove on conversion of the Convertible Note will be issued as fully paid and will rank equally with, and have the same rights and liabilities as, existing ordinary shares in the Company in all respects.

The rights attaching to ordinary shares in the Company are set out in the Company's Constitution and are affected by the Corporations Act, the ASX Listing Rules and statute and general law.

### **3. Compliance with continuous disclosure obligations**

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 the Australian Securities and Investments Commission (**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 [asx.com.au](http://asx.com.au).

ECT will provide a person who requests it a copy of:

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

All requests for copies of the above documents should be emailed to John Osborne, Company Secretary, ECT at [info@ectltd.com.au](mailto:info@ectltd.com.au)

### **4. Information excluded from continuous disclosure notices**

The Company is not aware of any information that:

- has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- is information that investors and their professional advisers would reasonably require for the purposes of making an information assessment of:
  - the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and
  - the rights and liabilities attaching to the Convertible Note to be issued.

#### **For Further Information Contact:**

*Kos Galtos* - Chief Executive +61 3 9684 0888 or [info@ectltd.com.au](mailto:info@ectltd.com.au)

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**About ECT**

ECT is in the business of commercialising and selling disruptive, leading-edge technologies that have game-changing potential within the energy and resources sector that are capable of delivering 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.

**About Coldry**

When applied to lignite and some sub-bituminous coals, the mechanically simple Coldry process produces a black coal equivalent (BCE) in the form of pellets that are stable, easily stored, can be transported and which can be of equal or better energy value than many black coals, whilst significantly reducing CO2 emissions.

**About Matmor**

The Matmor process is positioned to revolutionise primary iron making thanks to the design of our simple, low cost, low emission, patented Matmor retort using cheaper, alternative raw materials.

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