EcoMag Limited

ACN 607 244 600

Prospectus

For the offer of 3,000,000 Shares at an issue price of $1 each to raise $3,000,000.

Oversubscriptions for up to a further 2,000,000 Shares at an issue price of $1 per Share to raise up to a further $2,000,000 may be accepted.

CONTENTS

CORPORATE DIRECTORY

Directors

Anthony Crimmins (Executive Chairman)
Shaun Triner (Executive Director)
Adrian Horbach (Non-Executive Director)

Company Secretary

Brett Crowley

Australian Company Number

607 244 600

Registered and Principal Office

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CHATSWOOD NSW 2067

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Investigating Accountant

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Phone: (02) 9220 0700

Share Registry*

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23–25 O'Connell Street
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Phone: (02) 9233 3308
btclawyers.com.au

* This entity is included for information purposes. It was not involved in the preparation of this Prospectus.

IMPORTANT INFORMATION

Magnesium metal

IMPORTANT INFORMATION

This Prospectus is dated 22 June 2018 and was lodged with ASIC on that date. ASIC and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person or entity is authorised to give any information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Directors in connection with this Prospectus.

This Prospectus does not constitute an offer of Shares in any place in which, or to any person to whom, it would be unlawful to do so. No action has been taken to register the Offer or otherwise permit the Offer to be made in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. Failure to comply with these restrictions may violate securities laws.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary.

CONDITIONAL OFFERS—LISTING ON ASX

An application will be made to ASX no later than seven days after the date of this Prospectus for the Company to be admitted to the Official List and for official quotation of the Shares on ASX.

There is a risk that the Company may not be able to satisfy the conditions to the Offer and meet the requirements of ASX for quotation on ASX. In the event the Company does not receive conditional approval for quotation on ASX then the Company will not proceed with the Offer and will repay all application monies received.

RISK FACTORS

Before deciding whether to apply for Shares pursuant to this Prospectus, you should consider the risk factors that could affect the financial performance of the Company and consult with your professional advisers. For further information in relation to the risk factors of the Company, please refer to the Section 7 of this Prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications received until after the Exposure Period. The Exposure Period is the seven day period (excluding public holidays) from the date of this Prospectus and may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the offering of Shares. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications under this Prospectus received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

ELECTRONIC PROSPECTUS

This Prospectus will also be issued as an electronic prospectus. A copy of this Prospectus can be downloaded from the Company's website at ecomagnesium.com/prospectus.

If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

NO FINANCIAL FORECASTS

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

FORWARDING-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'proposed', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Directors and Company.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

PRIVACY

For information in relation to the Company's Privacy Statement please refer to Section 3.19.

GENERAL

All amounts are in Australian dollars unless otherwise specified. A number of terms and abbreviations used in this Prospectus have defined meanings, which appear in Section 10. All references to time are to the time in Sydney, New South Wales.

"EcoMag's business is the commercial application of newly developed processes for recovering and producing magnesium-based materials from bitterns—a waste product from salt operations."

1 CHAIRMAN'S LETTER

Tony Crimmins
EXECUTIVE CHAIRMAN

22 June 2018

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to invest in EcoMag Limited (the **Company**).

THE OFFER

By this Prospectus, the Company offers investors the opportunity to subscribe for 3,000,000 Shares at an issue price of $1 per Share to raise $3,000,000 (the **Offer**). The Company may accept oversubscriptions of up to a further 2,000,000 Shares at an issue price of $1 per Share to raise up to a further $2,000,000. The Shares offered pursuant to the Offer under this Prospectus will rank equally in all respects with the Shares already on issue. Further details of the rights attaching to Shares are set out in Section 9.2.

The funds raised from the Offer will first be applied to the costs and expenses associated with the Offer, including broker handling fees, then engineering studies associated with a proposed commercial-scale magnesium recovery and processing plant, pre-purchase of some plant equipment, ongoing process and technology improvements, costs associated with regulatory approvals for the commercial-scale plant, marketing, management and administration, and working capital.

1 CHAIRMAN'S LETTER

THE BUSINESS

EcoMag's business is the commercial application of newly developed processes for recovering and producing magnesium-based materials from bitterns—a waste product from salt operations. Using a process licensed from Korea's Chonnam National University (**CNU**), EcoMag plans to process these bitterns to recover magnesium and produce high purity magnesium-based materials on site, including hydrated magnesium carbonate (**HMC**) and caustic calcined magnesia (**CCM**). These are commodity materials for which there are ready markets. They are currently used in a range of applications, including chemically-toughened glass, pharmaceuticals, fertilisers, paints and plastics. EcoMag plans to sell its products to chemical companies and other large users of magnesium-based materials.

Over the last few years, EcoMag, together with CNU and our other partners, have been developing, refining and demonstrating this technology, first at a laboratory scale and, more recently, at a larger scale through operation of a pilot plant located at Dampier near Australia's largest solar salt operation. Among our technology partners is Korea Chemical Corp Ltd (**KC**), which has agreed to purchase 20,000 tonnes per year of HMC from EcoMag for a period of five years.

EcoMag is continuing to improve its technology and looking to develop advanced magnesium materials for future use in applications such as new-generation magnesium batteries and conversion of waste carbon dioxide into methane.

EcoMag is planning to build a commercial-scale magnesium recovery and processing plant on land it has leased near Dampier. The proposed plant will be capable of processing 500 million litres per year of bitterns to produce about 38,000 tonnes per year of high purity HMC together with about 16,000 tonnes per year of high purity CCM. EcoMag is now developing detailed engineering specifications and seeking the required approvals and licences to build and operate this plant and its associated infrastructure. Once EcoMag has developed these specifications and secured the required approvals, it will seek significant additional funding (which is not part of the Offer) to fund construction of the commercial-scale plant.

ETHICAL INVESTMENT

EcoMag is committed to high standards of environmental and social corporate citizenship, including:

(a) enhancing the sustainability of global manufacturing through implementing and promoting and principles of the 'circular economy';

(b) contributing to economic development and diversification, employment and education in the regions in which it operates;

(c) engaging with local indigenous communities to provide employment and economic opportunities for members of these communities, while respecting the cultural heritage and rights of traditional landowners; and

(d) implementing policies to promote workplace safety, diversity and gender equality.

RISKS

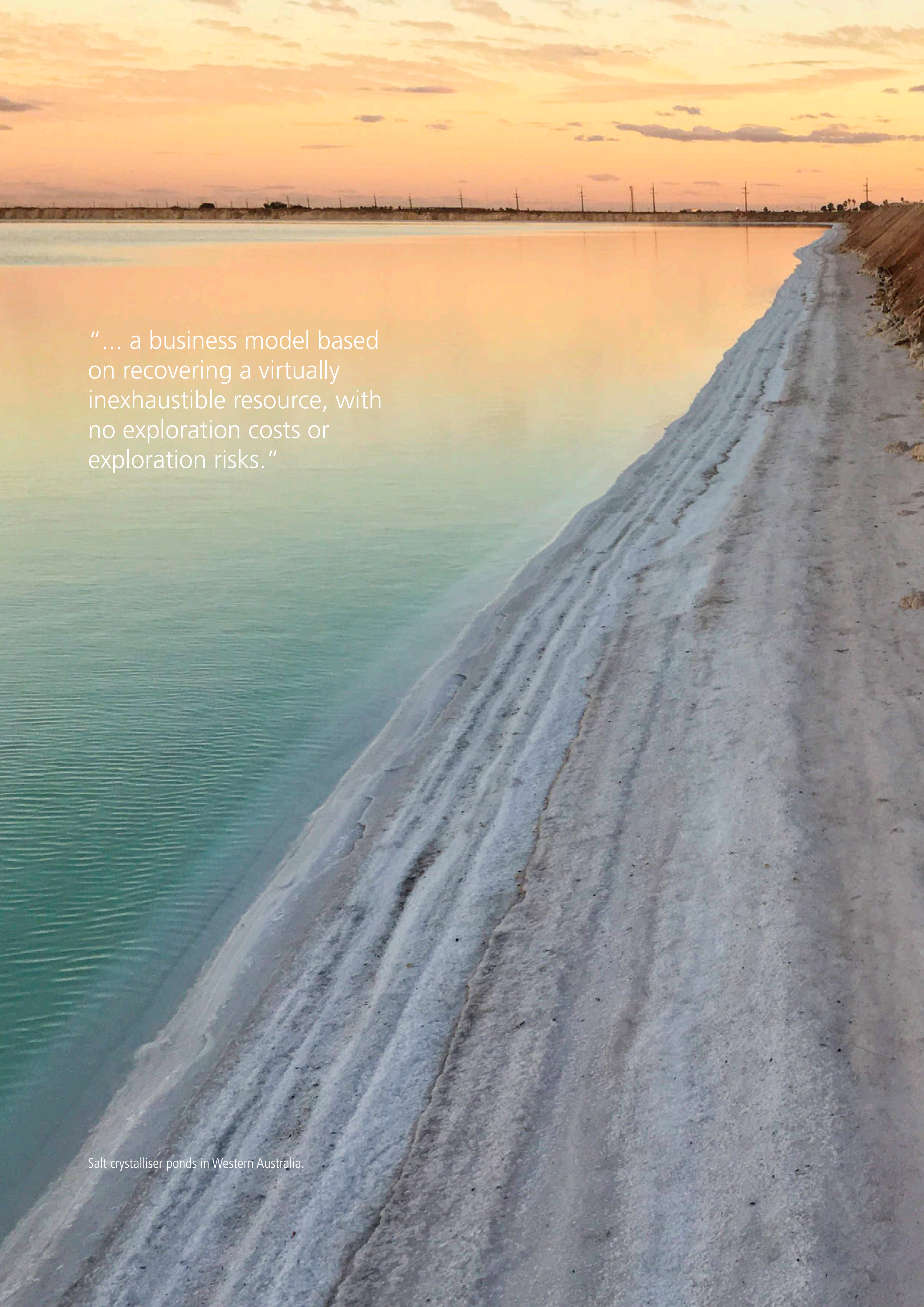
EcoMag is subject to a range of risks, which are summarised in Section 2 and more fully detailed in Section 7. Key risks to the business include:

- **Approvals**—A key aspect of the Company's business is the design, construction and operation of a proposed commercial-scale plant in Dampier for recovering and processing magnesium-based materials from bitterns. Before it can begin building and operating this plant, EcoMag must obtain the necessary leases, licences and other approvals.
- **Unexpected increases in capital and operating costs**—Although contingencies have been included in current estimates of the capital and operating costs of the commercial-scale plant at Dampier, actual capital and operating costs may exceed these estimates.

- **Technology risk**—EcoMag's process uses a novel technology licensed from CNU. Failure to cost-effectively scale-up the process from a pilot-plant scale to a commercial level would adversely affect EcoMag's ability to economically recover materials from bitterns, or to recover material of sufficiently high quality.
- **Reliance on key and skilled personnel**—The Company relies on its ability to retain senior management and experienced personnel. The loss of the services of senior management personnel without suitable replacements or the inability to attract and retain qualified personnel could adversely affect performance.
- **Product price risks**—EcoMag's products are commodities whose prices vary depending on changing forces of supply and demand. A significant drop in the prices EcoMag receives for its products may have a detrimental effect on the Company's ability to operate profitably.
- **Foreign exchange risks**—EcoMag's products are expected to be priced in US dollars and other foreign currencies. Hence there is a foreign exchange risk in relation to any significant fluctuations in currency exchange rates.
- **Failure of intellectual property protection**—EcoMag's business depends on patents, trade secrets and other intellectual property. Should there be a breakdown in the Company's intellectual property protections such that a rival is able to copy EcoMag's technology, this would likely have an adverse effect on EcoMag's ability to operate profitably.
- **Competitive pressures**—The Company may be subject to substantial competitive pressure from rivals. Should a rival develop a similarly effective technology without infringing existing intellectual property protections, this would likely have an adverse effect on EcoMag's ability to operate profitably.

The Board of the Company comprises myself, Shaun Triner and Adrian Horbach. Our Chief Technology Officer is Professor Tam Tran, one of the co-inventors of EcoMag's technology. Together our board and management team have the experience and skills required to ensure EcoMag is able to successfully pursue its objectives.

This Prospectus includes details of the Offer and the Company. I recommend that you read this document carefully and, if you are interested in investing in the Company, seek independent professional advice. On behalf of the Board of Directors, I commend an investment in the Company to you and look forward to welcoming you as a Shareholder.



"… a business model based on recovering a virtually inexhaustible resource, with no exploration costs or exploration risks."

Salt crystalliser ponds in Western Australia.

2 INVESTMENT OVERVIEW

2 INVESTMENT OVERVIEW

IMPORTANT NOTICE

This information is a selective overview only. Investors should read the Prospectus in full before deciding whether to invest in Shares. In particular investors should consider the risk factors that could affect the financial and operating performance of the Company described in Section 7.

Question	Answer	More information
Who is making the Offer?	EcoMag Limited (the **Company**), an Australian public company.	See Section 4.1
What is the Company's business?	EcoMag's business is the recovery of magnesium and other mineral compounds from brines and bittern streams, which are waste products from salt operations.	See Section 4
How will the Company make money?	EcoMag plans to construct one or more processing plants to recover hydrated magnesium carbonate and other valuable magnesium-based materials from bitterns, which it then plans to sell.	See Sections 4.2, 4.3.4
What are the key benefits associated with the Company's business?	The key actual and potential benefits associated with the EcoMag business include: • a business model based on recovering a virtually inexhaustible resource, with no exploration costs or exploration risks; • a large and growing market for high-purity magnesium products; • a large potential to expand operations to other bittern streams; • an exclusive licence to an innovative and well-tested technology; • an ethical investment, with significant potential social and environmental benefits, including cleaning up an existing waste stream and helping to drive economic growth and diversification in remote regional Australia; and • a highly skilled and experienced research, engineering and management team. The Company's main short-to-medium term objective is to build a commercial-scale processing plant to recover hydrated magnesium carbonate and other valuable magnesium-based materials from bitterns, and to sell these materials. The Company's longer-term objectives may include expanding production capacity of its initial commercial-scale plant, building additional commercial-scale plants at other sites, and continuing to engage in research and development of associated processes and materials.	See Sections 4.3–4.5

Question	Answer	More information
What are the key risks associated with the Company's business, the Shares and the Offer?	Set out below are some of the key investment risks to which the Company is exposed. Further risks associated with an investment in the Company are given in Section 7. **Approvals**—Before it can begin building and operating its proposed commercial-scale magnesium recovery and processing plant in Dampier, EcoMag must obtain the necessary leases, licences and other approvals. While the Directors are confident all such approvals can be obtained, there is no guarantee that all such approvals will be granted in a timely manner or at all. **Unexpected increases in capital and operating costs**—Although contingencies have been included in current estimates of the capital and operating costs of the commercial-scale plant at Dampier, actual capital and operating costs may exceed these estimates. **Technology risk**—The Company's process uses a novel technology developed by and licensed from Korea's Chonnam National University (CNU). Although this technology has been thoroughly tested at laboratory and pilot plant scales, it has yet to be implemented at a commercial scale. Failure to cost-effectively scale-up the process to a commercial level would adversely affect the Company's ability to operate profitably. **Reliance on key and skilled personnel**—The Company relies on its ability to retain senior management and experienced personnel. The loss of these personnel without suitable replacements or the inability to attract and retain qualified personnel could adversely affect performance. **Product price risks**—The Company's products are commodities whose prices vary depending on changing forces of supply and demand. A significant drop in the prices the Company receives for its products may have a detrimental effect on the Company's ability to operate profitably. **Foreign exchange risks**—EcoMag's products are expected to be priced in US dollars and other foreign currencies. Hence there is a foreign exchange risk in relation to any significant fluctuations in currency exchange rates. **Failure of intellectual property protection**—The Company's business depends on patents, trade secrets and other intellectual property. A breakdown in the Company's intellectual property protections such that a rival is able to copy EcoMag's technology would likely have an adverse effect on EcoMag's ability to operate profitably. **Competitive pressures**—The Company may be subject to substantial competitive pressure from rivals. Should a rival develop a similarly effective technology without infringing existing intellectual property protections, this would likely have an adverse effect on EcoMag's ability to operate profitably.	See Section 7

2 INVESTMENT OVERVIEW

Question	Answer	More information
What are the key dependencies affecting the Company?	The success of the Company is subject to the following key dependencies: • obtaining the leases, licences and other approvals required to access and process bittern streams or magnesium-rich brines; • raising sufficient additional capital (not included as part of the Offer) for construction of a processing plant and its associated infrastructure; • successfully constructing a processing plant that can efficiently and economically recover and refine magnesium products from bitterns; and • negotiating off-take agreement for sale of the Company's proposed magnesium products.	See Sections 4.2, 4.3.4, 4.3.6 and 4.5
Who are the Directors and key personnel?	The Board of the Company comprises: • Anthony Crimmins • Shaun Triner, and • Adrian Horbach. Further details of each of these Directors are provided in Section 5.1. Details of other key personnel are provided in Section 5.2.	See Sections 5.1 and 5.2
What key financial information do investors need to know?	The Company's financial statements are set out in Section 6. These include: • the reviewed statement of comprehensive income for the half-year ended 31 December 2017, and the reviewed statement of financial position as at 31 December 2017; • the reviewed pro forma statement of comprehensive income following the Offer for the half-year ended 31 December 2017, and the reviewed pro forma statement of financial position following the Offer as at 31 December 2017; and • a summary of the audited statements of financial performance of the Company for the 12 months to 30 June 2017. Assuming the Company raises the Maximum Subscription of $5,000,000, the reviewed pro-forma statement of financial position of the Company following the Offer as at 31 December 2017 shows net assets of $10,028,611.	See Section 6

Question	Answer	More information
Who will benefit from the Offer?	The Offer is being made to advance the Company's objectives to build facilities for processing bitterns to recover magnesium products. Existing Shareholders will benefit from the Offer. The shareholders of TTG Resource Technologies Pty Limited (**TTG**) may benefit from the Offer. The directors and shareholders of TTG include the Company Director Anthony Crimmins and the Chief Technology Officer Tam Tran. Under an agreement between the Company and TTG, the Company will pay TTG a perpetual royalty of 2.75% of all revenue from products sold relating to (or use of) the CNU Technology. See Section 8.2 for a summary of this agreement. Korea Chemical Corp Ltd (**KC**), a company registered in the Republic of Korea, may benefit from the Offer. EcoMag and KC have entered into a Memorandum of Understanding covering their long-term collaboration on process test work and product development (see Section 8.3). Rainstorm Dust Control Pty Limited (Rainstorm), a company with which EcoMag has entered into an agreement related to leasing of land for building and operating its plant (see Section 8.4), may benefit from the Offer. As compensation of use of the land, EcoMag will pay Rainstorm \$150,000 per year for the right to reserve access until construction commences; \$450,000 per year once construction of a plant commences on the site; and \$750,000 per year once the plant begins operating.	See Sections 3.6, 8.2, 8.3 and 8.4
What is the Offer?	Three million new Shares are being offered by the Company to raise at least \$3,000,000. Oversubscriptions for up to a further 2,000,000 Shares are also being offered by the Company to raise a further \$2,000,000. The maximum amount that may be raised under this Prospectus is therefore \$5,000,000.	See Section 3.1
What is the issue price?	The issue price is \$1 per Share.	See Section 3.1
What is the effect of the Offer?	The effect of the Offer on the capital structure of the Company is shown in Table 3 in Section 3.6. Assuming the Minimum Subscription is raised, the current shareholders will be diluted from 100% ownership to 96.2%.	See Section 3.6
What are the key Offer dates?	The key dates of the Offer are detailed in the indicative timetable in Section 3.3.	See Section 3.3
Is the Offer underwritten?	No, the Offer is not underwritten.	See Section 3.15

2 INVESTMENT OVERVIEW

Question	Answer	More information
How will the Company use the proceeds from the Offer?	The Company intends to apply funds raised from the Offer to: • costs and expenses associated with the Offer; • broker handling fees; • complete engineering studies in preparation for the construction of a commercial-scale magnesium recovery and processing plant at Dampier; • advance the approvals process for the commercial-scale plant; • fund the purchase of specific items of equipment required for the commercial-scale plant; • fund ongoing process and technology improvements; • market the Company's products; • fund ongoing management and administration costs; and • working capital.	See Section 3.5
What rights and liabilities attach to the Shares?	The Shares will rank equally in all respects with the Shares held by the existing Shareholders. The rights and liabilities attaching to all Shares are detailed in the Company's Constitution.	See Section 9.2
Will I receive dividends on my Shares?	Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings, operating results, the financial condition of the Company, future capital requirements, and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.	See Sections 3.16 and 9.2.3
What are the taxation implications?	The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.	See Section 9.9
How do I participate in the Offer?	To participate in the Offer, please complete the Application Form attached to this Prospectus and return it with payment of the application money before the Closing Date.	See Section 3.9
What is the minimum number of Shares I can apply for?	Applications under the Offer must be for a minimum of 2,000 Shares (total cost of $2,000) and then in multiples of 500 Shares ($500).	See Section 3.9

3 DETAILS OF THE OFFER

"EcoMag plans to process bitterns to recover magnesium and produce high purity magnesium-based materials on site, including hydrated magnesium carbonate ..."

3 DETAILS OF THE OFFER

3.1 THE OFFER

This Prospectus invites investors to apply for a total of 3,000,000 Shares at an issue price of $1 per Share to raise at least $3,000,000 before expenses of the Offer.

The Company may accept oversubscriptions of up to a further 2,000,000 Shares at an issue price of $1 per Share to raise up to a further $2,000,000. The maximum amount that may be raised under this Prospectus is therefore $5,000,000.

The Shares offered pursuant to the Offer under this Prospectus will rank equally in all respects with the Shares already on issue. Further details of the rights attaching to Shares are set out in Section 9.2.

3.2 COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

An application will be made to ASX no later than seven days after the date of this Prospectus for the Company to be admitted to the Official List and for official quotation of the Shares on ASX. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares that are the subject of the Offer. Official quotation of Shares, if granted, will commence as soon as practicable after the release of initial shareholding statements. If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

3.3 TIMETABLE

An indicative timetable of events relating to the Offer is given in Table 1 below. The timetable is indicative only and is subject to change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

Table 1. Indicative timetable.

Event	Date
Lodgement of this Prospectus with ASIC	22 June 2018
Lodgement of this Prospectus with ASX	22 June 2018
Opening Date of Offer	2 July 2018
Closing Date of Offer	30 July 2018
Issue of Shares under this Prospectus	9 August 2018
Despatch of holding statements	13 August 2018
Anticipated date the Company's Shares commence trading on ASX Despatch of holding statements	14 August 2018

3.4 PURPOSE OF THE OFFER

The purpose of the Offer is to provide additional funds to enable the Company to:

(a) complete engineering studies in preparation for the construction of a commercial-scale magnesium recovery and processing plant;

(b) advance the approvals process for the commercial-scale plant;

(c) fund purchase of specific items of equipment required for the commercial-scale plant;

(d) fund ongoing process and technology improvements;

(e) market the Company's products; and

(f) fund ongoing management and administration costs.

The Company is aiming to apply the funds raised from the Offer in the manner detailed in Section 3.5 below. On completion of the Offer, the Board believes the Company will have sufficient funds to achieve these objectives

3.5 USE OF FUNDS

The Company intends to apply funds raised from the Offer, together with existing cash reserves of $3,491,517 (as at 12 June 2018),[1] as per Table 2 below.

Table 2. Proposed use of funds raised from the Offer.

Available funds	Minimum Subscription	Maximum Subscription
	($)	($)
Existing cash reserves of the Company[1]	3,491,517	3,491,517
Funds raised from the Offer	3,000,000	5,000,000
Total	**6,491,517**	**8,491,517**

Use of funds	Minimum Subscription	Maximum Subscription
	($)	($)
Expenses associated with the Offer[2]	249,808	251,278
Broker handling fees[3]	180,000	300,000
Engineering studies	1,250,000	1,250,000
Engineering staff	180,000	180,000
On-site staff	120,000	120,000
Plant equipment[4]	1,500,000	3,400,000
Approvals consultants	250,000	250,000
Sydney laboratory and extra equipment	300,000	300,000
Regulatory expenses	250,000	250,000
Legal	100,000	100,000
Product development	350,000	350,000
Market development	500,000	500,000
Management and administration costs	500,000	500,000
Working capital	761,709	740,239
Total	**6,491,517**	**8,491,517**

1 This is the unaudited cash balance of the Company as at 12 June 2018.

2 See Section 9.6 for details of the expenses associated with the Offer.

3 As discussed in Section 3.17, the Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee.

4 Certain items of equipment required for the commercial-scale plant have long lead times between order and delivery, and will require 20–30% deposits. In the event the Company raises the Minimum Subscription of $3,000,000, this equipment will include a reverse osmosis system, a belt filter and a pressure filter. In the event the Company raises the Maximum Subscription of $5,000,000, this equipment will also include a dryer and kiln.

3 DETAILS OF THE OFFER

In the event the Company raises more than the Minimum Subscription of $3,000,000 but less than the Maximum Subscription of $5,000,000, the additional funds raised will be applied towards the expenses of the Offer, broker handling fees (6%) and thereafter in priority to plant equipment and working capital.

The Directors are of the view that the Company will have enough working capital to carry out its stated business objectives.

3.6 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer is summarised in Table 3 below:

Table 3. The capital structure of the Company following completion of the Offer.

	Minimum Subscription		Maximum Subscription	
	Shares	Proportion (%)	Shares	Proportion (%)
Shares on issue at date of Prospectus	80,942,858	96.2	80,942,858	94.0
Shares to be issued under the Offer	3,000,000	3.6	5,000,000	5.8
Performance Shares to be issued to Directors	200,000	0.2	200,000	0.2
Total Shares on completion of the Offer	**84,142,858**	**100.0**	**86,142,858**	**100.0**

3.7 FREE FLOAT

The expected Free Float (as defined by the ASX Listing Rules) of the Company following completion of the Offer is shown in Table 4 below.

Table 4. Expected Free Float at ASX listing.

	Minimum Subscription		Maximum Subscription	
	Shares	Proportion (%)	Shares	Proportion (%)
Total Shares on completion of the Offer	84,142,858	100.0	86,142,858	100.0
Shares expected to be subject to mandatory ASX restrictions[1]	52,533,598	62.4	52,533,598	61.0
Free Float	**31,609,260**	**37.6**	**33,609,260**	**39.0**

[1] The number of Shares expected to be subject to mandatory ASX restrictions is an estimate only and is subject to confirmation by ASX.

3.8 SUBSTANTIAL SHAREHOLDERS

Those Shareholders holding 5% or more of the Shares on issue following completion of the Offer are set out in Table 5 below:

Table 5. List of substantial Shareholders of the Company, i.e. those holding 5% or more of the Shares on issue following completion of the Offer.

	Minimum Subscription		Maximum Subscription	
Shareholder	**Shares**	**Proportion**	**Shares**	**Proportion**
		(%)		(%)
Tam Tran Investment Pty Limited	11,375,000	13.5	11,375,000	13.2
Anthony Stephen Crimmins	10,400,000	12.4	10,400,000	12.1
Kim Woo Jung	5,000,000	5.9	5,000,000	5.8
Kim Woo Seok	5,000,000	5.9	5,000,000	5.8
Total substantial Shareholders	**31,775,000**	**37.8**	**31,775,000**	**36.9**
Other Shareholders	52,367,858	62.2	54,367,858	63.1
Total Shareholders	**84,142,858**	**100.0**	**86,142,858**	**100.0**

3.9 HOW TO APPLY FOR SHARES

You should carefully read this Prospectus and instructions accompanying the Application Form before subscribing for Shares. If you wish to participate in the Offer, you should complete the Application Form or visit securitytransfer.com.au and complete the Online Application Form.

Applications for Shares under the Offer must be for a minimum of 2,000 Shares and thereafter in multiples of 500 Shares. Payment for the Shares must be made in full at the Issue Price of $1 per Share.

All applications must be completed in accordance with the detailed instructions on how they are to be completed and be accompanied by a BPAY payment or cheque in Australian dollars. Cheques must be made payable to 'EcoMag Limited—Subscription Account' (**Subscription Account**) and crossed 'Not Negotiable'. No brokerage or stamp duty is payable by Applicants. The amount payable on application will not vary during the period of the Offer and no further amount is payable on or after allotment in respect of the Shares.

Completed Application Forms, Online Application Forms and accompanying BPAY payments or cheques must be received by the Closing Date. Cheques must be received at:

Postal delivery

EcoMag Limited
c/– Security Transfer Australia
PO Box 52
COLLINS STREET WEST VIC 8007

Hand delivery

EcoMag Limited
c/– Security Transfer Australia
Level 9, Suite 913
530 Little Collins Street
MELBOURNE VIC 3004

3 DETAILS OF THE OFFER

The Company reserves the right to close the Offer early.

All application monies received with duly completed Application Forms or Online Application Forms will be paid into the Subscription Account.

An original, completed and lodged Application Form or Online Application Form together with a BPAY payment or cheque for the application monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Application Form or Online Application Form. The Application Form or Online Application Form does not need to be signed to be valid. If the Application Form or Online Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form or Online Application Form is final; however, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of their cheque for the application monies.

3.10 ALLOTMENT AND ALLOCATION OF SHARES

The Directors will determine the allottees of all the Shares in their discretion. The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the Applicant within seven days of the allotment date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies shall be held by the Company in trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

It is the responsibility of the Applicant to determine their allocations prior to trading in the Shares. Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

3.11 MINIMUM SUBSCRIPTION

The Minimum Subscription for the Offer is 3,000,000 Shares at an issue price of $1 per Share to raise at least $3,000,000 before expenses of the Offer. The Company will not issue any Shares unless the Minimum Subscription is raised.

If the Minimum Subscription is not raised within four months after the date of this Prospectus (or such later date permitted by ASIC), all Applications will be dealt with in accordance with section 724 of the Corporations Act. Such action may include repayment of application monies (without interest) or the issue of a supplementary or replacement prospectus.

3.12 ASX LISTING AND QUOTATION OF SHARES

Within seven days after the date of this Prospectus, the Company will apply for Official Quotation of the Shares offered under this Prospectus.

If approval for Official Quotation of the Shares issued pursuant to the Offer is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares and will repay all application monies without interest as soon as practicable within the time prescribed under the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

3.13 CHESS AND ISSUER SPONSORSHIP

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Under CHESS the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holding in the Company. If an investor is broker sponsored, ASX Settlement Pty Limited will send a CHESS statement. Statements are sent by post and set out the number of Shares issued to the Shareholder under this Prospectus and advice of their Holder Identification Number or Securityholder Reference Number. Subsequently, where a holding changes in the course of a calendar month, that Shareholder will be issued with a statement that sets out the changes in their holding. That statement is despatched in the week following the relevant month end.

3.14 APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to issue this Prospectus or make the Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer or otherwise permit an offering of the Shares that are the subject of this Prospectus in any jurisdiction outside Australia.

Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to apply for and be allotted Shares. If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form or Online Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

3.15 UNDERWRITER

The Offer is not underwritten.

3.16 DIVIDENDS

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings, operating results, the financial condition of the Company, future capital requirements, and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

3.17 COMMISSION

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid Applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payment will be made subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

3.18 FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', proposed, 'expects' or 'intends', and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

These forward-looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

3.19 PRIVACY STATEMENT

The Company collects, holds and will use information in relation to each Applicant as provided on an Application Form or Online Application Form (**Information**) for the purposes of processing the Application Form or Online Application Form and, should the Application be successful, to administer the Applicant's security holding in the Company (**Purposes**).

By submitting an Application Form or Online Application Form, each Applicant agrees that the Company may use the Information for the Purposes and the Company may disclose the Information for the Purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third-party service providers, and to ASIC and other regulatory authorities.

The Information may also be used and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, licensed securities dealers, the share registry, print service providers, mail houses, and regulatory bodies including the Australian Taxation Office.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) and the Corporations Act. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.20 ENQUIRIES IN RELATION TO THE OFFER

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

4 BUSINESS SUMMARY

"The Company is planning ... to build a commercial-scale plant at Dampier ..."

4 BUSINESS SUMMARY

The following sections describe the business of the Company, its technology and products, the markets in which it plans to operate, and its strategies for building shareholder wealth.

4.1 COMPANY HISTORY

EcoMag Limited (the **Company**) is an Australian public company. The Company was incorporated on 23 July 2015 as EcoMag Pty Limited. It became a public company, changing its name to EcoMag Limited on 6 October 2016.

4.2 BUSINESS OVERVIEW

EcoMag's business is the commercial application of processes for recovering and producing magnesium-based materials from *bitterns*. Bitterns are a waste product from solar salt operations (see Section 4.3.1).

EcoMag's core process is licensed from Korea's Chonnam National University (**CNU**) (see Section 4.3.2). EcoMag plans to process bitterns using this process to recover magnesium and produce a range of magnesium-based products such as hydrated magnesium carbonate (**HMC**) and caustic calcined magnesia (**CCM**) (see Section 4.3.4). These are commodity materials for which there are ready markets. They are currently used in a range of high-value applications, including chemically-toughened glass, pharmaceuticals, fertilisers, paints and plastics (see Section 4.4). EcoMag plans to sell its products to chemical companies and other large users of magnesium-based materials.

Subject to EcoMag completing the required engineering studies and obtaining the required approvals (see Section 4.3.6), the Company is planning to seek additional debt and equity funding (which is not part of the Offer) of about $85 million to build a commercial-scale plant at Dampier capable of processing 500 million litres per year of bitterns to produce about 38,000 tonnes per year of high purity HMC together with about 16,000 tonnes per year of high purity CCM (see Section 4.3.5). The proposed plant will be built on land EcoMag has leased near Dampier (see Section 4.3.6).

4.3 COMPANY BACKGROUND

4.3.1 Solar salt industry

Much of the world's supply of salt is produced through solar evaporation of sea water. Solar salt production requires large tracts of land, a ready supply of seawater, and a warm, arid climate. Over a period of about 18 months, sea water is pumped through a series of ponds, where it is concentrated through evaporation using sunlight and wind to form a salt-rich brine. Once the brine reaches saturation, it is fed into crystallisers where the salt can be precipitated. The salt is then harvested, washed, dried and transported. After precipitating salt, some of the residual bittern is used for washing, while the rest is discharged to sea.

Salt is used mainly in the chemical industry for production of chlorine, sodium hydroxide and sodium carbonate, which are in turn used in processing and manufacturing across a range of industries. A small percentage of salt is used for food processing and road de-icing.

Salt is essentially an inexhaustible and renewable resource. A major source of salt is the ocean, which is estimated to contain about 48 quadrillion tonnes of dissolved salt—an amount that would cover the Earth's entire land surface to a depth of over 150 metres. Evaporative salt production is therefore not resource-limited and can continue indefinitely provided prices exceed production costs.

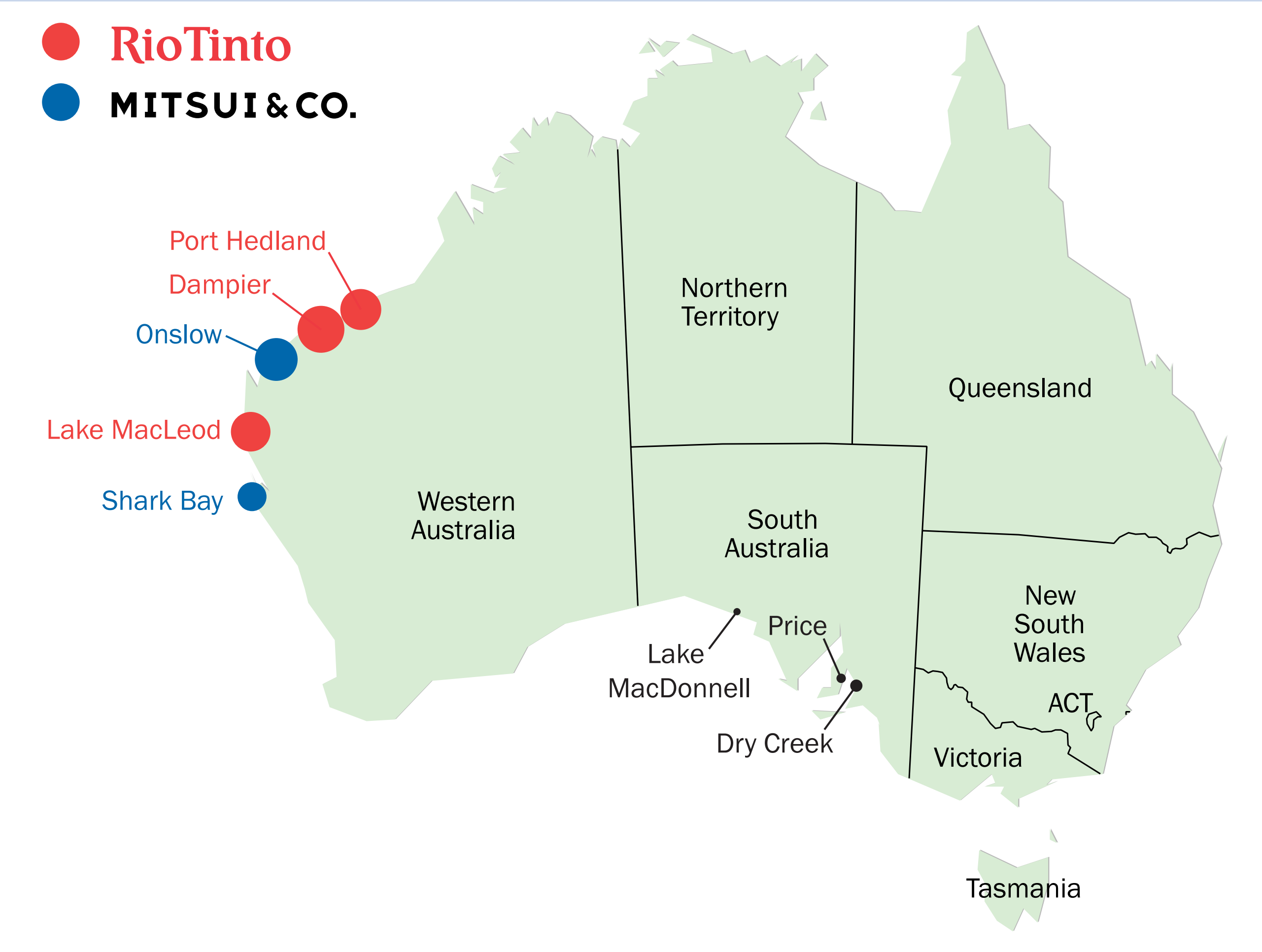


Figure 1. The locations and relative sizes of Australia's main solar salt operations.

Australia is a major global producer of solar salt. Production is dominated by Dampier Salt Limited (**DSL**), which is majority owned by Rio Tinto Limited, and Shark Bay Salt Pty Limited, a wholly owned subsidiary of Mitsui & Co Ltd. Together they own and operate five major salt production facilities in Western Australia, at Dampier, Port Hedland, Lake MacLeod, Onslow and Shark Bay. These five sites have a collective output capacity of over 15 million tonnes of salt per year.

EcoMag is particularly focussed on the Dampier operations of DSL. This facility has a production capacity of about 4.2 million tonnes of salt per year, generating about 3 billion litres of waste bitterns per year. EcoMag is looking to build a commercial-scale processing plant capable of processing about 500 million litres per year of these bitterns, or about one sixth of the total available resource at this site alone.

4.3.2 Technology

As summarised in Section 8.1, EcoMag has signed a licence agreement with CNU. Under this licence agreement, EcoMag has been granted an exclusive licence to a technology for recovering high purity magnesium-based materials from bitterns and brines (**CNU Technology**). EcoMag's Chief Technology Officer, Professor Tam Tran (see Section 5.2.1), is a coinventor of the CNU Technology.

An outline of EcoMag's process is illustrated in Figure 2. Bitterns from salt production are filtered and reagents added to remove calcium followed by magnesium, in the form of hydrated magnesium carbonate (HMC), also known as hydromagnesite (chemical formula $4MgCO_3{\cdot}Mg(OH)_2{\cdot}4H_2O$).

HMC can be sold in the form of an unprocessed 'cake', or further processed into a high purity HMC power. It can also be roasted on site to produce a high purity caustic calcined magnesia (CCM) powder. Both HMC and CCM can be sold as-is or further processed into a range of other magnesium-based materials (see Section 4.3.4).

The two main input chemicals used in EcoMag's process are sodium carbonate (Na_2CO_3) and sodium hydroxide (NaOH). These are largely benign chemicals used widely in the mining industry. At the end of the process, the residual bittern is more environmentally benign than the current bittern stream, containing <0.1% magnesium (similar to the level found in sea water) and around 0.10–0.12% carbonate.

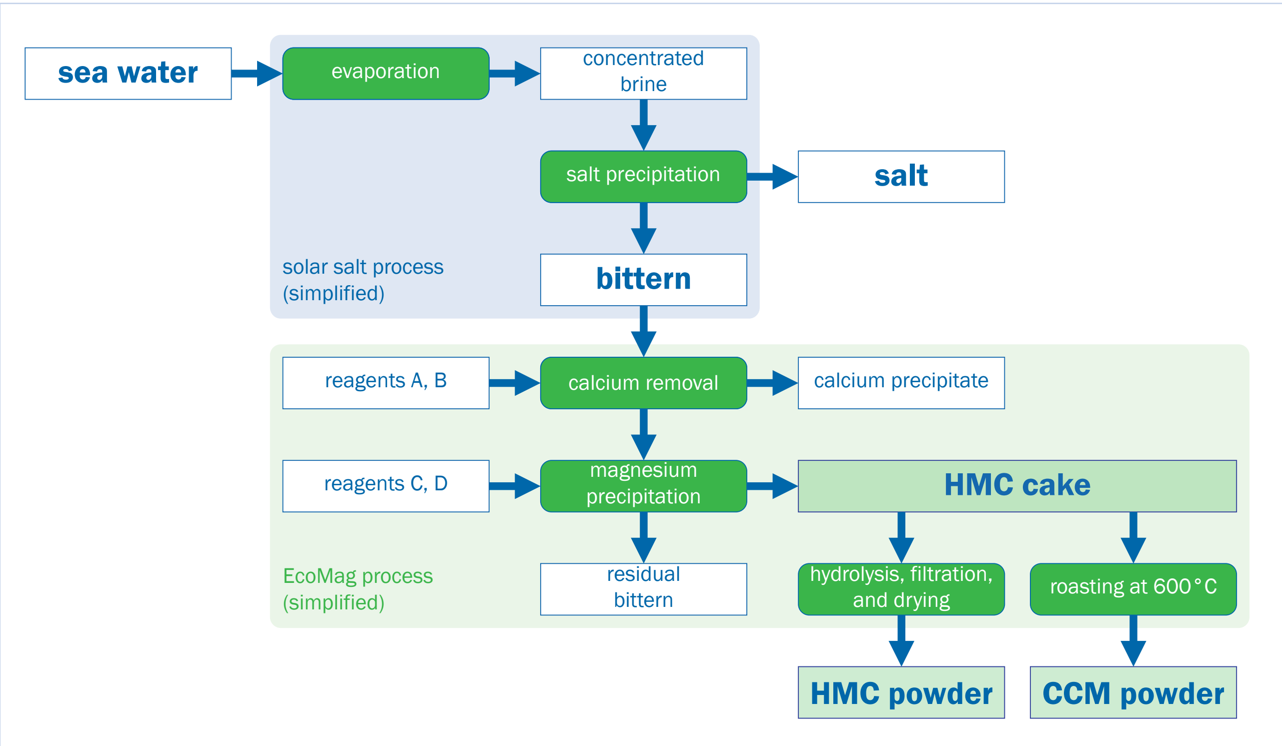


Figure 2. EcoMag's process for turning sea water into valuable magnesium-based products, including HMC and CCM.

EcoMag continues to work closely with CNU and other research groups on further developing, testing and refining its process (see Section 4.3.9). Working at laboratory and pilot plant scales with bittern and brine samples from Dampier, Port Hedland, Onslow and Beyondie Lakes, EcoMag has recovered high purity HMC and other magnesium materials.

4.3.3 Pilot plant

In 2017, EcoMag constructed a containerised pilot plant in Korea, as shown in Figure 3. This pilot plant was shipped to Dampier and operated for several months to produce about 1 tonne of wet HMC. This pilot plant program resulted in some process improvements, including faster precipitation rates owing to high ambient temperatures. Material from the pilot plant is also being used for filtration and drying test work, and to produce samples for assessment by potential offtake partners. With the pilot test work program in Dampier completed, the pilot plant was shipped to Sydney and is currently being used for further process development, process optimisation, and production of product samples.

Figure 3. EcoMag's pilot plant in operation at Dampier.

4.3.4 Products

EcoMag's base process results in a cake of HMC. This can be further processed on site into high purity HMC power or roasted on site to produce high purity CCM powder. Both HMC and CCM can be sold as-is or further processed off site to produce a range of magnesium-based products, as shown in Figure 3. These products include:

- Hard burned magnesia (**HBM**)—CCM can be further refined and calcinated at 1400–1600°C to produce high purity HBM powder, a more valuable form of MgO. EcoMag is currently producing small quantities of HBM in Korea.
- Magnesium hydroxide (**MDH**)—Alternatively, CCM can undergo hydrolysis and further refining to produce high purity MDH ($Mg(OH)_2$) powder. EcoMag is currently producing small quantities of MDH in Korea.
- Magnesium hydrogen phosphate (**MHP**)—HMC can be reacted with phosphoric acid to produce high purity MHP ($MgHPO_4.3H_2O$). EcoMag is currently developing an MHP product.

See Section 4.4 for details on the applications and markets for these products.

EcoMag has signed a binding memorandum of understanding with Korea Chemical Corp Ltd (**KC**) (**KC MOU**), under which it is currently supplying KC with HMC and other magnesium materials. The KC MOU is summarised in Section 8.3. As part of a so-called 'World Class 300 Project' (**WC300 Project**), KC is investing over US$3 million, in addition to a US$5 million investment by the South Korean Government, to build and operate its own pilot plant to process these materials into HBM and MDH. EcoMag's MOU with KC provides that, if this project is successful, EcoMag and KC may establish a joint venture for the commercialisation of processing plants producing HMC/CCM in Australia and HBM/MDH in Korea. EcoMag and KC have also entered into a Letter of Intent (**KC LOI**), which is summarised in Section 8.4. The KC LOI sets out the basis on which KC will purchase from EcoMag 20,000 tonnes per year of HMC for a period of five years.

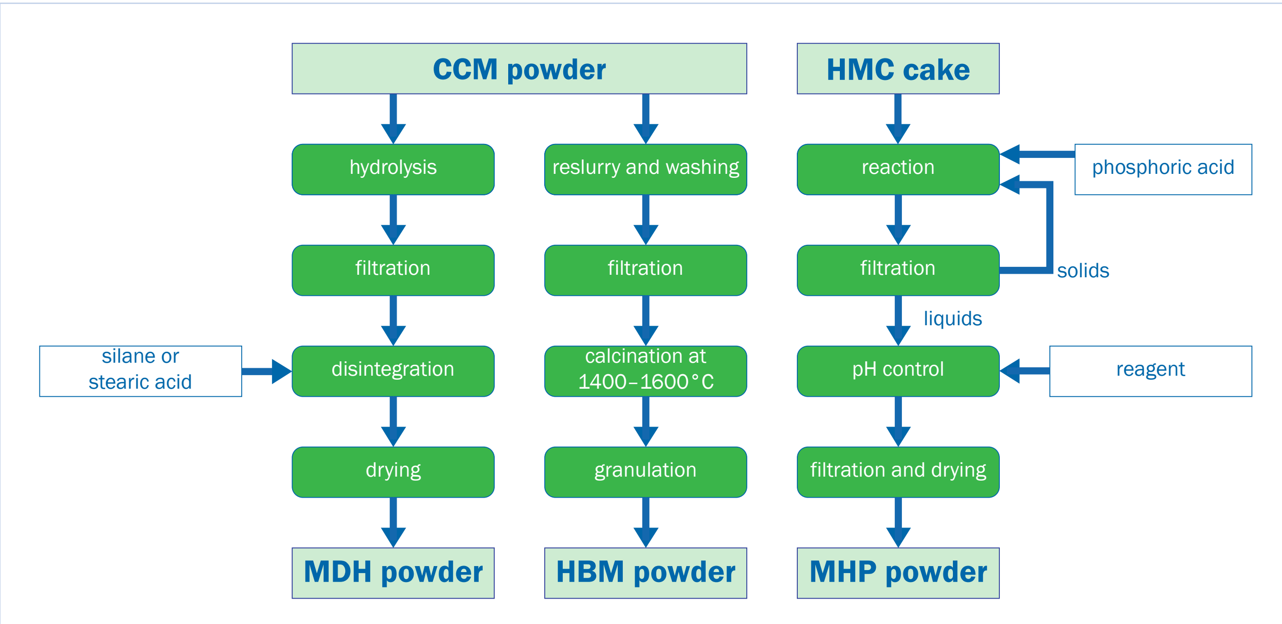


Figure 4. CCM powder and HMC cake can be further processed off site to produce other magnesium products such as MDH, HBM and MHP powders.

EcoMag has also entered into an agreement with Abundant Natural Health Pty Limited (**ANH**) (**ANH Supply Agreement**), which is summarised in Section 8.7. EcoMag's Executive Chairman, Tony Crimmins, is also an executive director of ANH's parent company, Abundant Produce Limited. Under the ANH Supply Agreement, EcoMag is supplying ANH with raw magnesium materials from which ANH is developing and manufacturing products for the cosmetic and nutraceutical markets. All profit from sale of the products will be shared between the two companies.

Table 6. Specifications of EcoMag's current product range.

	HMC		CCM		HBM		MDH		
Description	**Guaranteed**	**Typical**	**Guaranteed**	**Typical**	**Guaranteed**	**Typical**	**Guaranteed**	**Typical**	**Unit**
Purity	≥ 99.0	99.2–99.6	≥ 98.5	98.7–99.3	≥ 99.0	99.2–99.5	≥ 99.0	99.2–99.5	%
MgO	≥ 42.6	42.7–42.9	≥ 98.5	98.7–99.3	≥ 99.0	99.2–99.5	≥ 68.4	68.5–68.8	%
Free moisture	≤ 1.0	0.6–0.8							%
Aluminium (Al)	≤ 10	5–8	≤ 200	100	≤ 100	50–90	≤ 7	5–6	ppm
Arsenic (As)	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	ppm
Boron (B)	≤ 400	200–300	≤ 500	300–400	≤ 600	400–500	≤ 1	0–1	ppm
Barium (Ba)	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	ppm
Calcium (Ca)	≤ 600	40–400	≤ 500	300–400	–	–	–	–	ppm
Calcium oxide (CaO)	–	–	–	–	≤ 0.8	0.6–0.7	≤ 0.08	0.06–0.07	%
Cadmium (Cd)	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	ppm
Chloride (Cl)	≤ 5000	2000–4000	≤ 5000	2000–4000	≤ 70	50–60	≤ 70	50–60	ppm
Cobalt (Co)	≤ 1	0–1	≤ 1	0–1	≤ 10	4–5	≤ 1	0–1	ppm
Chromium (Cr)	≤ 5	3–4	≤ 1	0–1	≤ 10	2–3	≤ 10	1	ppm
Copper (Cu)	≤ 5	3–4	≤ 1	0–1	≤ 10	5–9	≤ 10	5	ppm
Iron (Fe)	≤ 100	0–60	≤ 1	0–1	≤ 20	10–18	≤ 15	10–14	ppm
Potassium (K)	≤ 1000	100–800	≤ 2000	1000	≤ 70	50–60	≤ 1	0–1	ppm
Lithium (Li)	≤ 1	0–1	≤ 1	0–1	≤ 5	0–2	≤ 1	0–1	ppm
Manganese (Mn)	≤ 5	3–4	≤ 1	0–1	≤ 10	5–7	≤ 5	3–4	ppm
Sodium (Na)	≤ 0.3	0.1–0.2	≤ 0.5	0.3–0.4	≤ 0.007	0.005–0.006	≤ 0.5	0.3–0.4	%
Nickel (Ni)	≤ 5	3–4	≤ 1	0–1	≤ 1	0–1	≤ 2	0.8	ppm
Selenium (Se)	≤ 1	0–1	≤ 1	0–1	≤ 10	1–2	≤ 1	0–1	ppm
Silicon (Si)	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	ppm
Sulphate (SO_3)	≤ 1000	50–800	≤ 4000	3000	≤ 70	50–60	≤ 100	50–80	ppm
Titanium (Ti)	≤ 1	0–1	≤ 1	0–1	≤ 10	0–2	≤ 1	0–1	ppm
Zinc (Zn)	≤ 5	0–3	≤ 1	0–1	≤ 10	1–4	≤ 1	0–1	ppm
Other heavy metals	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	≤ 1	0–1	ppm
Packing density		0.21		0.19		1.03		0.46	g/cm3
Surface area		20.94		50.99		2.75		11.88	m2/g
Mean particle size		21.3		3.72		1.75		0.49	µm

4.3.5 Commercial-scale plant

EcoMag plans to build a commercial-scale magnesium recovery and processing plant on land it has leased near Dampier (see Section 4.3.6). The current plant design is illustrated in Figure 5 below. The proposed plant is expected to process 500 million litres per year of bitterns to produce about 38,000 tonnes per year of high purity HMC together with about 16,000 tonnes per year of high purity CCM.

The Company engaged OSD Limited (**OSD**) to complete a process optimisation study, which included cost estimates for the proposed plant. In May 2018, OSD presented the results of this study in a report (**OSD Report**).

According to the OSD Report, the cost estimates for the plant have attributed accuracies of ±25%. Excluding this contingency, the estimated capital cost of the plant is $57.31 million. The estimated annual operating cost, including contingencies of 5% of miscellaneous costs and 15% of power, maintenance and labour, is A$52.94 million. As described in Section 7.1.2, actual capital and operating costs may exceed these estimates, which would affect the Company's ability to operate profitably.

As summarised in Section 8.6, EcoMag has entered into an agreement with the engineering company Lycopodium Process Industries Pty Limited (**Lycopodium**) to carry out a funding feasibility study on the proposed commercial-scale magnesium recovery and processing plant. This study will require about five months to complete. Contingent on completion of this study and EcoMag obtaining the required approvals (see Section 4.3.6 below), the Company expects to seek significant debt and additional equity funding (which is not part of the Offer) of about $85 million to construct the commercial-scale plant and its associated infrastructure. A breakdown of this funding estimate is given in Table 7.

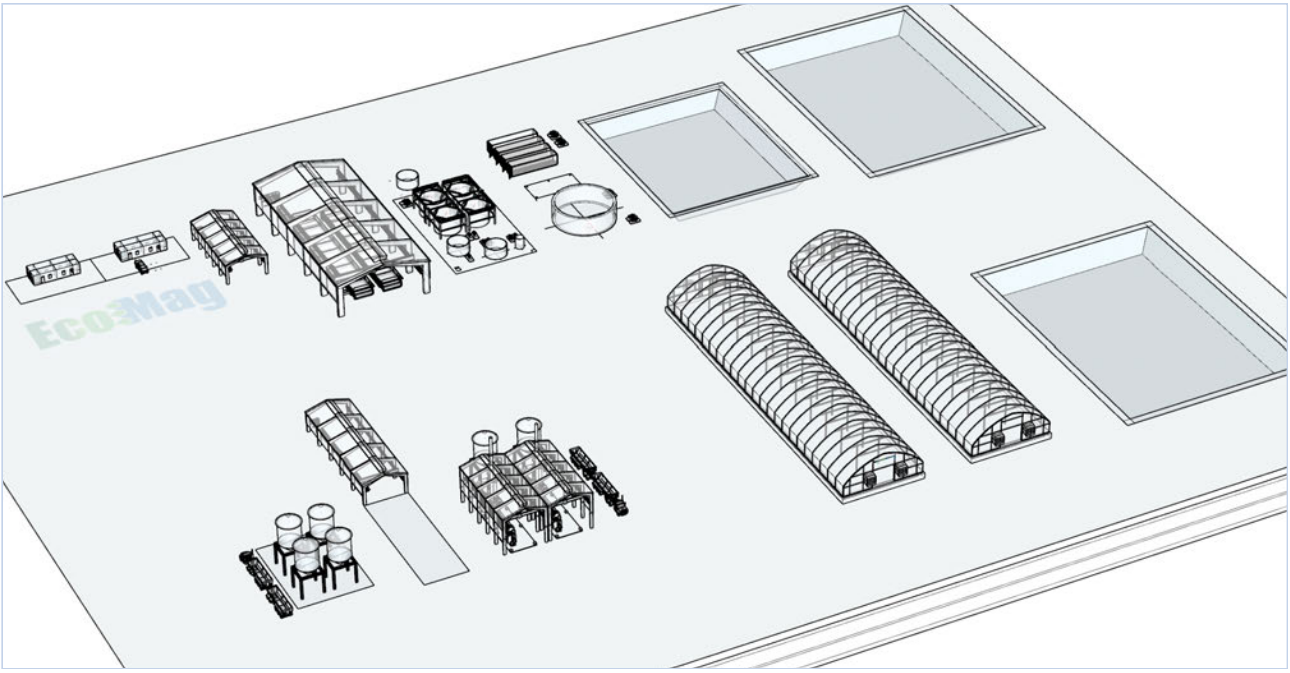


Figure 5. A rendering of EcoMag's proposed commercial-scale magnesium recovery and processing plant.

Table 7. Estimated funding required to build proposed commercial-scale magnesium recovery and processing plant, and its associated infrastructure.

Item of expenditure	Amount ($)
Stage 1 infrastructure	
Direct costs of Stage 1 infrastructure	18,815,342
Indirect costs of Stage 1 infrastructure	3,130,285
Total base estimate of Stage 1 infrastructure capital expenditure	**21,945,627**
Plant capital expenditure	
Direct costs of plant capital expenditure	30,629,895
Indirect costs of plant capital expenditure	4,739,193
Total base estimate of plant capital expenditure	**35,369,088**
Total base estimate of Stage 1 infrastructure and plant	**57,314,715**
Contingency (25%)	14,328,679
Estimated working capital expenditure (25% of estimated operating expenditure)	13,235,000
Total estimated capital requirements	**84,878,394**

4.3.6 Lease and approvals

EcoMag has entered into an agreement with Rainstorm Dust Control Pty Limited (**Rainstorm**), as summarised in Section 8.5. The agreement allows EcoMag to build a commercial-scale processing plant on land currently leased by Rainstorm. The location of the lease is illustrated below in Figure 6. EcoMag is planning to develop up to 8 hectares (less than half) this land to build its plant. The site has ready access to electricity, water and bitterns from nearby solar salt operations, while a gas line is located nearby. The site is also favourably positioned near local road, rail, air and port links. The site is linked to the Pilbara's largest port for iron ore and gas shipments via 22 km of existing road, as shown in Figure 7.

As compensation for use of the land, EcoMag will pay Rainstorm:

(a) $150,000 per year for the right to reserve access until construction commences;

(b) $450,000 per year once construction of a plant commences on the site; and

(c) $750,000 per year once the plant begins operating.

EcoMag's rights include access to the site and access to bitterns, sea water and discharge locations.

Before it can begin building and operating its proposed plant, EcoMag must obtain the necessary leases, licences and other approvals. Table 8 provides a summary of all the approvals EcoMag has so far identified.

At the date of this Prospectus, the Company has secured the following approvals:

(a) a commercial land use agreement with Rainstorm, as noted above (also see Section 8.5); and

(b) consent from the Western Australian Minister for Lands.

Additional primary approvals the Company must obtain include:

(c) a mining lease from the Western Australian Department of Mines, Industry Regulation and Safety (**DMIRS**);

(d) works approval from the Western Australian Department of Water and Environmental Regulation (**DWER**); and

(e) an operating license from DWER.

An application for the mining lease was submitted on 30 May 2018.

EcoMag continues to engage with approvals consultants to assist with the approvals process.

As noted in Section 7.1.1, while the Directors are confident all required approvals can be obtained, there is no guarantee that such approvals will be granted or that they will be granted in a timely manner. A failure by the Company to obtain the approvals necessary to build and operate its commercial-scale magnesium recovery and processing plant would have an adverse effect on its ability to operate profitably.

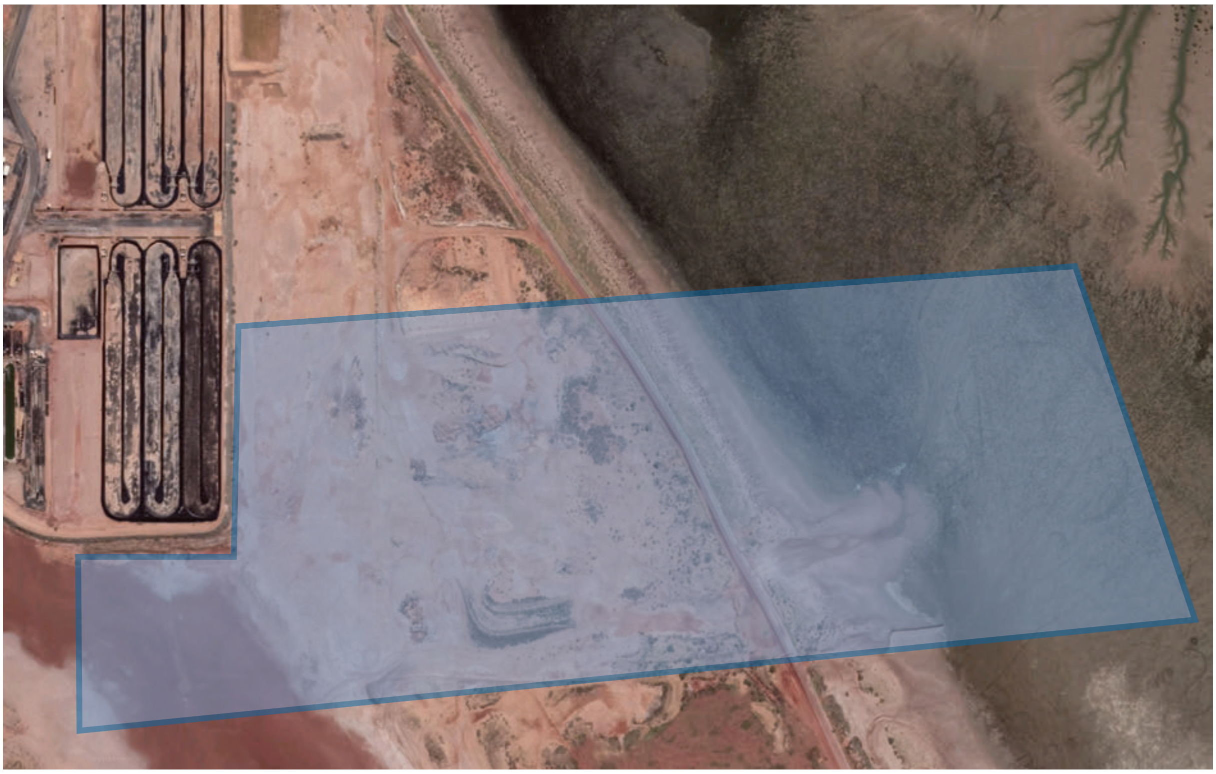


Figure 6. The lease area near Dampier on which EcoMag plans to build its commercial-scale magnesium recovery and processing plant.

Figure 7. The lease area on which EcoMag plans to build its commercial-scale plant (see Figure 6) has good access to rail and airport links, and is connected by 22 km of road to the Dampier Cargo Wharf.

4 BUSINESS SUMMARY

Table 8. The leases, licenses and other approvals required by EcoMag before it can begin building its proposed commercial-scale plant.

Approval required	Approving body	Status	Notes
Primary approvals			
Commercial land use agreement	Rainstorm	Approved, 9 April 2018	See Section 8.5
Consent from Minister for Lands	Minister for Lands, WA	Approved, 27 February 2018	
Mining lease	DMIRS	Submitted, 30 May 2018	1
Works approval	DWER	Planned, August 2018	2
Operating license	DWER	Planned, August 2018	
Secondary approvals			
Native vegetation Clearing Permit	DMIRS	Planned, October 2018	
Misc. licence for roads, water pipes	DMIRS	Planned, November 2018	
Power line access way	Karratha Airport, Horizon Power	Planned, November 2018	3
Gas line access	Karratha Airport, gas supplier	Planned, November 2018	
Planning approval	City of Karratha	Planned, December 2018	
Waste treatment system	City of Karratha	Planned, February 2019	
Highway road intersection	Main Roads WA	Planned, February 2019	

[1] EcoMag has engaged with tenure and environmental team at DMIRS prior to submission.

[2] EcoMag has engaged with DWER regarding works approval. No significant issues have been raised.

[3] EcoMag held initial meetings with Karratha Airport in late 2017.

4.3.7 Potash

In addition to processing bitterns, EcoMag's technology is suitable for processing waste brines generated through the production of potash. Potash is a water-soluble potassium-containing mineral. Its primary use is as fertiliser. In recent years, several ASX-listed Australian companies have been established to explore and potentially develop potash resources in Western Australia and the Northern Territory. These resources are typically salt lake deposits and brines. In addition to potassium, many natural brines are a rich source of magnesium—often much higher than the roughly 40 g/L found in bitterns. To further explore the potential of applying EcoMag's technology to the potash industry, the Company has been working cooperatively with ASX-listed Kalium Lakes Limited (**Kalium**). Kalium's Beyondie Sulphate Of Potash Project (**BSOPP**) in Western Australia includes two mining leases. Kalium plans for the sub-surface brine deposit to supply an evaporation and processing operation located 160 kilometres southeast of Newman.

4.3.8 RGF grant application and EHIIP

On 27 April 2018, EcoMag lodged an initial application for $12 million of grant funding under the Regional Growth Fund (**RGF**). The RGF is a new funding program administered by the Australian Department of Infrastructure, Regional Development and Cities (DIRDC). Should the initial application succeed, EcoMag would be invited to submit a detailed business case within three months.

The RGF funding application was lodged in conjunction with two other businesses—Rainstorm, and WRS Bioproducts Pty Limited (**WRS**). Should the grant be provided, EcoMag, Rainstorm and WRS would share infrastructure, including roads, ponds, power and desalination, lowering EcoMag's plant construction costs. Rainstorm currently produces a magnesium-based dust control product from waste bitterns. WRS would establish a new manufacturing facility to produce algae and a range of other products including beta-carotene, omega–3 fatty acids and biofuels, also using waste bitterns.

If successful, the grant would launch Stage I of the Karratha Eco Hub Innovation Industry Precinct (**EHIIP**), which consists of EcoMag, Rainstorm and WRS cooperating and sharing resources. The proposed EHIIP is intended to attract complementary technology-based industries that can use the waste bittern stream created as a by-product from nearby solar salt operations to produce valuable export products.

4.3.9 Research projects

EcoMag continues to engage researchers at CNU, Pusan National University (PNU), the University of New South Wales, Sydney (**UNSW**) and Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO) to conduct further research, testing and technology development. In addition to funding from the Korean Government of the WC300 Project of which EcoMag is a part (see Sections 8.3), the Company has to date secured $15,000 in funding from the New South Wales government and a further $50,000 in direct funding from the Australian federal government to support its research. These figures do not include additional government support in the form of R&D Tax Concessions. Current research projects include:

(a) production of magnesium organics, such as magnesium acetate, citrate and lactate, for potential application in magnesium supplements;

(b) production of MDH by direct processing from HMC;

(c) optimising conditions for producing ultra-high purity HMC powder;

(d) magnesium aerogels and magnesium metal–organic frameworks (MOFs), which have potential applications in new-generation magnesium batteries and conversion of waste carbon dioxide into methane;

(e) production of magnesium phosphate using HMC or bitterns/brines containing magnesium as raw feed, for use in fertilisers; and

(f) optimising conditions for producing magnesium products for the Korean market, including development of processes for making MDH flame retardants from CCM raw materials.

Future projects currently planned for the WC300 Project include:

(g) processing of activated CCM using flash calcination; and

(h) processing of high purity magnesium, potassium and ammonium phosphate for use in fertilisers.

4.4 MARKET AND COMPETITION

4.4.1 Market overview

Magnesium is the eighth most abundant element in the earth's crust (2.5%) and third most abundant element dissolved in sea water (after sodium and chloride). Magnesium is found in several ores including dolomite ($CaMg(CO_3)_2$), magnesite ($MgCO_3$), olivine ($(Mg, Fe)_2SiO_4$) and brucite ($Mg(OH)_2$). These ores can be refined and processed into a wide range of magnesium compounds and chemicals of varying price and quality, depending on the intended application. The market segments of most relevance to EcoMag are those for high purity HMC, CCM, HBM and MDH.

4.4.2 HMC market

HMC (also known as hydromagnesite) is a naturally occurring mineral. Its most common industrial use is as a flame-retardant additive for polymers. It is also used as a white pigment in paper and paints, and in pharmaceuticals, rubber additives, refractories, fine ceramics and construction. Most natural hydromagnesite production is from Greece and Turkey.

Prices for magnesium products depend heavily on grade, which is determined by purity, reactivity and particle size. Several Chinese companies produce HMC powder at claimed purities of 98.4–99.3% and prices of US$800–2000 per tonne. The Canadian company Karnalyte Resources also claims to be able to produce 104,000 tpa of >99% pure HMC, half of which it is planning to sell for C$1800 per tonne (US$1386 per tonne).

4.4.3 MgO market

Global production capacity for magnesium oxide (**MgO**) is estimated at about 12 Mt per year. Of this total, about 1.2 Mt per year is produced from sea brines, with the remainder produced from naturally occurring magnesite. MgO produced from sea brines is sometimes referred to as 'synthetic magnesia'.

MgO is supplied in several forms, depending on its degree of processing, including CCM, HBM and dead burned magnesia (**DBM**). In 2015, world production capacity for CCM was about 3.3 Mt pa.

Most MgO production is used for refractories such as furnace linings. Other applications include glass; building products; as a vulcanising agent in rubber production; as a filler in production of rubber plastics, putties, adhesives; pharmaceuticals; gas treatment; and food additives. Applications requiring very high purity material, best suited to synthetic magnesia, include:

(a) high quality refractories;

(b) chemically-toughened glass;

(c) animal feed supplements; and

(d) pharmaceuticals.

High purity MgO is required for the production of special chemically-toughened glasses such as 'Gorilla Glass', used in liquid crystal displays for smartphones, tablets, computer monitors and televisions. This material requires very low concentrations of iron (< 100 ppm) and insoluble matter (< 2%). EcoMag has produced high purity MgO samples from bitterns and sent these to several glass makers for testing.

High purity MgO is used in animal feed, particularly for dairy cows and other lactating mammals. These animals are susceptible to magnesium deficiency in spring, when magnesium levels in plants are at their lowest. The market for animal feed CCM was estimated at 420 kt pa in 2012 and has been growing in line with growth in global milk consumption.

Several Chinese companies produce MgO powder at claimed purities of >99% and prices of US$1500–5500 per tonne. Israel Chemicals Limited, the owner of Dead Sea Periclase Limited, produces about 53,000 tpa of MgO and MDH with a claimed purity of up to 99.5% using the Aman process.

4.4.4 MDH market

MDH is used for flame retardants, removing sulphur from flue-gas, and industrial water treatment. MDH is halogen-free, making it less hazardous than many current fire-retardant products. Global demand for flame retardants in 2012 was about 2.1 million tonnes, of which MDH comprised about 85,000 tonnes. Environmental legislation of the European Union and other jurisdictions restricts the use of some halogenated flame retardants, while favouring use of some plastics where MDH flame retardants are commonly used. MDH for flame retardants must disperse well into the polymers, requiring a large crystal size but small particle size, characteristics possessed by EcoMag's synthetic MDH. Demand for MDH for flue gas desulphurisation has also increased in recent years, particularly in Japan and Germany, which have increased electricity production from coal as their nuclear power stations have been closed.

Several Chinese companies produce high purity MDH at claimed purities of 93–99% and prices of up to US$3000 per tonne. High volumes of MDH are also produced by Israel Chemicals, RHI Magnesita, Martin Marietta and Ube Material Industries.

4.5 CORPORATE SOCIAL RESPONSIBILITY

4.5.1 Environmental, social and corporate governance

Increasingly, public company boards are facing challenges from investors and other stakeholders to be proactive in evaluating competitive threats, and understanding disruptive market trends, which include environmental and societal concerns. Environmental, social and corporate governance (**ESG**) is increasingly seen as an important aspect of enterprise risk management. Accordingly, EcoMag is committed to high standards of environmental and social corporate citizenship, including:

(a) enhancing the sustainability of global manufacturing through implementing and promoting principles of the 'circular economy';

(b) contributing to economic development and diversification, employment and education in the regions in which it operates;

(c) engaging with local indigenous communities to provide employment and economic opportunities for members of these communities, while respecting the cultural heritage and rights of traditional landowners; and

(d) implementing policies to promote workplace safety, diversity and gender equality.

EcoMag's current corporate governance policies are detailed in Section 5.3. As the Company grows and develops, it will look to further develop and expand on these policies to establish reporting procedures for a range of ESG-based metrics, increasing the number of metrics it reports on each year. The following sections detail some of the Company's work to date in meeting these metrics.

4.5.2 Commitment to environmental sustainability

EcoMag is committed to the principals of the 'circular economy' and minimising the Company's overall environmental footprint. The process being commercialised by EcoMag offers many potential environmental benefits, including:

- **Recycling**—EcoMag's processes involve extracting about 98% of the magnesium content from an existing waste stream that has been flowing into the sea for over 50 years. The magnesium content of the residual bitterns is less than 0.1%, similar to the level found in sea water.
- **Inexhaustible, sustainable resource**—Magnesium is the third most abundant element dissolved in seawater. As such the supply of magnesium from seawater is essentially inexhaustible.
- **Reduced CO_2 emissions**—EcoMag's processes have substantially lower carbon emissions than those of its competitors, as described in Section 4.4.3 below.

4.5.3 Life cycle analysis

EcoMag has commissioned independent modelling and life cycle analysis of its processes by the German Aerospace Center (**DLR**). The purpose of this analysis is to assess the relative environmental impact of EcoMag's processes compared to those of its competitors.

The modelling by DLR shows that carbon emissions from EcoMag's processes are substantially lower than those for producing MgO and MDH from two competing processes—the Aman process and the Magnifin process—as shown below in Figure 8.

The Pilbara region has an abundance of sunshine, providing one of the highest solar energy resources in the world. The region therefore offers enormous potential for deploying efficient and cost-effective solar-power solutions in place of burning fossil fuels such as coal and gas. EcoMag's processes incorporate solar evaporation, making use of the abundant sunshine to lower energy usage.

Enhancements to the EcoMag process that would further reduce carbon emissions include:

- using solar thermal energy for drying;
- using photovoltaic solar power for processes such as reverse osmosis, pumping and filtration; and
- using advanced concentrated solar power (CSP) technology to generate electricity, purify water and generate heat for various processes.

All of these options will be considered during the final design stage for EcoMag's proposed commercial-scale processing plant and during the design of any subsequent commercial-scale plants.

4.5.4 Engagement with indigenous community

EcoMag is committed to engaging with local indigenous communities in the areas in which it operates, to provide employment opportunities and economic development for members of these communities, while respecting the cultural heritage and rights of traditional landowners. The Company plans to draw at least 10% of its Pilbara workforce from the local indigenous community.

In addition to its own operations, EcoMag is looking to facilitate economic development of the Pilbara through establishment of the Karratha Eco Hub Innovation Industry Precinct (EHIIP), as detailed in Section 4.3.8. EcoMag has to date engaged with the Ngarliyarndu Bindirri Aboriginal Corporation.

4.6 CORPORATE STRATEGIES

4.6.1 Financial strategy

The Directors are of the view that the funds raised from the Offer, in addition to EcoMag's existing cash reserves, will be sufficient for EcoMag to fund the engineering studies and preliminary approvals processes required for its proposed commercial-scale magnesium recovery and processing plant at Dampier, in addition to the other use of funds given in Section 3.5.

To build and begin operating the proposed commercial-scale plant, the Directors expect the Company will require substantial additional funding of about $85 million (see Table 7 in Section 4.3.5). The Directors expect to acquire this additional funding through a combination of debt and additional equity.

4.6.2 Intellectual property protection strategy

The CNU Technology licensed by EcoMag is the subject of a patent filed by CNU in South Korea. Where EcoMag further develops this technology, the Company may file additional patents, either individually or in collaboration with CNU. Opportunities to further protect the technology arising from the Company's ongoing research and development programs will be assessed by management as they arise.

The CNU Technology also consists of a large amount of technical knowhow, maintained as trade secrets. The Company maintains these trade secrets and enters into non-disclosure agreements with its partners to prevent such trade secrets being disclosed.

The Directors are of the view that sufficient intellectual property protection is in place by way of a combination of current patents and trade secrets.

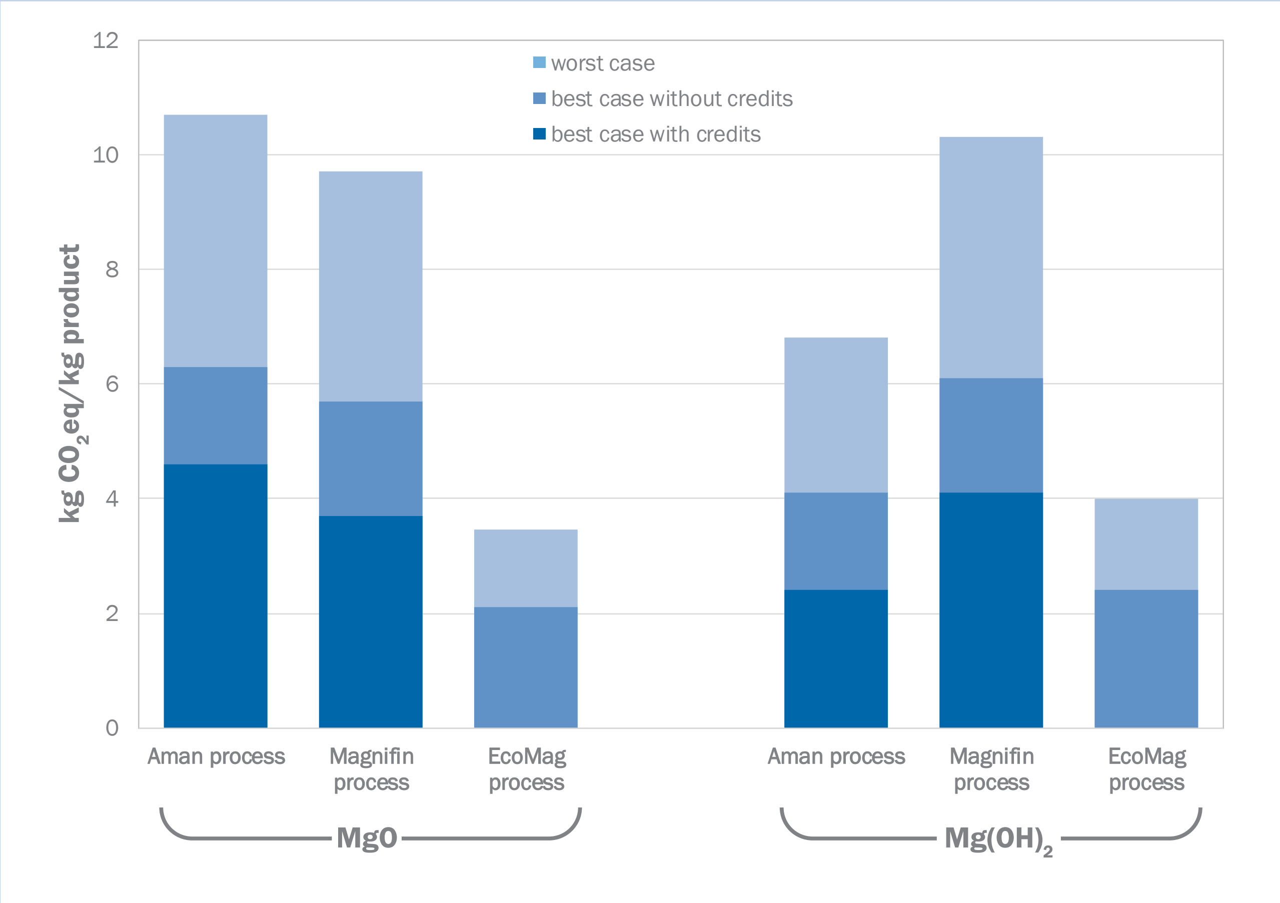


Figure 8. EcoMag's process produces substantially lower carbon emissions than those of its competitors.

4.6.3 Marketing and distribution strategy

EcoMag will market its products to chemical companies and other large users of magnesium-based materials, such as KC. Where possible, EcoMag will look to establish formal offtake and joint venture agreements with such companies.

EcoMag will position itself as a supplier of the highest quality products, with minimal environmental impacts. These two factors will be used extensively in EcoMag's marketing strategy to differentiate the company's products from those of its competitors.

EcoMag will engage freight and logistics companies to handle distribution of its products to a small number of large customers, minimising shipping and distribution costs.

4.6.4 Partnerships and strategic alliances

As summarised in Section 8, EcoMag has created partnerships and strategic alliances by entering into agreements as follows:

- **CNU**—In addition to the licensing agreement between CNU and EcoMag (see Section 8.1), EcoMag continues to engage CNU to conduct further testing and technology development (see Section 4.3.9).
- **Rainstorm**—EcoMag has signed a Land Use and Compensation Agreement with Rainstorm (see Section 8.5). This agreement provides EcoMag with access to a significant supply of bitterns from solar salt operations, access to sufficient land to construct the Company's proposed commercial-scale magnesium recovery and processing plant, and access to essential utilities such as electricity and water.

- **KC**—Under the terms of its MOU with KC (see Section 8.3), EcoMag has built a pilot plant to produce HMC and CCM, and is supplying KC with this material for further processing by KC to produce HBM and MDH. The MOU also provides for KC and EcoMag to establish a joint venture for the commercialisation of processing plants producing HMC/CCM in Australia and HBM/MDH in Korea.

  EcoMag has also signed a letter of intent with KC for the proposed purchase by KC from EcoMag of 20,000 tonnes per year of HMC for five years (see Section 8.4).

4.6.5 Logistics

EcoMag's site for its proposed commercial-scale processing plant provides favourable logistics. It is located approximately 500 metres from a bittern discharge channel. Bitterns will be supplied to the site and waste water discharged into the same channel via a network of pipes.

The site is connected to the Dampier Cargo Wharf via 22 km of road. Of this, about 5 km is currently unsealed, but will be upgraded as part of the proposed infrastructure development associated with plant construction. The road is suitable for 40 tonne flat-bed road train trucks, which can transport required chemicals from the port to the plant and take final magnesium products packed in 1 tonne bulk bags from the plant to the port to be loaded onto cargo ships.

The Dampier Cargo Wharf is a secure, government-operated facility used by many local industries, which can service ships up to 35,000 tonnes displacement. The port is currently visited by several shipping companies using Singapore as their central logistics site.

4.6.6 Development schedule

EcoMag's planned development schedule for the next 18 months is illustrated in Figure 9 below. It includes the following:

(a) **Korea Chemical joint venture**—In conjunction with its commitment to the WC300 Project with KC, EcoMag will continue to operate its pilot plant in Sydney to:

  (i) produce samples of HMC and other materials for shipping to KC and other potential offtake partners; and

  (ii) develop and refine EcoMag's process.

(b) **Dampier plant approvals process**—EcoMag has begun the approvals process required to build and operate its proposed commercial-scale plant at Dampier, and has engaged consultants to assist with this process. The approvals process is expected to be completed in the first half of 2019.

(c) **Engineering and funding feasibility study**—EcoMag has commissioned engineering company Lycopodium to carry out a funding feasibility study on the proposed commercial-scale plant at Dampier (see Section 8.6). This study will is expected to be completed by the end of 2018.

(d) **Geotechnical study**—A geotechnical study on the site of the proposed Dampier plant must be completed prior to commencement of any plant or infrastructure construction.

(e) **Plant design finalisation and contracts**—Before construction of the proposed Dampier plant can begin, the design of the plant must be finalised and contracts awarded.

(f) **Capital raising for Dampier plant construction**—EcoMag will need to raise additional capital (which is not part of the Offer) to fund construction of its proposed Dampier plant and associated infrastructure.

(g) **Offsite equipment fabrication**—Much of the equipment for the proposed Dampier plant will be constructed offsite, then transported to site for installation.

(h) **Construct and commission Dampier plant and infrastructure**—Subject to EcoMag obtaining the required approvals and meeting other necessary milestones, the Board expects that construction of the proposed commercial-scale plant at Dampier will commence at the beginning of 2019 and be completed by the end of Q3 2019.

(i) **Dampier plant operation**—Operation of the proposed Dampier plant is expected to commence in late 2019.

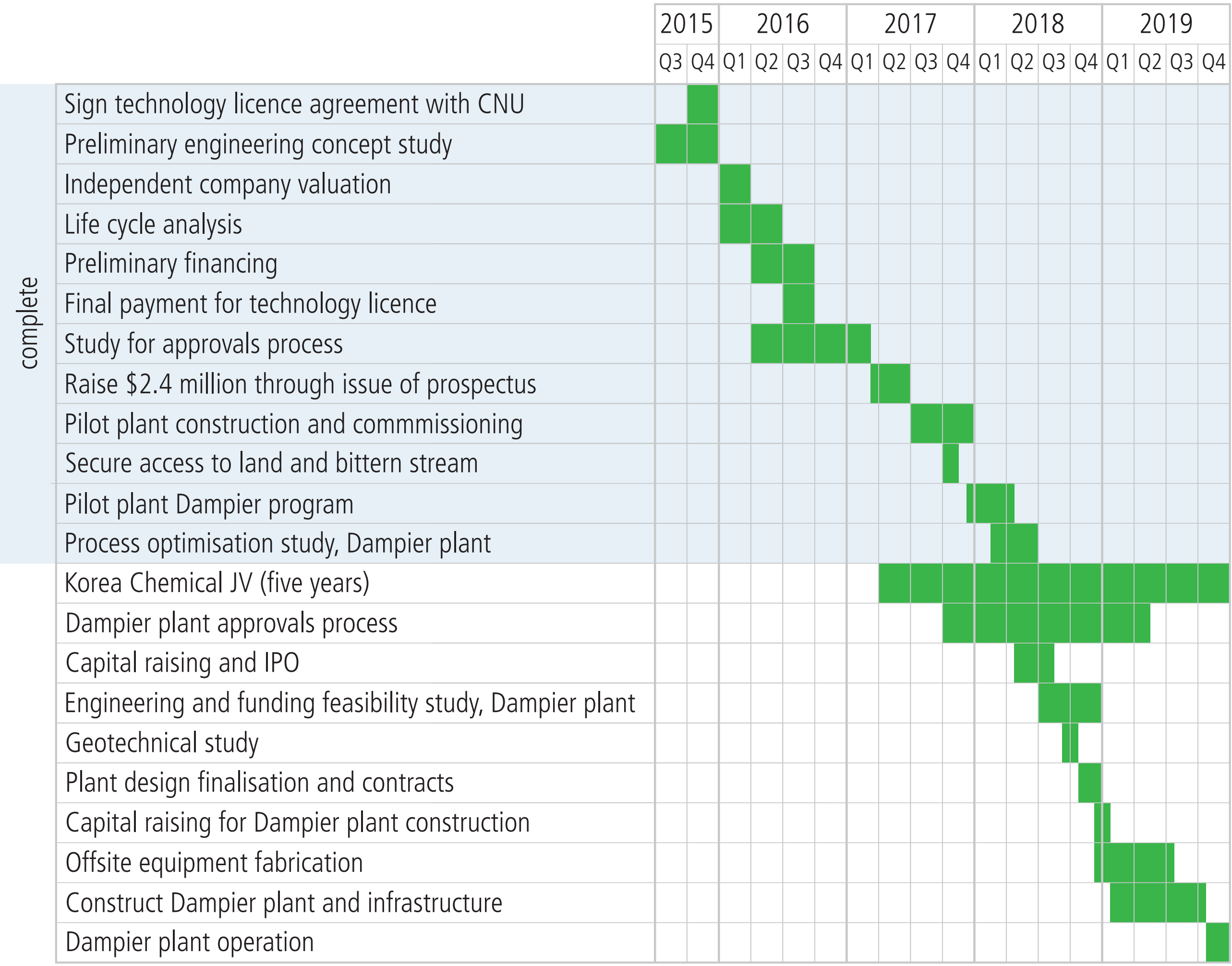


Figure 9. EcoMag's current development schedule.

"The supply of magnesium from seawater is essentially inexhaustible."

5 DIRECTORS AND MANAGEMENT

5 DIRECTORS AND MANAGEMENT

5.1 DIRECTORS

5.1.1 Anthony Crimmins

Executive Chairman

Anthony (Tony) Crimmins has been actively involved in the development of numerous start-up companies currently listed on ASX, including BluGlass Limited, Jatenergy Limited and Abundant Produce Limited. He was fundamental in identifying projects and businesses that could be successfully listed, particularly in 'breakthrough' businesses. Tony worked for six years as an environmental engineer and business development manager in Asia. He has previously worked as a general and project manager, and in commercialisation of technology-based products and services.

Mr Crimmins is currently the Executive Chairman of Jatenergy Limited (ASX: JAT) and the Chief Executive Officer of Abundant Produce Limited (ASX: ABT).

5.1.2 Shaun Triner

Executive Director and General Manager

Shaun Triner is a highly experienced technical professional with solid business acumen and a deep understanding of the success factors required in business activities. He has experience in a variety of commodities including salt, gypsum, wood panels, iron ore, gold and water. With over 30 years in the resources industry, covering operational, technical, compliance and customer support roles, Shaun brings an ability to link all parts of the business in a way that maximises value.

5.1.3 Adrian Horbach

Non-Executive Director

Adrian Horbach has over 25 years' experience working in financial markets, having worked for international money broking firms in Australia, Japan, Honk Kong and Singapore. He has significant experience with capital raising, general strategic and corporate advice, and has helped raise funds for over 10 ASX-listed companies.

5.2 MANAGEMENT TEAM

5.2.1 Tam Tran

Chief Technology Officer

Tam Tran worked for BHP Research for seven years and was a key member of a team developing a process for producing battery-grade electrolytic manganese dioxide. He then joined the University of New South Wales in 1987. He was Professor in Minerals Process Engineering and Director of the Centre for Minerals Engineering until 2007, when he left for Asia to work in mineral development projects on behalf of LG International. He is now Professor in Energy and Resources Engineering at Chonnam National University, South Korea.

5.2.2 Brett Crowley

Company Secretary

Brett Crowley is a solicitor and is an experienced chairman, finance director and company secretary of ASX-listed companies. He is a former Partner of Ernst & Young (Australia and Hong Kong) and KPMG (Hong Kong) and a former Senior Legal Member of the NSW Civil and Administrative Tribunal.

5.2.3 Nick Falzon

Chief Financial Officer

Nicholas Falzon is a Partner of PKF Chartered Accountants. He has advised venture capital backed companies as they deal with the issues associated with rapid growth. He is an Associate of the Taxation Institute of Australia, a Registered Tax Agent and a Chartered Tax Adviser of the Taxation Institute of Australia. He is company secretary of Abundant Produce Limited.

5.2.4 Jody Cellar

PRINCIPAL PROCESS ENGINEER

Jody Cellar is a chemical engineer, specialising in design, project management, technical input, continuous improvement, quality control, process management and plant optimisation. She has worked with Rio Tinto for almost 10 years, first as Superintendent for Process Development and then as Superintendent for Quality for Rio Tinto's solar salt operations at Port Hedland. She holds a Bachelor of Science in Chemical Engineering and Petroleum Refining from the Colorado School of Mines, with a minor in Environmental Engineering.

5.2.5 Michael Braaksma

PROJECT MANAGER

Michael Braaksma is a mineral processing professional with over 21 years of diverse experience in operational, design, manufacturing, commissioning, business development and consulting roles. He has been involved in processing of a range of commodities including gold, silver, base metals, diamonds, coal and industrial gases. He is a results-driven engineer in design, evaluation and operational roles. His particular expertise includes copper and precious metals hydrometallurgy, pre-concentration methods, gravity separation, and modularisation of designs.

5.2.6 Myong Jun Kim

TECHNICAL CONSULTANT (CHEMICAL ENGINEERING)

Myong Jun Kim is a currently a Professor at Chonnam National University in Korea. He has codeveloped patented processes for magnesium recovery from concentrated brines and manganese processing from iron–manganese fumes.

Professor Kim is currently working on process development projects with a number of large Korean companies, including Korea Resources, Dong Bu Metals and Auto Industrial Co, and has been instrumental in negotiations for technology transfer to these companies.

5.2.7 Götz Bickert

TECHNICAL CONSULTANT (PROCESS ENGINEERING)

Götz Bickert is a globally-recognised solid–liquid separation expert with 20 years of extensive industrial, R&D, education and consulting experience. He graduated from the University of Karlsruhe in Germany, specialising in solid–liquid separation. He worked as a Senior Lecturer in Chemical Engineering at UNSW.

Mr Bickert is highly experienced in equipment and process development, selection, design, fabrication, assembly, commissioning, troubleshooting and after-sales service of key capital separation equipment. He holds extensive training and education experience.

5.3 CORPORATE GOVERNANCE

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below.

The Company has adopted the Principles of Corporate Governance and Recommendations (Third Edition) published by ASX Corporate Governance Council unless disclosed below.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

5.3.1 Board of Directors

The Board of Directors is responsible for the corporate governance of the consolidated entity. It monitors the business affairs of the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Executive Chairman is responsible for conducting the affairs of the Company under delegated authority from the Board and implementing the policies and strategies set by the Board. In carrying out his responsibilities, the Executive Chairman will report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operating results.

5.3.2 Composition of the Board

The composition of the Board shall be determined in accordance with the following principles and guidelines:

(a) The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas; and

(b) Directors shall bring characteristics that allow a mix of qualifications, skills and experience.

(c) While there is currently no formal review process in place, the performance of all Directors is informally reviewed by the Executive Chairman in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner. Directors whose performance is unsatisfactory may be asked to retire.

The Board currently comprises three directors. The skills, experience and expertise relevant to the position of each Director who is in office at the date of this Prospectus is detailed in Section 5.1 above.

The structure of non-executive Directors' remuneration will be clearly distinguished from that of executive Directors (if any) and senior executives.

5.3.3 Performance evaluation and communication to Shareholders

The Board aims to ensure that the Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of all Directors. Information is communicated to the Shareholders through:

(a) the Annual Report, which is distributed to all Shareholders;

(b) the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate; and

(c) all public announcements and associated documents, which are made available on the Company website at ecomagnesium.com.

5.3.4 The role of Shareholders

The Board aims to ensure that the Shareholders are informed of all major developments affecting the consolidated entity's state of affairs:

(a) Proposed major changes in the consolidated entity that may impact on share ownership rights are submitted to a vote of Shareholders.

(b) Notices of all meetings of Shareholders are made available to Shareholders.

(c) The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the Shareholders as single resolutions.

(d) The Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares and changes to the Constitution. Copies of the Constitution are available to any Shareholder who requests it.

(e) The External Auditor is to attend the Annual General Meeting and is available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

5.3.5 Audit committee

The Board holds the responsibilities of the audit committee.

5.3.6 Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board believes that the current cost control framework is suitable to the Company's current operations. There is no internal audit function as the cost would significantly outweigh the benefits.

The Executive Chairman and Chief Financial Officer are delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight.

5.3.7 Trading policy

The Company's policy regarding Directors and employees trading in its Securities is set by the Board. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the price of the Company's Securities.

5.3.8 Conflict of interest

In accordance with the Corporations Act and the Company's Constitution, the Directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company.

5.3.9 Independent professional advice

Each Director will have the right to seek independent professional advice at the Company's expense. However, prior approval of the Executive Chairman will be required, which will not be unreasonably withheld.

5.3.10 Business risk management

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas that were initially identified and which will be regularly considered by the Board meetings include foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

5.3.11 Ethical standards

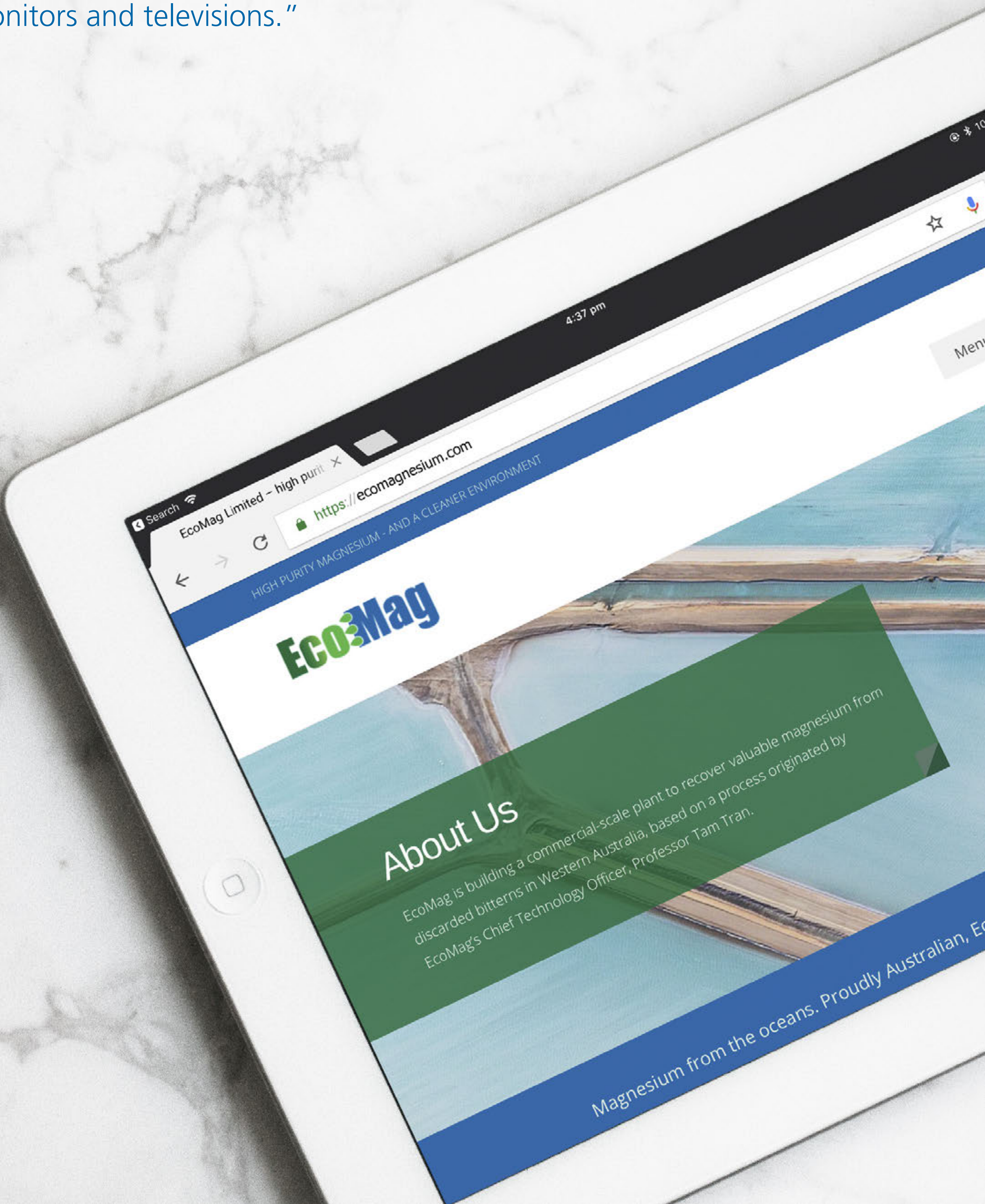
The Board's policy is for all Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

The Company has a Diversity Policy in place, which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

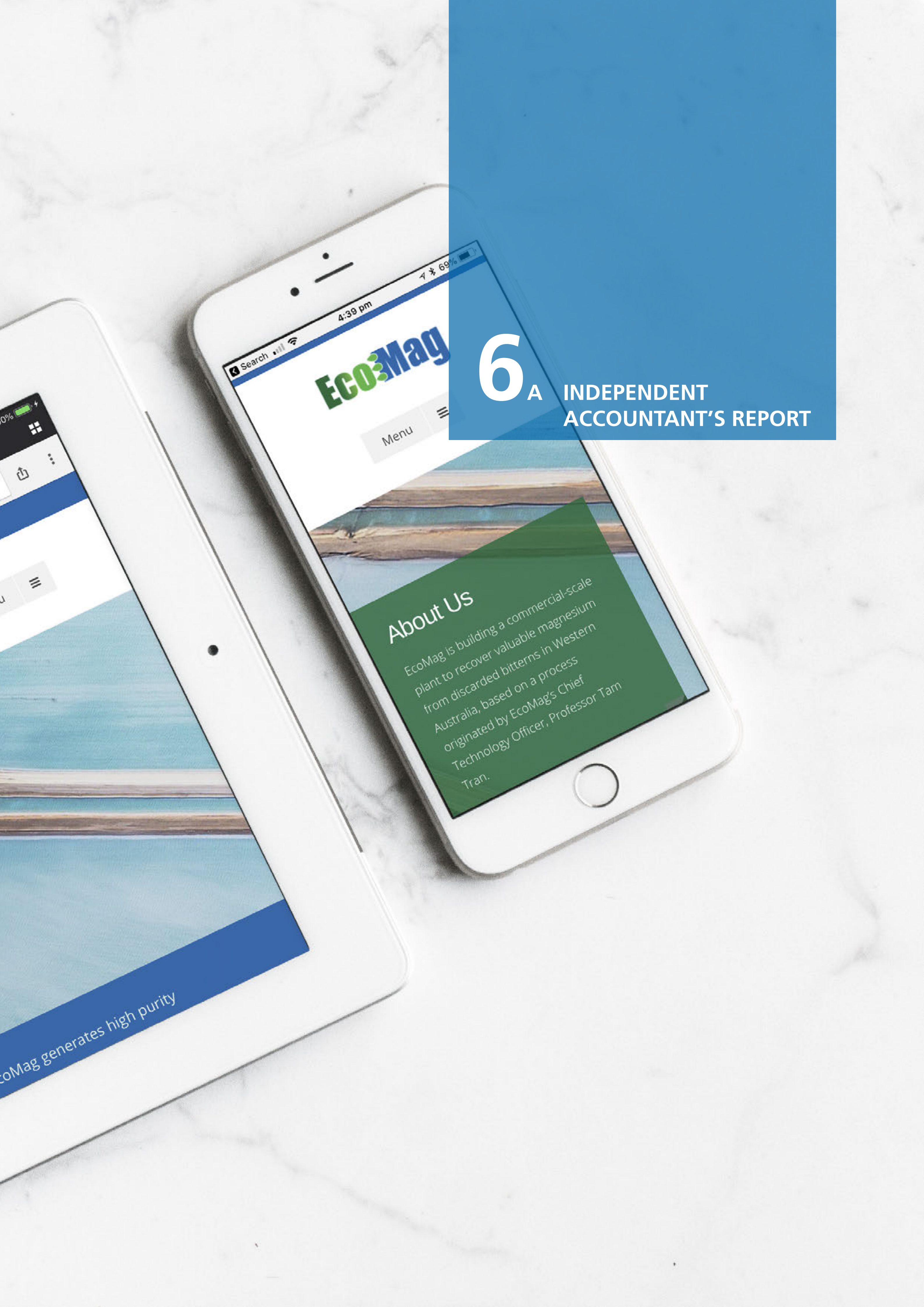
5.3.12 Other information

Further information relating to the Company's corporate governance practices and policies can be obtained from the Company upon request.

"High purity magnesium oxide is required for the production of special chemically-toughened glasses such as 'Gorilla Glass', used in liquid crystal displays for smartphones, tablets, computer monitors and televisions."



6A INDEPENDENT ACCOUNTANT'S REPORT



Bentleys
THINKING AHEAD

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6A INDEPENDENT ACCOUNTANT'S REPORT

21 June 2018

The Directors
EcoMag Limited
Unit 23, 376–380 Eastern Valley Way
CHATSWOOD NSW 2067

Dear Sirs

Investigating Accountant's Report—EcoMag Limited (ACN 607 244 600)

Introduction

This report has been prepared at the request of the Directors of EcoMag Limited (**EcoMag** or the **Company**), for inclusion in a prospectus to be lodged with the Australian Securities and Investment Commission (**ASIC**) on or around 22 June 2018 (**Prospectus**), relating to the proposed issue of a minimum of 3,000,000 ordinary shares at an issue price of $1.00 each to raise a total of at least $3,000,000.

The Company may also accept oversubscriptions of up to a further 2,000,000 ordinary shares at an issue price of $1.00 each to raise up to a further $2,000,000.

Basis of preparation

The report has been prepared to provide investors with information on historical results and the financial position of EcoMag, and to provide investors with a pro forma Statement of Financial Position and pro forma Statement of Comprehensive Income of EcoMag as at 31 December 2017 adjusted to include funds raised by the Prospectus and the completion of acquisitions and other transactions as referred to in Note 2 of Appendix 2.

This report does not address the rights attaching to the Shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an Expert's opinion with respect to a valuation of the Company or a valuation of the share issue price of $1 per share to the public.

Bentleys NSW Audit Pty Limited (**Bentleys**) has not been requested to consider the prospectus for EcoMag nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Bentleys accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 7 of the Prospectus.

Background

EcoMag was formed as an unlisted public company limited by shares. The Company's principal activity is the recovery of magnesium and other mineral compounds from waste bittern streams.

Scope of report

Bentleys has been requested to:

(a) report whether anything has come to our attention which would cause us to believe that the historical financial information disclosed in the appendices to this report is not fairly presented in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by EcoMag, and

(b) report whether anything has come to our attention which would cause us to believe that the pro forma financial information disclosed in the appendices to this report is not presented fairly in accordance with the basis of preparation and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by EcoMag.

EcoMag has prepared, and is responsible for, the historical and pro forma financial information included in the appendices to this report.

Scope of review

We have conducted our review of the historical financial information in accordance with Australian Auditing Standard ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document*. We made such enquiries and performed such procedures as we, in our professional judgement, considers reasonable in the circumstances, including:

(a) enquiry of directors, management and others;

(b) analytical procedures on the historical information;

(c) a review of work papers, accounting records and other documents;

(d) comparison of consistency in application of the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by EcoMag;

(e) Review of audited workpapers of EcoMag for the years ended 30 June 2016 and 2017 and half-year ended 31 December 2016 and 2017.

The review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards.

Having regard to the nature of the review, which provides less assurance than an audit, and to the nature of the historical and pro forma financial information, this report does not express an audit opinion on the historical and pro forma financial information included in the appendices to this report.

Opinions

(a) Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in the appendices of this report, is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by EcoMag.

(b) Pro Forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma financial information, as set out in the appendices of this report, is not presented fairly in accordance with the basis of preparation in the appendices and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by EcoMag.

Subsequent events

To the best of Bentleys' knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2017 not otherwise disclosed in this report or its appendices that have come to our attention during the course of our review which would cause the information included in this report to be misleading or deceptive.

Independence

Bentleys does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report for which normal professional fees will be received. Bentleys were not involved in the preparation of any part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Bentleys consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

Bentleys NSW Audit Pty Ltd.

BENTLEYS NSW AUDIT PTY LIMITED

ROBERT EVETT

Director

APPENDIX 1—HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION

Statement of comprehensive income

	Reviewed actual for the half-year ended 31 December 2017	Reviewed pro forma $3 million for the half-year ended 31 December 2017	Reviewed pro forma $5 million for the half-year ended 31 December 2017
	($)	($)	($)
Revenue	**3,238**	**3,238**	**3,238**
Expenses			
Cost of goods sold	(16,937)	(16,937)	(16,937)
Employment and consultancy expenses	(254,499)	(254,499)	(254,499)
Directors' fees	(19,818)	(219,818)	(219,818)
Occupancy expenses	(30,942)	(30,942)	(30,942)
Travel and conference expenses	(17,552)	(17,552)	(17,552)
Professional fees	(56,487)	(229,073)	(201,979)
Net foreign currency losses	(7,369)	(7,369)	(7,369)
Operations and administration expenses	(35,594)	(35,594)	(35,594)
Loss before income tax benefit	**(435,960)**	**(808,546)**	**(781,452)**
Income tax expense	–	–	–
Loss after income tax expense	**(435,960)**	**(808,546)**	**(781,452)**
Other comprehensive income	–	–	–
Total comprehensive income for the period	**(435,960)**	**(808,546)**	**(781,452)**

Bentleys
THINKING AHEAD

Statement of financial position

	Note	Reviewed actual for the half-year ended 31 December 2017	Reviewed pro forma $3 million for the half-year ended 31 December 2017	Reviewed pro forma $5 million for the half-year ended 31 December 2017
		($)	($)	($)
CURRENT ASSETS				
Cash and cash equivalents	3	2,257,171	6,597,161	8,595,691
Trade and other receivables		53,897	53,897	53,897
TOTAL CURRENT ASSETS		**2,311,068**	**6,651,058**	**8,649,588**
NON-CURRENT ASSETS				
Property, plant and equipment		628,942	628,942	628,942
Intangibles		1,355,932	1,355,932	1,355,932
TOTAL NON-CURRENT ASSETS		**1,984,874**	**1,984,874**	**1,984,874**
TOTAL ASSETS		**4,295,942**	**8,635,932**	**10,634,462**
CURRENT LIABILITIES				
Trade and other payables		17,596	17,596	17,596
TOTAL CURRENT LIABILITIES		**17,596**	**17,596**	**17,596**
NON-CURRENT LIABILITIES				
TOTAL NON-CURRENT LIABILITIES		–	–	–
TOTAL LIABILITIES		**17,596**	**17,596**	**17,596**
NET ASSETS		**4,278,346**	**8,618,336**	**10,616,866**
EQUITY				
Contributed Equity	4	5,562,020	10,274,596	12,246,032
Accumulated losses	5	(1,283,674)	(1,656,260)	(1,629,166)
TOTAL EQUITY		**4,278,346**	**8,618,336**	**10,616,866**

APPENDIX 2—NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the measurement and recognition (but not the disclosure) requirements of Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis, are based on historical cost and except where stated do not take into account changing money values or current valuations of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the Statement of Comprehensive Income and Statement of Financial Position requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Statement of Comprehensive Income and Statement of Financial Position are disclosed where appropriate.

The financial information has been prepared on the basis of a going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Statement of Comprehensive Income for the period ended 31 December 2017 and the Statement of Financial Position as at 31 December 2017 are in accordance with the Company's reviewed financial position at that date. The pro forma Statement of Comprehensive Income for the half-year ended 31 December 2017 and the pro forma Statement of Financial Position as at 31 December 2017 represents the reviewed financial result and position and adjusted for the transactions discussed in Note 2 to this report. The Statement of Comprehensive Income and Statement of Financial Position should be read in conjunction with the notes set out in this report.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(c) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Trade creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

6A INDEPENDENT ACCOUNTANT'S REPORT

settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivables and payables in the statement of financial position are shown inclusive of GST.

2. Actual and proposed transactions to arrive at the pro forma financial information

The pro-forma financial information has been included for illustrative purposes to reflect the position of EcoMag on the assumption that the following transactions had occurred as at 31 December 2017:

(i) Issue of 1,100,000 shares in EcoMag for $0.05 per share pre-IPO between March 2018 and June 2018;

(ii) Issue of 610,000 shares in EcoMag for $0.50 per share pre-IPO between March 2018 and April 2018;

(iii) Issue of 1,639,726 shares in EcoMag for $0.75 per share pre-IPO in March 2018;

(iv) Issue of 200,000 shares to directors for completion of the IPO at a fair value of $1 per share;

Minimum subscription of $3 million in shares

(v) Issue of 3,000,000 shares in EcoMag for $1.00 per share pursuant to the prospectus; and

(vi) Prospectus costs of $249,808 pursuant to prospectus. $77,222 of costs have been apportioned to the raising of new equity, under this prospectus, and have been applied against Contributed Equity. The remainder of the prospectus costs have been recognised in the profit and loss as they relate to listing of existing Contributed Equity on the ASX.

Maximum subscription of $5 million in shares

(vii) Issue of 5,000,000 shares in EcoMag for $1.00 per share pursuant to the prospectus; and

(viii) Prospectus costs of $251,278 pursuant to prospectus. $105,786 of costs have been apportioned to the raising of new equity, under this prospectus, and have been applied against Contributed Equity. The remainder of the prospectus costs have been recognised in the profit and loss as they relate to listing of existing Contributed Equity on the ASX.

3. Cash and cash equivalents	Note	Reviewed actual for the half-year ended 31 December 2017	Reviewed pro forma $3 million for the half-year ended 31 December 2017	Reviewed pro forma $5 million for the half-year ended 31 December 2017
		($)	($)	($)
Cash at bank		2,257,171	2,257,171	2,257,171
Issue of 1,100,000 ordinary shares pre-IPO	2(i)	–	55,000	55,000
Issue of 610,000 ordinary shares pre-IPO	2(ii)	–	305,000	305,000
Issue of 1,639,726 ordinary shares pre-IPO	2(iii)	–	1,229,798	1,229,798
Issue of 3,000,000 ordinary shares pursuant to the Prospectus	2(v)	–	3,000,000	–
Prospectus issue costs	2(vi)	–	(249,808)	–
Issue of 5,000,000 ordinary shares pursuant to the Prospectus	2(vii)	–	–	5,000,000
Prospectus issue costs	2(viii)	–	–	(251,278)
Total		**2,257,171**	**6,597,161**	**8,595,691**

4. Contributed equity				
		($)	($)	($)
Balance at 31 December 2017		5,562,020	5,562,020	5,562,020
Issue of 1,100,000 ordinary shares pre-IPO	2(i)	–	55,000	55,000
Issue of 610,000 ordinary shares pre-IPO	2(ii)	–	305,000	305,000
Issue of 1,639,726 ordinary shares pre-IPO	2(iii)	–	1,229,798	1,229,798
Issue of 200,000 ordinary shares on completion of IPO	2(iv)	–	200,000	200,000
Issue of 3,000,000 ordinary shares pursuant to the Prospectus	2(v)	–	3,000,000	–
Prospectus issue costs	2(vi)	–	(77,222)	–
Issue of 5,000,000 ordinary shares pursuant to the Prospectus	2(vii)	–	–	5,000,000
Prospectus issue costs	2(viii)	–	–	(105,786)
Total		**5,562,020**	**10,274,596**	**12,246,032**

6A INDEPENDENT ACCOUNTANT'S REPORT

a. Ordinary shares	Note	Reviewed actual for the half-year ended 31 December 2017	Reviewed pro forma $3 million for the half-year ended 31 December 2017	Reviewed pro forma $5 million for the half-year ended 31 December 2017
		($)	($)	($)
Balance at 31 December 2017		77,593,132	77,593,132	77,593,132
Issue of 1,100,000 ordinary shares pre-IPO	2(i)	–	1,100,000	1,100,000
Issue of 610,000 ordinary shares pre-IPO	2(ii)	–	610,000	610,000
Issue of 1,639,726 ordinary shares pre-IPO	2(iii)	–	1,639,726	1,639,726
Issue of 200,000 ordinary shares on completion of IPO	2(iv)	–	200,000	200,000
Issue of 3,000,000 ordinary shares pursuant to the Prospectus	2(v)	–	3,000,000	–
Issue of 5,000,000 ordinary shares pursuant to the Prospectus	2(vii)	–	–	5,000,000
Total		**77,593,132**	**84,142,858**	**86,142,858**

5. Accumulated losses

	($)	($)	($)
Opening accumulated losses	(847,714)	(847,714)	(847,714)
Current period loss	(435,960)	(808,546)	(781,452)
Accumulated losses	**(1,283,674)**	**(1,656,260)**	**(1,629,166)**

6. Related parties

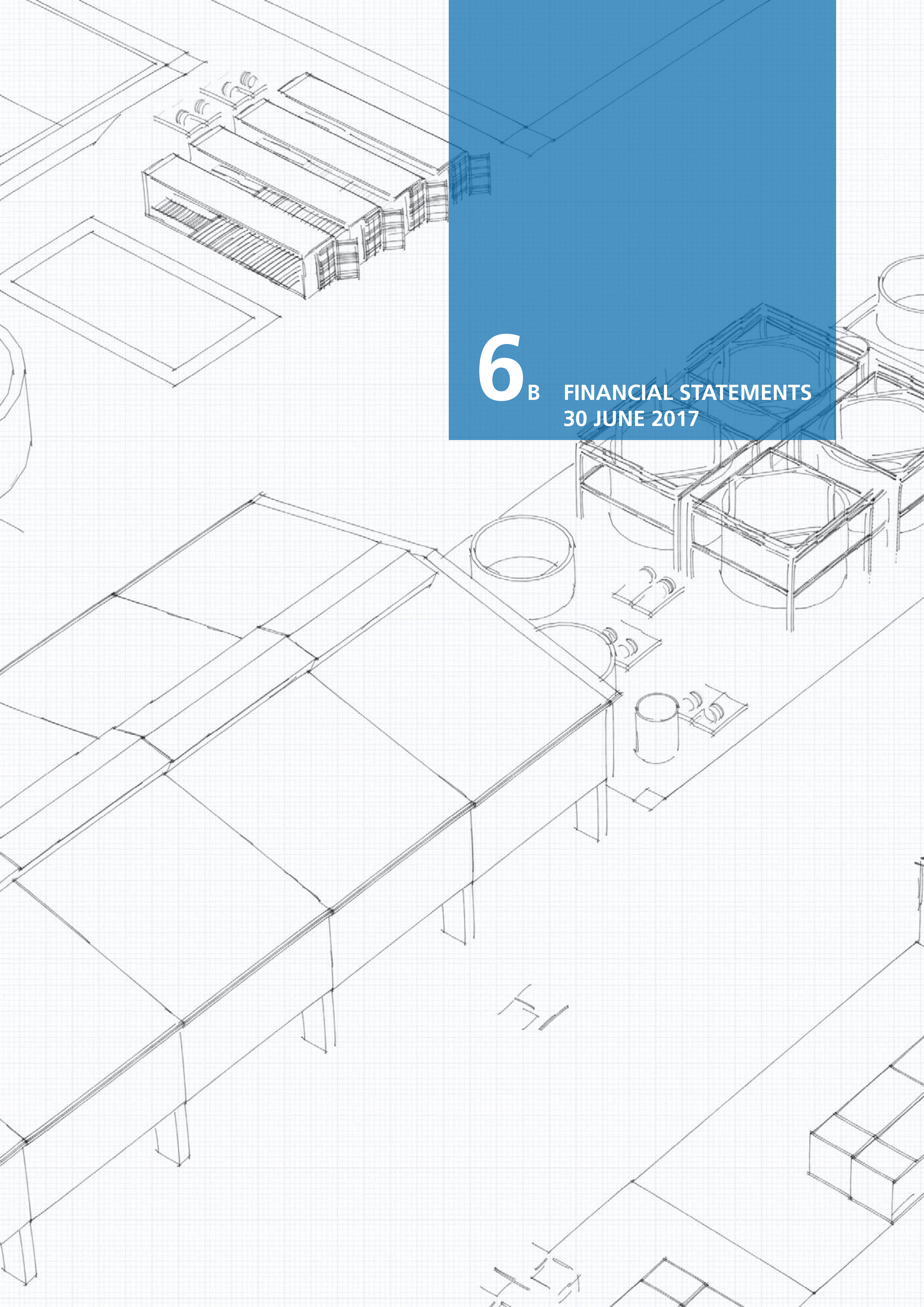
Refer to Section 9.5 of the prospectus for details of related party transactions and shareholdings.

7. Contingent assets and liabilities

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in this Prospectus.

8. Subsequent events

At the date of this report there have been no material events subsequent to balance date that we are aware of, other than those disclosed in this Prospectus.



6B FINANCIAL STATEMENTS 30 JUNE 2017

6B FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The following section contains EcoMag's financial statement for the year ended 30 June 2017, as reported in the Company's Annual Report.

Table 9. Statement of profit or loss and other comprehensive income for the year ended 30 June 2017.

	Note	2017	2016
		($)	($)
Revenue		**87,561**	**–**
Expenses			
Consultancy expenses		(462,973)	(145,312)
Directors' fees		(38,087)	(24,000)
Employment expenses		(21,575)	(2,077)
Insurance expenses		(7,151)	–
Legal expenses		(24,618)	–
R&D expenses		(7,110)	–
Internet and computer expenses		(6,789)	(1,058)
Travel and conference expenses		(59,185)	(51,058)
Occupancy expenses		(16,757)	(7,649)
Low value asset write-offs		–	(771)
Loss on foreign exchange movements		(10,422)	(9,834)
Other expenses		(29,081)	(9,768)
Total expenses		**(683,748)**	**(251,527)**
Profit/(loss) before income tax		**(596,187)**	**(251,527)**
Income tax expense	3	–	–
Profit/(loss) for the year		**(596,187)**	**(251,527)**
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic profit/(loss) per share	5	(0.009)	(0.006)
Diluted profit/(loss) per share	**5**	**(0.009)**	**(0.006)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Table 10. Statement of financial position as at 30 June 2017.

	Note	2017	2016
		($)	($)
ASSETS			
Current assets			
Cash and cash equivalents	6	3,120,015	266,948
Trade and other receivables	7	83,987	29,593
Total current assets		**3,204,002**	**296,541**
Non-current assets			
Property, plant and equipment	8	196,109	43,000
Intangibles	9	1,355,932	1,355,932
Total non-current assets		**1,552,041**	**1,398,932**
TOTAL ASSETS		**4,756,043**	**1,695,473**
LIABILITIES			
Current liabilities			
Trade and other payables	10	66,737	1,275,360
Total current liabilities		**66,737**	**1,275,360**
TOTAL LIABILITIES		**66,737**	**1,275,360**
NET ASSETS		**4,689,306**	**420,113**
EQUITY			
Contributed equity	11	5,537,020	671,641
(Accumulated losses)/retained earnings		(847,714)	(251,527)
TOTAL EQUITY		**4,689,306**	**420,113**

The above statement of financial position should be read in conjunction with the accompanying notes.

6B FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Table 11. Statement of changes in equity for the year ended 30 June 2017.

	Contributed Equity	Retained Earnings	Total
	($)	($)	($)
Balance at 11 August 2015	–	–	–
Loss for the year	–	(251,527)	(251,527)
Total comprehensive income	–	(251,527)	(251,527)
Issue of capital	671,641	–	671,641
Balance at 30 June 2016	**671,641**	**(251,527)**	**420,113**
Balance at 1 July 2016	671,641	(251,527)	420,113
Loss for the year	–	(596,187)	(596,187)
Total comprehensive income	–	(596,187)	(596,187)
Issue of capital	4,865,379	–	4,865,379
Balance at 30 June 2017	**5,537,020**	**(847,714)**	**4,689,306**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Table 12. Statement of cash flows for the year ended 30 June 2017.

	Note	2017	2016
		($)	($)
Cash flows from operating activities			
Receipts from refund of research and development		57,608	–
Interest received		317	–
Payments to suppliers and employees		(651, 038)	(223,494)
Net cash (outflow)/inflow from operating activities	13	**(593,113)**	**(223,494)**
Cash flows from investing activities			
Payments for property, plant and equipment		(209,829)	(43,771)
Payments for research & development		(1,190,949)	(145,428)
Net cash inflow/(outflow) from investing activities		**(1,400,778)**	**(189,199)**
Cash flows from financing activities			
Proceeds from issues of shares		4,857,380	671,641
Proceeds of loans from other companies		–	70,198
Repayment of loans to other companies		–	(70,198)
Advances from shareholders		–	8,000
Net cash inflow/(outflow) from financing activities		**4,857,380**	**679,641**
Net increase in cash and cash equivalents		**2,863,489**	**266,948**
Cash and cash equivalents at the beginning of the financial year		266,948	–
Effect of exchange movements in cash held		(10,422)	–
Cash and cash equivalents at end of year	6	**3,120,015**	**266,948**

The above statement of cash flows should be read in conjunction with the accompanying notes.

6B FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

6.1 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EcoMag Limited (the **Company**) is a Company incorporated on 23 July 2015 as EcoMag Pty Limited. It changed its name to EcoMag Limited on 6 October 2016. This is its second reporting period.

It is a company limited by shares incorporated in Australia whose shares are not quoted on any securities exchange.

The financial statements of the Company are for the year ended 30 June 2017.

The financial statements were authorised for issue by the Board of Directors on 2 November 2017.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. EcoMag Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, these financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern basis of accounting

The financial statements have been prepared on a going concern basis. The Company has incurred an operating loss for the year of $596,187 (2016: $251,527) and has negative cash flows from operating activities of $593,113 (2016: $223,494). The Company raised $4,865,379 in equity during the year. The Directors believe the Company will be able to raise additional equity as required in the future. Therefore, given the $3,120,015 in cash at the end of 30 June 2017 in addition to the belief the Company's ability to raise additional equity if required, should in the view of the Directors result in the Company being able to pay its debts as & when they fall due over the next 12 months from the date of this report. Therefore, the Directors consider that the going concern basis is appropriate.

(c) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Fair value of assets and liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Work-in-progress

Work in progress represents expenditure which is not yet complete but once the complete will be capitalised as part of the cost of plant and equipment.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Office and computer equipment	100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in *AASB 116: Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

(g) Intangibles assets

Licence fees

Expenditure paid to Chonnam National University of South Korea has been capitalised as an infinite life asset. The Licence Fee enables the Company to identify projects for the extraction of magnesium from the bitterns of salt operations commencing with salt operations in Western Australia that are expected to deliver future economic benefits and these benefits can be measured reliably. Capitalised licence fee costs are stated at cost.

As the Licence Fee has an infinite useful life, it will not be amortised at this point of time.

(h) Leases

Lease payments for operating leases where substantially all the risks and benefits remain with the lessee are recognised as expenses in the period in which they are incurred.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 6 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(j) Revenue and other income

Interest revenue is recognised using the effective interest method. All revenue is stated net of the amount of goods and services tax.

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment—general

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised at the end of the reporting period.

Key judgements

(ii) Licence fee costs

The Directors have determined that Licence Fee costs should be capitalised as an intangible asset with an infinite life.

2. Adoption of new and revised accounting standards

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed.

(i) AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

(ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(iii) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(iv) AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2017. As at 30 June 2017, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

(v) AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a 'business' as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3. Income tax expense

(a) Reconciliation of income tax expense to prima facie tax payable:	2017	2016
	($)	($)
(Loss) before income tax	(596,187)	(251,527)
Prima facie tax at 27.5% (2016: 30%)	(163,951)	(75,458)
Tax losses and timing differences not brought to account	163,951	75,458
Income tax expense	**–**	**–**

Tax losses		
Unused tax losses for the current year for which no deferred tax asset has been recognised	847,714	251,527
Potential tax benefit at 27.5% (2016: 30%)	**233,121**	**75,458**

Utilisation of the above tax losses in future years is reliant on the Company meeting the prescribed tests under division 105A of the Income Tax Assessment Act 1997.

4. Auditor's remuneration

	2017	2016
	($)	($)
Auditing or reviewing the financial statements	8,000	7,000
Total	**8,000**	**7,000**

5. Earnings per share

	2017	2016
	($)	($)
Earnings used to calculate basic and diluted EPS	(596,187)	(251,527)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	67,356,662	39,760,575
Basic and diluted earnings per share	**(0.009)**	**(0.006)**

6. Cash and cash equivalents

	2017	2016
	($)	($)
Cash at bank and on hand	3,120,015	266,948
Total	**3,120,015**	**266,948**

7. Trade and other receivables

	2017	2016
	($)	($)
Other receivables	83,987	29,593
Total	**83,987**	**29,593**

(a) Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Company.

On a geographical basis, the Company currently only has credit risk exposures in Australia.

The following table details the Company's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

	Gross amount	Past due & impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31–60	61–90	> 90	
	($)	($)	($)	($)	($)	($)	($)
2017							
Other receivables	83,987	–	–	–	–	–	83,987
Total	**83,987**	**–**	**–**	**–**	**–**	**–**	**83,987**
2016							
Other receivables	29,593	–	–	–	–	–	29,593
Total	**29,593**	**–**	**–**	**–**	**–**	**–**	**29,593**

8. Property, plant and equipment

	2017	2016
	($)	($)
Capital works in progress	**196,109**	**43,000**
Office equipment		
Cost	771	771
Accumulated depreciation	(771)	(771)
Total office equipment	**–**	**–**
Total property plant and equipment	**196,109**	**43,000**

Movements in carrying amounts	Office equipment	Work in progress	Total
		($)	($)
Balance at 30 June 2016	–	43,000	43,000
Additions	–	153,109	153,109
Balance at 30 June 2017	**–**	**196,109**	**43,000**

9. Intangibles—licence fee costs

	2017	2016
	($)	($)
Licence fees—Chonnam National University	1,355,932	1,355,932
Total	**1,355,932**	**1,355,932**

Intangible assets—licence fee costs, have an infinite useful lives and as such will not at this time be amortised.

10. Trade and other payables

	2017	2016
	($)	($)
Trade and other payables	66,737	1,267,360
Advances from shareholders	–	8,000
Total	**66,737**	**1,275,360**

11. Contributed equity

(a) Share capital

Ordinary shares	Notes	2017	2016
		($)	($)
77,093,132 (2016: 54,480,372) fully paid shares	(b)	5,537,020	671,641
Total share capital	–	**5,537,020**	**671,641**

(b) Movements in ordinary share capital

	2017	2016	2017	2016
	($)	($)	number	number
At the beginning of the reporting period	**671,641**	–	**54,480,372**	–
Share issues during the year				
23 July 2015 (incorporation)	–	402	–	40,000,002
16 February 2016 (placement @ $0.05)	–	158,019	–	3,160,370
1 March 2016(placement @ $0.002)	–	600	–	300,000
1 March 2016(placement @ $0.025)	–	212,500	–	8,500,000
21 March 2016(placement @ $0.001)	–	120	–	120,000
24 March 2016(placement @ $0.125)	–	300,000	–	2,400,000
6 October 2016 (placement @ $0.025)	6,000	–	240,000	–
6 October 2016 (placement @ $0.01)	55,500	–	5,550,000	–
6 October 2016 (placement @ $0.05)	96,000	–	1,920,000	–
6 October 2016 (placement @ $0.125)	125,000	–	1,000,000	–
6 October 2016 (placement @ $0.25)	2,108,500	–	8,434,000	–
10 October 2016 (placement @ $0.50)	2,379	–	4,760	–
28 December 2016 (placement @ $0.20)	10,000	–	50,000	–
3 March 2017 (placement @ $0.05)	25,000	–	500,000	–
3 March 2017 (placement @ $0.25)	20,000	–	80,000	–
21 June 2017 (prospectus @ $0.50)	2,417,000	–	4,834,000	–
Closing balance	**5,537,020**	**671,641**	**77,093,132**	**54,480,372**

(c) Ordinary shares

The Company does not have a limited amount of authorised capital.

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid up on the shares held and do not have a par value.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

(d) Capital risk management

Management controls the capital of the Company in order to generate long-term shareholder value and ensure that the Company can fund its operations and continue as a going concern. The Company currently has no borrowings.

The Company is not subject to any externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since its was established.

12. Operating segment

Currently the directors view the financial performance of the Company on a total basis and has not yet defined operating segments. The Company's core activity is the development and production of magnesium for sale and its operates from one location, being Australia.

13. Cash flow information

Reconciliation of cash flows from operating activities to net (loss) after tax	**2017**	**2016**
	($)	($)
(Loss) after tax	**(596,187)**	**(251,527)**
Non-cash flows in (loss)/profit		
Depreciation and amortisation		771
Loss on foreign exchange movements	10,422	9,834
Changes in assets and liabilities, net of the effect of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	4,131	(29,593)
Increase/(decrease) in trade and other payables	(11,479)	47,021
Cash flows from operating activities	**(593,113)**	**(223,494)**

14. Contingencies

The Company had no contingent liabilities at year end.

15. Related party transactions

(a) The Company's main related parties are as follows:

(i) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, being the executive directors of the Company refer to (c) below.

(ii) Other related parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have control.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

(i) Other related parties

Occupancy fees of $14,827 (2016: $7,649) paid to Jatenergy Limited, a company of which Tony Crimmins is Executive Chairman.

(c) Amounts payable to related parties

	2017	2016
	($)	($)
Fees paid to Top Cat Consulting Services Pty Ltd, a company controlled by Tony Crimmins, for director and consulting fee services of Tony Crimmins	60,500	30,000
Fees paid to Tam Tran Investments Pty Limited, a company controlled by Tam Tran, for director and consulting fee services of Tam Tran	60,120	30,000
Management fee payable to TTG Resource Technologies Pty Ltd, a company of which Tony Crimmins and Tam Tran are directors, for the period 11 August 2015 to 31 December 2015 for management and administration of the Company.	–	15,000
Reimbursement of expenses from TTG Resource Technologies and Ecolithium Pty Ltd, both companies of which Tony Crimmins and Tam Tran are directors, which were paid by EcoMag Limited.	1,500	12,110
Fees paid to Shanan Birkin for director and consulting fee services of Shanan Birkin	42,067	–
Rent paid to Jatenergy Limited	16,310	–

16. Events occurring after the reporting date

On 7 August 2017, Adrian Horbach was appointed a director of the Company upon the resignation of Shanan Birkin. Details of Mr Horbach's experience and shareholdings in the Company are listed earlier in the Directors' Report.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- the Company's operations in future financial years; or
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

17. Financial risk management

The Company's financial instruments consist of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with *AASB 139: Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

Ordinary shares	**Notes**	**2017**	**2016**
		($)	($)
Financial assets			
Cash and cash equivalents	6	3,120,015	266,948
Trade and other receivables	7	83,987	29,593
Total financial assets		**3,204,002**	**296,541**
Financial liabilities		**2017**	**2016**
Financial liabilities at amortised cost:			
—Trade and other payables	10	66,737	1,267,360
Total financial liabilities		**66,737**	**1,267,360**

The Board is responsible for managing financial risk exposures of the Company. It monitors the Company's financial risk management policies and exposures. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, liquidity risk and interest rate risk. The Board's overall risk management strategy seeks to assist the company to meet its financial targets, while minimising potential adverse effects on financial performance. This includes reviews of the use of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk and other price risk such as equity price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from previous periods.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through the maintenance of procedures (such as utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Company, credit terms are generally 30 days net.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise assessed as being financially sound. Where the Company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Company has no significant concentrations of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Company has significant credit risk exposures to Australia. Details with respect to credit risk of trade and other receivables are provided in Note 7.

Trade and other receivables that are neither past due nor impaired are to be of good credit quality. Aggregates of such amounts are detailed in Note 7.

Credit risk related to balances with banks and other financial institutions is managed by the Board. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's credit rating of at least AA–. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

Cash and cash equivalents	**Note**	**2017**	**2016**
		($)	($)
AA– rated	**6**	**3,120,015**	**266,948**

(b) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Company	Within 1 year 2017	2016	Total 2017	2016
	($)	($)	($)	($)
Financial liabilities due for payment				
Trade and other payables	66,737	1,267,360	66,737	1,267,360
Total expected outflows	**(66,737)**	**(1,267,360)**	**(66,737)**	**(1,267,360)**
Financial assets—cash flows realisable				
Cash and cash equivalents	3,120,015	266,948	3,120,015	266,948
Trade, and other receivables	83,987	29,593	83,987	29,593
Total anticipated inflows	**3,204,002**	**296,541**	**3,204,002**	**296,541**
Net (outflow)/inflow on financial instruments	**3,137,265**	**(970,819)**	**3,137,265**	**(970,819)**

(c) Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Company to interest rate risk are cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2017	Profit	Equity
	($)	($)
±1% in interest rates	**31,200**	**31,200**

Year ended 30 June 2016	Profit	Equity
	($)	($)
±1% in interest rates	**2,669**	**2,669**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Company	Note	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
		($)	($)	($)	($)
Financial assets					
Cash and cash equivalents*	6	3,120,015	3,120,015	266,948	266,948
Trade and other receivables—unrelated parties	7	83,987	83,987	29,593	29,593
Total financial assets		**3,204,002**	**3,204,002**	**296,541**	**296,541**
Financial liabilities					
Trade and other payables*	10	66,737	66,737	1,267,360	1,267,360
Total financial liabilities		**66,737**	**66,737**	**1,267,360**	**1,267,360**

* Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

7 RISK FACTORS

7 RISK FACTORS

There are specific risks that relate directly to the Company's business, including its operations. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

7.1.1 Approvals

A key aspect of the Company's business is the design, construction and operation of a proposed commercial-scale plant in Dampier for recovering and processing magnesium-based materials from bitterns, as detailed in Sections 4.3 and 4.6.6. Before it can begin building and operating this plant, EcoMag must obtain the necessary leases, licences and other approvals. In particular, the Company must obtain:

(a) a mining lease from the Western Australian Department of Mines, Industry Regulation and Safety;

(b) works approval from the Western Australian Department of Water and Environmental Regulation (**DWER**); and

(c) an operating license from DWER.

Additional miscellaneous approvals will also be required, as detailed in Section 4.3.6. While the Directors are confident all such approvals can be obtained, there is no guarantee that all such approvals will be granted or that they will be granted in a timely manner. A failure to obtain the approvals necessary would have an adverse effect on the EcoMag's ability to operate profitably.

7.1.2 Unexpected increases in capital and operating costs

The current estimates of the capital and operating costs of the commercial-scale plant at Dampier are detailed in Section 4.3.5. Although contingencies have been used in making these cost estimates, actual capital and operating costs may exceed these estimates, which would affect the Company's ability to operate profitably. Should these costs increase unexpectedly, the Company may also be required to raise more capital than expected to meet its objectives, and there can be no guarantee that future funding requirements can be obtained on terms favourable to the Company.

7.1.3 Technology risk

EcoMag's process uses a novel technology developed by and licensed from Korea's Chonnam National University (**CNU**). EcoMag has secured access to this technology by signing a technology licensing agreement with CNU, as summarised in Section 8.1. Although the CNU technology has been thoroughly tested at laboratory and pilot-plant scales, it has yet to be implemented at a commercial scale. Failure to cost-effectively scale-up the process to a commercial level would adversely affect EcoMag's ability to economically recover materials from bitterns, or to recover material of sufficiently high quality, and thereby affect the Company's ability to operate profitably.

7.1.4 Reliance on key and skilled personnel

The Company is reliant on its ability to retain senior management and experienced personnel. The loss of the services of senior management personnel without suitable replacements or the inability to attract and retain qualified personnel can adversely affect performance.

7.1.5 Product price risks

The Company's products are commodities whose prices vary depending on changing forces of supply and demand. A significant drop in the prices the Company receives for its products may have a detrimental effect on its ability to operate profitably.

7.1.6 Foreign exchange risks

The Company's products are expected to be priced in US dollars and other foreign currencies. Hence there is a foreign exchange risk in relation to any significant fluctuations in currency exchange rates. The Company does not have any formal policy for hedging against foreign exchange exposure.

7.1.7 Failure of intellectual property protection

The Company's business depends on patents, trade secrets and other intellectual property, as detailed in Section 4.6.2. Should there be a breakdown in the Company's intellectual property protections such that a rival is able to copy EcoMag's technology, the Company may be unable to fully meet its objectives.

7.1.8 Future funding

The existing working capital and the issue proceeds of the Offer will not be sufficient to fully fund the estimated costs of implementing all of the Company's future plans, including the proposed construction of a commercial-scale plant. Additional debt or equity to fund such plans will be required, and there can be no guarantee that future funding requirements can be obtained on terms favourable to the Company.

7.2 INDUSTRY RISKS

7.2.1 Competitive pressures

The Company may be subject to substantial competitive pressure from rivals. Should a rival develop a similarly effective technology without infringing existing intellectual property protections, the Company may be unable to fully meet its objectives.

7.2.2 Product substitution

The value of the Company's products may decline should users of these products find ways to switch to cheaper alternative products from other suppliers. A decline in the value of the Company's products would negatively impact on the Company's profitability.

7.3 RISKS RELATING TO OWNERSHIP OF COMPANY SHARES

7.3.1 Future profitability or dividends are not assured

No assurance as to future profitability or dividends can be given as these depend on future earnings and working capital requirements of the Company. Potential investors should note that there can be no guarantees with respect to the payment of dividends and return of capital.

7.3.2 Economic

The financial performance and value of the Company may be influenced by various economic factors such as inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism.

7 RISK FACTORS

7.3.3 Liquidity and realisation

There is no guarantee that an active market for the Shares will develop once the Shares are quoted on ASX. There may also be relatively few potential buyers or sellers of the Shares on ASX or otherwise at any time, which may increase the volatility of the market price of the Shares.

Following quotation, as set out in Section 3.6 an estimated total of 52,333,598 Shares, representing 62.2% of the total Shares on issue following the Offer (assuming the Minimum Subscription) will be the subject of escrow arrangements, which will impact on liquidity. The substantial Shareholders set out in Section 3.8 will hold 37.8% of the Shares (assuming the Minimum Subscription), which will also impact on liquidity. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

7.3.4 Taxation changes

Changes to the tax laws in Australia and the other jurisdictions in which the Company may plan to operate and the rate of taxes imposed on the Company are likely to affect Shareholder returns.

8 MATERIAL CONTRACTS

"EcoMag's Chief Technology Officer, Professor Tam Tran, is a coinventor of the CNU Technology."

8 MATERIAL CONTRACTS

Set out below is a summary of the material contracts to which the Company is a party. On request, full versions of these material contracts can be viewed at the Company's registered office.

8.1 LICENCE AGREEMENT WITH CNU

On 29 March 2017, the Company entered into a technology licence agreement with Chonnam National University (**CNU**) (**CNU Licence Agreement**) for certain **CNU Technology**.

The material terms of the CNU Licence Agreement are set out below:

License Grant

(a) **Grant.** CNU grants EcoMag an exclusive license of the CNU Technology to develop, test, formulate, make, have made, use, sell, offer for sale, and import **Licensed Product** in Australia. The CNU Technology is Korean Patent No. 10-1663515 (the **Patent**) and all data and information owned by CNU necessary for the manufacture of the Licensed Product. The Licensed Product is any product which can be produced without infringing the patent. The licence continues indefinitely until the end of the term of the CNU Licence Agreement or is otherwise terminated.

(b) **Term.** The term of the CNU Licence Agreement is up to the date on which the Patent expires.

(c) **Diligence.** EcoMag shall be solely responsible for researching, developing, obtaining regulatory approvals for, manufacturing and commercialising Licensed Products in Australia at its discretion. EcoMag shall use commercially-reasonable efforts to develop and commercialise a Licensed Product in Australia.

(d) **No Other Rights.** No other license, express or implied, is granted by either party to the other party or its affiliates under any intellectual property rights owned or controlled by such party or its affiliates or any right to EcoMag, directly or indirectly, to export or otherwise make available Licensed Product outside of Australia.

Consideration

EcoMag shall pay a fixed licence fee of US$1,000,000 to CNU (the license fee was paid in three instalments, the last being paid on 31 August 2016).

CNU Technology

(a) **Improvement.** CNU and EcoMag shall have joint ownership on the intellectual property rights of any improved technology. EcoMag shall bear the costs for filing, registering and maintaining an intellectual property right in countries other than South Korea regarding the improved technology.

(b) **Third-Party Infringement.** Each party shall promptly notify the other party in writing of any alleged infringement of the CNU Technology in Australia and of any available evidence thereof. 'Infringement' includes a breach of confidential information.

   (i) EcoMag shall have the first right, but not the obligation, to prosecute any third-party infringement of the CNU Technology in Australia and/or to defend the CNU Technology in Australia in any legal action which alleges invalidity, unenforceability or non-infringement of the CNU Technology. If desired by EcoMag or required by law, EcoMag may join CNU as a party plaintiff in any such suit or action. The total cost of any such action commenced solely by EcoMag shall be borne by EcoMag.

   (ii) In the event that EcoMag declines to commence legal action to defend legal action alleging invalidity of the CNU Technology or to prosecute infringements of the CNU Technology in Australia, EcoMag shall notify CNU of its decision promptly in writing. Thereafter, CNU shall have the right, but shall not be obligated, to commence legal action at its own expense to defend or prosecute such infringements relating to the CNU Technology. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the consent of EcoMag. The total cost of any action commenced solely by CNU shall be borne by

CNU, and CNU shall retain any recovery or damages derived therefrom after reimbursing EcoMag for any of its unreimbursed expenses in connection therewith.

(c) **Infringement Allegations.** In the event that a third party asserts or alleges that a Licensed Product manufactured or sold by EcoMag or its affiliates or sub-licensees infringes a patent or other proprietary right of such third party, EcoMag shall assume the defence of such claim. CNU may participate in the defence of such claim at its sole expense. EcoMag may enter into any settlement, consent judgment, or other voluntary final disposition of any infringement action. If such entry would have an adverse effect upon the validity or enforceability of the CNU Technology in Australia, CNU's approval shall be required.

(d) The CNU Technology is required to be protected as Proprietary Information by both parties.

The CNU Licence Agreement otherwise contains terms and conditions that are customary in agreements of this type.

8.2 Royalty Deed with TTG

On 23 March 2017, the Company entered into a royalty deed with TTG Resource Technologies Pty Limited (**TTG**) (**Royalty Deed**).

Under the Royalty Deed, the Company has agreed to pay to TTG, in return for TTG introducing the CNU Technology and licences for project sites, the **Royalty** and the **Upfront Payment**.

The Royalty is 2.75% of the Sales Revenue that the Company receives from the sale of the Products, being HMC, and any other equivalent (or improved) product developed from the base of HMC that may be produced, extracted or recovered through the use of the CNU Technology.

The Upfront Payment is A$200,000 in respect of the first site to be secured for the benefit of, and to be licensed to the Company for purposes of the CNU Technology and A$750,000 in respect of any other sites at Port Hedland, Dampier or Lake MacLeod.

Calculation and payment of Royalty

The Royalty will be calculated in respect of each quarter as Sales Revenue × a 2.75%. The Royalty will be paid quarterly within 20 business days after the end of each quarter. The Company shall give to TTG a statement in respect of each quarter setting out the amount of Royalty that is payable for that quarter and the total Sales Revenue.

Upfront Payment

Where an Upfront Payment is payable to TTG, it will be paid as follows:

(a) a deposit of 10%, upon the execution of a site licence agreement or equivalent access agreement; and

(b) the balance of 90% as mutually agreed, or within 12 months.

The Royalty Deed otherwise contains terms and conditions that are customary in agreements of this type.

8 MATERIAL CONTRACTS

8.3 MEMORANDUM OF UNDERSTANDING WITH KC

On 24 January 2017, EcoMag entered into a Memorandum of Understanding with Korea Chemical Corp Ltd (**KC**) (**KC MOU**). KC is a company registered in the Republic of Korea and forms part of the Daejoo KC Group. It was founded in 2001 following privatisation of the state-owned Korea General Chemical Corporation.

Under the terms of the KC MOU;

(a) EcoMag will:

- (i) participate in a pilot plant campaign operated by KC under the World Class 300 Project (**WC300 Project**), with funding contributed in the form of HMC. Details of the contribution will be determined and stated in a later agreement;
- (ii) contribute to the project for the first two years of the WC300 Project to work on magnesium products and will not participate in the campaigns for alumina/aluminium hydroxide or other products unless further decision is made by EcoMag to extend this commitment;
- (iii) produce 5–10 tonnes of HMC and/or CCM for further processing by KC in Korea into HBM and MDH; and
- (iv) be responsible for research on the markets of HMC, HBM and MDH outside of Korea; and

(b) KC will:

- (i) operate a pilot plant for five years with co-funding from the Korean government under the WC300 Project;
- (ii) be responsible for scaling up processes for the production of HBM and MDH in Korea using the HMC and/or CCM feed from EcoMag; and
- (iii) be responsible for the market research of HBM and MDH in Korea.

KC and EcoMag will have further consideration during the WC300 Project or after two years to establish a joint venture for the commercialisation of processing plants producing HMC/CCM in Australia and HBM and MDH in Korea. The KC MOU is effective for a period of two years, to be extended by mutual agreement of both parties.

On 9 February 2017, EcoMag and KC jointly signed an application for participation in the WC300 Project referred to in the KC MOU. The goal of the project is the development of non-halogen inorganic material for battery membrane and composite resin with improved flame retarding performance, including:

(a) development of superfine alumina trihydrate (ATH) and MDH manufacturing technology for flame retardant;

(b) establishment of a pilot plant for superfine ATH and MDH;

(c) production and evaluation of prototype superfine ATH and MDH;

(d) MgO manufacturing technology development and process design for smart glass;

(e) superfine boehmite manufacturing technology and process design for secondary battery separator;

(f) establishment of pilot plant for MgO and superfine boehmite; and

(g) production and evaluation of prototype MgO and superfine boehmite.

On 10 March 2017, EcoMag received notification that the application for funding under the WC300 Project, cited above, had been successful. EcoMag's expected commitment to the project is ₩782.5 million (approximately A$900,000) over five years, which comprises ₩420 million in equipment (which includes costs associated with EcoMag's pilot plant) and ₩362.5 million in cash.

8.4 LETTER OF INTENT WITH KC

On 12 March 2018, EcoMag entered into a Letter of Intent with KC (**KC LOI**). The KC LOI sets out the terms of the purchase of products by KC from EcoMag.

The terms of the KC LOI that are binding are:

(a) **Product**—HMC;

(b) **Produce specification**—Measured on a dry basis, the HMC will have a purity >99.0%, a free moisture content <1.0%, a packing density <0.4 g/cm3 and an MgO content >42.6%.

(c) **Volume**—20,000 tonnes per year;

(d) **Term**—Five years;

(e) **Approvals and conditions**—The supply and purchase of Product will be subject to any approvals or authorisations that the parties may require in order to implement the Commercial Opportunity, and perform their respective obligations;

(f) **Pricing**—The price of the Product will be negotiated in a further binding agreement and will be adjusted to reflect any quality penalties or bonuses, to be agreed between the parties.

The KC LOI does not in any way confer any rights of exclusivity on KC in respect of the Products.

Either party may terminate the KC LOI by giving the other party seven days' written notice.

8.5 AGREEMENT WITH RAINSTORM

In November 2017, EcoMag entered into an agreement with Rainstorm Dust Control Pty Limited (**Rainstorm**) (**Rainstorm Agreement**). The Rainstorm Agreement allows EcoMag to build a commercial-scale processing plant on a portion of land currently leased by Rainstorm. The agreement sets out the basis for compensation under the Mining Act of Western Australia for use of the land. The terms will be rolled over on any lease renewal.

As compensation for use of the land, EcoMag will pay Rainstorm:

(a) $150,000 per year for the right to reserve access until construction commences;

(b) $450,000 per year once construction of a plant commences on the site; and

(c) $750,000 per year once the plant begins operating.

Rights include access to the site and access to bitterns, sea water and discharge locations. EcoMag is required to obtain all its own operating approvals and licences.

The Rainstorm Agreement came into force on ratification by the Western Australian Minister for Lands on 27 February 2018.

8.6 AGREEMENT WITH LYCOPODIUM

On 20 June 2018, EcoMag entered into an agreement with Lycopodium Process Industries Pty Limited (**Lycopodium**) (**Lycopodium Agreement**). The Lycopodium Agreement requires Lycopodium to carry out a funding feasibility study on the proposed commercial-scale magnesium recovery and processing plant. The contract price for the study is $577,400 (excluding GST).

8 MATERIAL CONTRACTS

8.7 SUPPLY AGREEMENT WITH ANH

Effective 21 November 2017, EcoMag entered into an agreement with Abundant Natural Health Pty Limited (**ANH**) for the exclusive manufacture and distribution of certain cosmetic and nutraceutical products (**ANH Supply Agreement**). EcoMag's Executive Chairman, Tony Crimmins, is also an executive director of ANH's parent company, Abundant Produce Limited. The agreement includes the following terms:

(a) **Term**—The term of the agreement is 24 months from the commencement date, and may be renewed for up to two consecutive 24-month periods, subject to ANH complying with all terms of the agreement and meeting the following minimum sales targets (which exclude GST):

- (i) year 1 of the Term—sales of products in the amount of at least $60,000;
- (ii) year 2 of the Term—sales of products in the amount of at least $100,000;
- (iii) each subsequent year of the Term—double the annual sales of products from the previous year of the Term until annual sales reach an amount of $2,000,000.

(b) **Orders**—EcoMag will, at its own cost, supply raw materials to ANH on an exclusive basis for the cosmetic and nutraceutical markets;

(c) **Manufacture**—ANH will manufacture products using the raw materials along with other raw materials, products and ingredients determined by ANH in its sole discretion.

(d) **Distribution, sales and marketing**—ANH will package and distribute the products using ANH's branding, and will be responsible for managing the supply and distribution of the products. ANH will provide marketing support to EcoMag, including the following services:

- (i) providing sales projections on an annual basis for established products;
- (ii) introduction and promotion of products;
- (iii) assisting with development and refinement of products;
- (iv) branding and application of products;
- (v) trademark registration in China;
- (vi) registration with authorities for online and offline, without animal testing;
- (vii) endorsements where required; and
- (viii) online marketing on WeChat.

If requested by a customer, ANH will provide a trial sample of a product to the customer. In respect of any trial sample of a product to be provided to a customer, the parties must mutually agree to the volume and customer channel before the trial sample can be provided.

(e) **Marketing fee**—EcoMag will pay ANH an annual marketing fee for marketing support and assistance provided by ANH to EcoMag. The marketing fee will be based on the services provided by ANH to EcoMag, the promotional and marketing material required, and the costs incurred by ANH; and will be no more than market rates for the provision of such service. Other than the marketing fee, ANH must advertise and promote the sale of products at its own cost.

(f) **Manufacturing costs**—All costs of manufacturing the products under the agreement will be borne equally by ANH and EcoMag.

(g) **Profit sharing**—The parties agree that all profit from sale of the products, meaning revenue sourced or earned from the sale of the products after deducting the manufacturing costs, will be shared between the parties as follows:

- (i) with respect to sales of products containing raw materials supplied by both EcoMag and ANH—50% of profits to EcoMag and 50% of profits to ANH;
- (ii) with respect to sales of products containing raw materials supplied by EcoMag but no raw materials supplied by ANH—65% of profits to EcoMag and 35% of profits to ANH.

The ANH Supply Agreement otherwise contains terms and conditions that are customary in agreements of this type.

8.8 DIRECTOR AGREEMENTS

8.8.1 Agreement with Mr Anthony Crimmins

Effective 1 January 2018, the Company entered into an agreement with Top Cat Consulting Services Pty Limited (ACN 084 237 294), a company of which Mr Anthony Crimmins is a shareholder and director, for the provision of Executive Chairman and consulting services. The fees payable under this agreement are $8000 per month (comprising $5,000 for consultancy and $3,000 for directorship). These fees exclude GST.

The agreement expires on 31 December 2020 and may be terminated by either party on three months' notice.

8.8.2 Agreement with Adrian Horbach

Effective 1 June 2017, the Company entered into an agreement with Nubey Trading Pty Limited (ACN 122 640 831), a company of which Mr Adrian Horbach is a shareholder and director, for the provision of services including:

(a) researching HMC, MgO and other Mg specialist material markets;

(b) identifying commercial uses and competitors in the market place; and

(c) defining and assisting with strategy in developing business alternatives.

The charges the Company agrees to pay under the agreement are as follows:

(a) June 2017—A$15,000;

(b) July 2017–November 2018 (17 months)—A$5,000 per month; and

(c) December 2018—A$334.

These fees exclude GST. The agreement ends on 30 December 2018 and may be terminated by either party on three months' notice.

8.8.3 Employment agreement with Shaun Triner

Effective 1 February 2018, the Company entered into an employment agreement with Shaun Triner for the position of General Manager. The agreement is for a period of 12 months. The salary payable under the agreement is $120,000 per annum, inclusive of superannuation, based on 80% (four days per week) of a full-time remuneration rate of $150,000 per annum. Mr Triner was subsequently appointed a director on 3 April 2018.

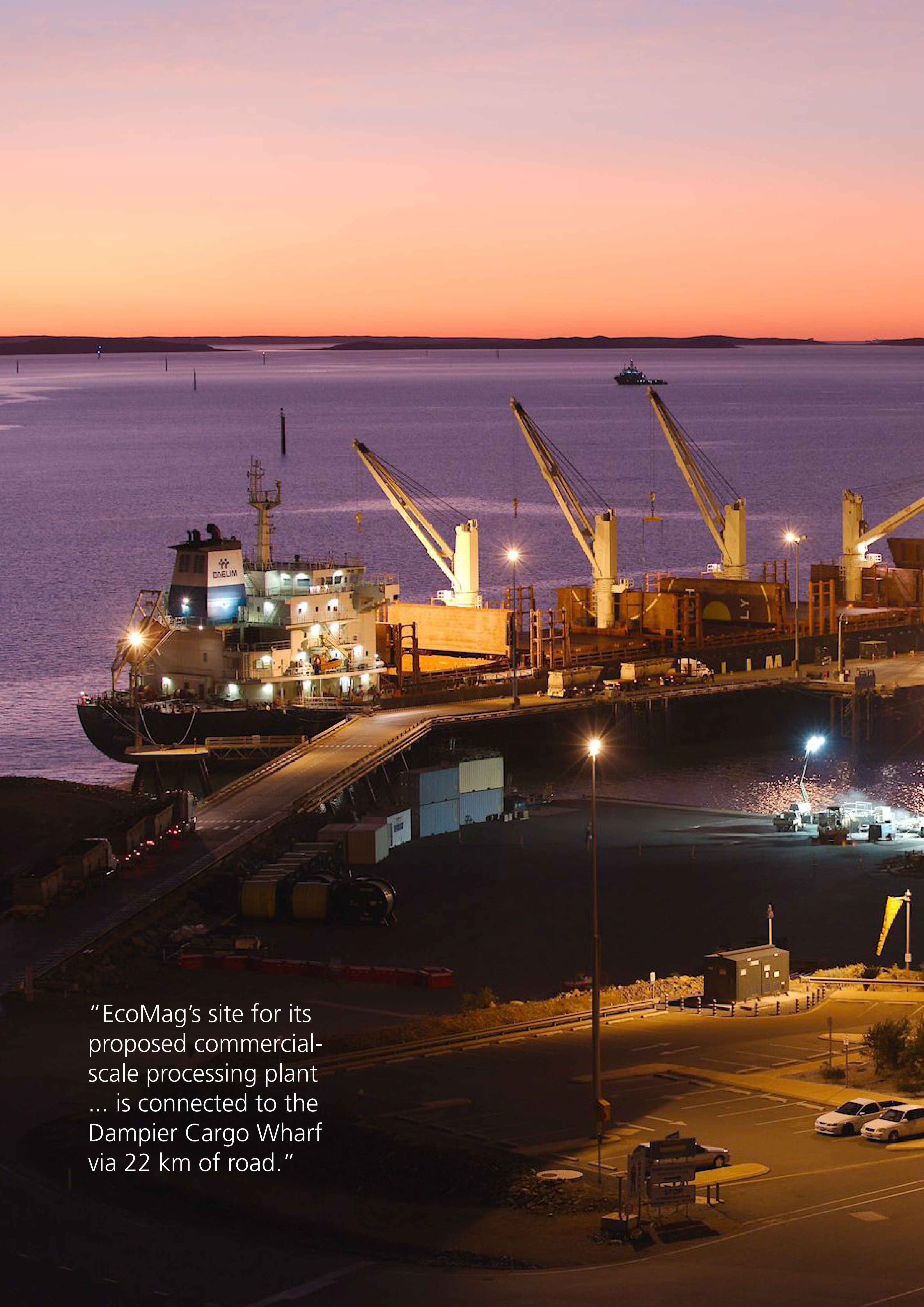
On the successful listing of EcoMag on ASX, the salary payable under the agreement will increase to a package based on a full-time remuneration of $220,000 per annum, inclusive of superannuation. Mr Triner will also be awarded Shares in the Company at zero cost based on achievement of the following milestones:

(a) 200,000 Shares at ASX listing;

(b) 200,000 Shares for attaining grant of a mining production lease; and

(c) 200,000 Shares at completion of a bankable feasibility study.

The agreement may be terminated by either party on 12 weeks' notice.



"EcoMag's site for its proposed commercial-scale processing plant ... is connected to the Dampier Cargo Wharf via 22 km of road."

9 ADDITIONAL INFORMATION

9 ADDITIONAL INFORMATION

9.1 COMPANY INFORMATION

The Company was incorporated on 23 July 2015.

9.2 CONSTITUTION AND RIGHTS AND LIABILITIES ATTACHING TO SHARES

The Shares to be issued under this Prospectus will rank equally with the existing fully paid ordinary shares in the Company.

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

9.2.1 Ranking of Shares

At the date of this Prospectus, all Shares are of the same class (ordinary shares) and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with existing Shares.

9.2.2 Voting rights

Subject to any special rights (at present there are none), at any general meeting of the Company, each Shareholder present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

9.2.3 Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

9.2.4 Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

9.2.5 Transfer of shares

Subject to the Constitution, the Corporations Act and other relevant laws, the Shares are freely transferable.

9.2.6 General meetings

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and any other laws.

9.2.7 Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company:

(a) divide among the Shareholders the whole or any part of the Company's property; and

(b) decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets (following full satisfaction of all creditors' debts) on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

9.3 INTERESTS OF DIRECTORS AND PROPOSED DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director or Proposed Director has, or has had within two years preceding lodgement of this Prospectus with ASIC:

(a) any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; and

(b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or Proposed Director, either to induce him or her to become, or to qualify them as a Director, or otherwise, for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

9.3.1 Shareholding qualifications

Directors are not required to hold any Shares under the Constitution.

9.3.2 Directors' interests

Table 13 below shows the interest of each Director (and their associates) in the Shares of the Company as at the date of this Prospectus.

Table 13. Interest of each Director and their associates as at the date of this Prospectus.

Directors and their associates	Shares
Anthony Crimmins[1]	12,375,002
Adrian Horbach[2]	2,343,000
Shaun Triner[3]	520,000
Total	**15,238,002**

1 In addition to his individual and joint holdings of 11,800,000 Shares, Anthony Crimmins is a director and shareholder of Top Cat Consulting Services Pty Limited, which owns 575,000 Shares in the Company, and is a director and shareholder of TTG Resource Technologies Pty Limited, which owns two Shares in the Company.

2 Adrian Horbach is a director and shareholder of Nubey Trading Pty Limited, which owns 1,418,000 Shares in the Company, and is a director and shareholder of Horbach Holdings Pty Limited, which owns 925,000 Shares in the Company.

3 Should EcoMag complete the Offer and successfully list on ASX, then under the terms of the employment agreement with Shaun Triner (see Section 8.8.3), Mr Triner will be granted an additional 200,000 Shares at ASX listing.

9.3.3 Directors' remuneration

The Constitution provides that the Directors are entitled to such remuneration for their services as Directors from the Company as the Directors decide, but the total amount provided to all Directors must not exceed in aggregate the amount fixed by the Company in a general meeting or, prior to an amount being fixed in general meeting, an amount determined by the Directors. The current aggregate remuneration for all Directors has not been set by the Company in general meeting.

Should EcoMag complete the Offer and successfully list on ASX, then under the terms of the employment agreement with Shaun Triner (see Section 8.8.3), Mr Triner will be granted 200,000 Shares immediately following ASX listing. The Directors will not otherwise be paid upon completion of the Offer.

The Board intends to review and consider the ongoing remuneration of Directors in accordance with the Company's Corporate Governance policies and market practices.

9.4 INTERESTS AND FEES OF PROFESSIONALS

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any Company in which any of those persons is or was associated with has, or had within two years before lodgement of this Prospectus with ASIC:

(a) any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; and

(b) not recorded any amounts or benefits or has not agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offer.

Bentleys NSW Audit Pty Limited (**Bentleys**) has acted as Auditor to the Company. They have provided the Investigating Accountant's Report in Section 6a of this Prospectus and reviewed the financial information contained therein. In accordance with their terms of engagement, the Company estimates it will pay Bentleys a total of $15,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Bentleys has received approximately $25,500 (excluding GST) for other accounting services provided to the Company.

BTC Lawyers has acted as solicitor to the Company in relation to this Prospectus. The Company estimates it will pay $45,000 (excluding GST) for these services up to the date of lodgement of this Prospectus with ASIC. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, BTC Lawyers has received approximately $7100 (excluding GST) for other legal services provided to the Company.

9.5 RELATED PARTY TRANSACTIONS

At the date of this Prospectus, no material transactions with related parties, or Director's interests or third parties exist or are contemplated that the Directors are aware of, other than those disclosed below.

(a) Directors Anthony Crimmins and Adrian Horbach have consulting agreements with the Company (see Sections 8.8.1 and 8.8.2 for further details).

(b) Director Shaun Triner has an employment agreement with the Company (see Section 8.8.3 for further details).

(c) A subsidiary of Abundant Produce Limited, a company of which Anthony Crimmins is a Director and substantial shareholder, has a material contract with the Company (see Section 8.7 for further details).

(d) TTG Resources Pty Limited, a company of which Anthony Crimmins is a Director and substantial shareholder, has a royalty deed agreement with the Company (see Section 8.2 for further details).

9.6 EXPENSES OF THE OFFER

It is estimated that between $249,808 and $251,278 in expenses will be incurred or payable by the Company in respect of legal, accounting, printing, ASX and ASIC fees, and other miscellaneous costs arising from this Prospectus and the Offer. The total costs are as set out in the Table 14 below.

Table 14. Expenses of the Offer.

	Minimum Subscription	Maximum Subscription
	($)	($)
ASIC fees	2,400	2,400
ASX fees	140,595	142,065
Advisers' fees	45,000	45,000
Miscellaneous	56,813	56,813
Printing and distribution	5,000	5,000
Total	**249,808**	**251,278**

9.7 CONSENTS

Each of the parties referred to in this section:

(a) has not authorised or caused the issue of this Prospectus;

(b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this section; and

(c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Bentleys has given its written consent to being named as Auditor to the Company and to the inclusion of the Independent Accountant's Report in Section 6a of this Prospectus in the form and context in which it is included. Bentleys has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BTC Lawyers has given its written consent to being named as solicitor for the Offer in this Prospectus. BTC Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

OSD Pty Limited has given its written consent to the reference to the OSD Report in Section 4.3.5 in the form and context in which it is included and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Security Transfer Registrars Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

9.8 DISPUTES AND LITIGATION

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.9 TAXATION

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual circumstances of each investor. All potential investors in the Company are urged to obtain independent professional financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally. It is the sole responsibility of potential Applicants to inform themselves of their taxation position resulting from participation in the Offer.

The Directors do not consider that it is appropriate to give potential Applicants advice regarding taxation matters and consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of all the possible taxation positions of potential Applicants.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to any taxation consequences to investors of subscribing for Shares under this Prospectus.

9 ADDITIONAL INFORMATION

9.10 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, the publication of notices referring to an electronic prospectus or electronic application form, and the issue of shares in response to an electronic application form, subject to compliance with certain provisions.

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and it will send to you free of charge either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at ecomagnesium.com/prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered. In such a case, the application monies received will be dealt with in accordance with section 722 of the Corporations Act.

9.11 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal business hours at the registered office of the Company:

(a) this Prospectus;

(b) the Constitution; and

(c) the consents referred to in Section 9.7 of this Prospectus.

10 DEFINITIONS AND APPROVAL

10 DEFINITIONS AND APPROVAL

10.1 DEFINED TERMS

μm means micrometre.

₩ means South Korean won.

A$** or **$ means Australian dollars.

ANH means Abundant Natural Health Pty Limited (ACN 614 499 937).

ANH Supply Agreement means the agreement between EcoMag and ANH, as summarised in Section 8.7.

Applicant means a party applying for Shares under the Offer.

Application Form means the application form accompanying this Prospectus (and includes a copy of the application form printed from the website at which the Electronic Prospectus is located) relating to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market operated by it known as the Australian Securities Exchange (as the context requires).

ASX Listing Rules means the official listing rules of ASX.

ATH means alumina trihydrate.

Bentleys means Bentleys NSW Audit Pty Limited.

Board or **Board of Directors** means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Sydney, New South Wales.

C$ means Canadian dollars.

CCM means caustic calcined magnesia (MgO).

CGT means capital gains tax.

CHESS means Clearing House Electronic Subregister System, which is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX.

Closing Date means the closing date of the Offer as set out in the indicative timetable in Section 3.3 (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

CNU means Chonnam National University.

CNU Licence Agreement means the technology licence agreement between the Company and CNU, as summarised in Section 8.1.

CNU Technology means the technology developed by CNU and licensed by the Company through the CNU License Agreement.

CO_2 means carbon dioxide.

CO_2eq means equivalent carbon dioxide, a unit for measuring global warming impact in terms of a functionally equivalent amount or concentration of CO_2.

Company means EcoMag Limited (ACN 607 244 600).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

DIRDC means the Department of Infrastructure, Regional Development and Cities, an Australian public service department of the Government of Australia.

Director means a director of the Company at the date of this Prospectus.

DLR means German Aerospace Center (Deutsches Zentrum für Luft- und Raumfahrt e.V.).

DMIRS means the Department of Mines, Industry Regulation and Safety, Western Australia.

DPLH means the Department of Planning, Lands and Heritage, Western Australia.

DSL means Dampier Salt Limited.

DWER means the Department of Water and Environmental Regulation, Western Australia.

EcoMag means the Company.

EHIIP means the Eco Hub Innovation Industry Precinct, a proposed Karratha-based precinct that would initially involve EcoMag, Rainstorm and WRS, and later SFP and Yara Pilbara, cooperating and sharing resources.

Electronic Prospectus means the electronic copy of this Prospectus located at the Company's website ecomagnesium.com/prospectus.

ESG means environmental, social and corporate governance.

Expiry Date mean 5.00pm Sydney Time on that date which is 13 months after the date this Prospectus was lodged with ASIC.

Exposure Period means the period of seven days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act.

Free Float has the meaning defined in the ASX Listing Rules.

GST means goods and services tax.

HBM means hard-burned magnesia (MgO).

HMC means hydrated magnesium carbonate, also known as hydromagnesite, chemical formula $4MgCO_3 \cdot Mg(OH)_2 \cdot 4H_2O$.

Information means information in relation to an Applicant as provided on an Application Form or Online Application Form.

IP means intellectual property.

Issue Price means $1.

KC means Korea Chemical Corp Ltd, a company registered in the Republic of Korea.

KC LOI means the letter of intent between the Company and KC, as summarised in Section 8.4.

KC MOU means the memorandum of understanding between the Company and KC, as summarised in Section 8.3.

kg means kilogram.

km means kilometre.

Korea means the Republic of Korea, also known as South Korea.

kt means one thousand metric tonnes.

LCA means the life-cycle analysis commissioned by EcoMag and conducted by DLR, as cited in Section 4.5.3.

Listing Date means the date on which the Company is admitted to the Official List.

Listing Rules means the official listing rules of ASX.

Lodgement Date means the date this Prospectus was lodged with ASIC as set out in Section 3.3.

Lycopodium means Lycopodium Process Industries Pty Limited (ACN 004 565 137).

Lycopodium Agreement means the agreement between the Company and Lycopodium, as summarised in Section 8.6.

Material Contracts means the material contracts to which the Company is a party that may be material in terms of the Offer for the operation of the business of the Company or otherwise may be relevant to a potential investor in the Company, and which are summarised in Section 8.

Maximum Subscription means the maximum subscription under the Offer being 5,000,000 Shares to raise $5,000,000.

MDH means magnesium hydroxide, also known as magnesium dihydroxide, chemical formula $Mg(OH)_2$.

Mg means magnesium.

MgO means magnesium oxide, also known as magnesia.

MHP means magnesium hydrogen phosphate, chemical formula $MgHPO_4.3H_2O$.

Minimum Subscription means the minimum subscription under the Offer being 3,000,000 Shares to raise $3,000,000.

MOU means memorandum of understanding.

10 DEFINITIONS AND APPROVAL

Mt means one million metric tonnes.

NSW means New South Wales.

Offer means the public offer of 3,000,000 Shares together with the capacity to accept oversubscriptions of a further 2,000,000 Shares under this Prospectus.

Official List means the Official List of ASX.

Official Quotation means quotation of the Shares on the Official List in accordance with the ASX Listing Rules.

Online Application Form means the application form available at securitytransfer.com.au relating to the Offer.

Opening Date means the opening date of the Offer as set out in the indicative timetable in Section 3.3.

OSD means OSD Pty Limited (ACN 058 047 046).

OSD Report means the consolidated report on a process optimisation study conducted by OSD, dated 29 May 2018, and associated reports and appendices accompanying this consolidated report.

Prospectus means this prospectus.

Purposes means the purposes of processing an Application Form or Online Application Form and, should an Application be successful, administering that Applicant's security holding in the Company.

R&D means research and development.

RGF means Regional Growth Fund, a grant program administered by DIRDC.

Royalty Deed means the royalty deed entered into between the Company and TTG, as summarised in Section 8.2.

Section means a section of this Prospectus.

Securities means Shares, Options or both as the context requires.

Security Transfer Australia means Security Transfer Australia Pty Limited (ACN 008 894 488).

SFP means Sahara Forest Project AS (EBR 896 570 072), a private company registered in Norway.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Security Transfer Australia.

Shareholder means a holder of Shares.

tpa means tonnes per annum.

TTG means TTG Resource Technologies Pty Limited (ACN 156 047 675).

UNSW means the University of New South Wales, Sydney, Australia.

US$ means United States dollars.

WA means Western Australia.

WC300 Project means the 'World Class 300 Project' that will operate from 2017 to 2022, successfully applied for by EcoMag and KC as part of the KC MOU (see Section 8.3), and funded by EcoMag, KC and the government of South Korea.

WRS means WRS Bioproducts Pty Limited (ACN 614 662 449).

Yara Pilbara means Yara Pilbara Holdings Pty Limited (ACN 097 138 353).

10.2 APPROVAL

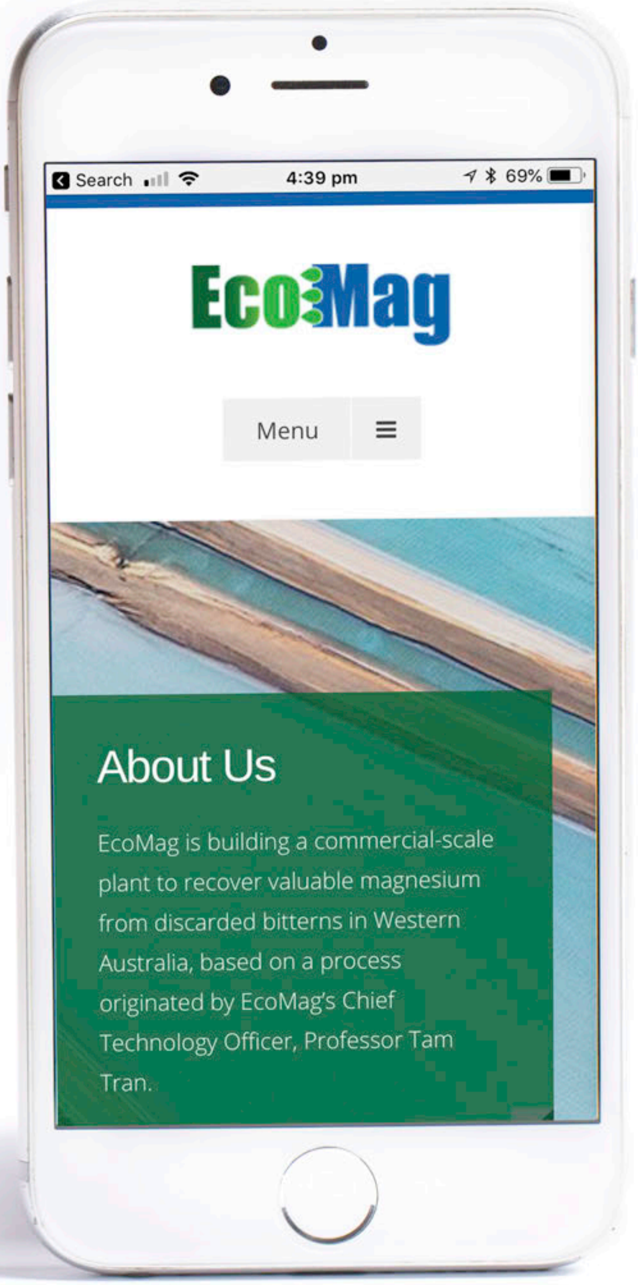
This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that, in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and, on that basis, have reasonable grounds to believe that persons making the statement or statements were competent to make such statements. Those persons have given their consent to the statements being included in this Prospectus, in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC or, to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

Shaun Triner
DIRECTOR

22 June 2018.


Search
4:39 pm
69%
EcoMag
Menu
About Us
EcoMag is building a commercial-scale plant to recover valuable magnesium from discarded bitterns in Western Australia, based on a process originated by EcoMag's Chief Technology Officer, Professor Tam Tran.

APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

ECOMAG LIMITED

ACN/ABN: 607 244 600

All Correspondence to:
Security Transfer Australia Pty Ltd
PO Box 52
Collins Street West VIC 8007
T: +1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

BROKER STAMP

Broker Code

Advisor Code

PLEASE READ CAREFULLY ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM
This application relates to the offer of Fully Paid Ordinary Shares at the price of $1.00 per Share.
No share will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus.
Before completing this Application Form you should read the accompanying Prospectus and the instructions overleaf. Please print in BLOCK LETTERS.

I / We apply for: , , shares at AUD $1.00 per share

I/We lodge full application of monies of: A $, , .

or such lesser number of shares which may be allocated to me/us by the Directors.

www.securitytransfer.com.au

BPAY® this payment via internet or phone banking.
Please visit our share registry's website: www.securitytransfer.com.au and complete the online application form.

If electronic payment cannot be made then cheque(s) or bank draft(s) can be used.
See reverse for further payment instructions.

Full Name of Applicant / Company
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #2
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #3
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Account Designation (for example: THE SMITH SUPERFUND A/C)

< >

Postal Address
Unit | Street Number | Street Name or PO BOX

Suburb / Town / City | State | Postcode

Country Name (if not Australia)

CHESS HIN (where applicable)

X

If an incorrect CHESS HIN has been provided (for example, an incorrect number as registration details do not match those registered) any securities issued will be held on the Issuer Sponsored sub-register.

Tax File Number / Australian Business Number

Tax File Number of Security Holder #2 (Joint Holdings Only)

Contact Name

Contact Number ( )

Email Address

@

Declaration and Statements:
(1) I/We declare that all details and statements made by me/us are complete and accurate.
(2) I/We agree to be bound by the Terms & Conditions set out in the Prospectus and by the Constitution of the Company.
(3) I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Securities to me/us.
(4) I/We have received personally a copy of the Prospectus accompanied by or attached to this Application form, or a copy of the Application Form or a direct derivative of the Application Form before applying for the Securities.
(5) I/We acknowledge that the Company will send me/us a paper copy of the Prospectus and any Supplementary Prospectus (if applicable) free of charge if I/we request so during the currency of the Prospectus.
(6) I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Securities in the Company and that no notice of acceptance of the application will be provided.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 22 JUNE 2018 AND ANY RELEVANT SUPPLEMENTARY PROSPECTUS.

This Application Form relates to the Offer of Fully Paid Shares in ECOMAG LIMITED pursuant to the Prospectus dated 22 June 2018.

APPLICATION FORMS

Please complete all parts of the Application Form using BLOCK LETTERS. Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected. Current CHESS participants should complete their name and address in the same format as they are presently registered in the CHESS system.

Insert the number of Shares you wish to apply for. The application must be for a minimum of 2,000 Shares and thereafter in multiples of 500 Shares. The applicant(s) agree(s) upon and subject to the terms of the Prospectus to take any number of Shares equal to or less than the number of Shares indicated on the Application Form that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate.

No notice of acceptance of the application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the application.

Please provide us with a telephone contact number (including the person responsible in the case of an application by a company) so that we can contact you promptly if there is a query in your Application Form. If your Application Form is not completed correctly, it may still be treated as valid. There is no requirement to sign the Application Form. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it shall be final.

PAYMENT

www.securitytransfer.com.au

BPAY® your payment via internet or phone banking. Please visit our share registry's website: www.securitytransfer.com.au and complete the online application form. All online applicants can BPAY their payments via internet or phone banking. A unique reference number will be quoted upon completion of the application.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer.

BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to the closing date. It is the applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

You do not need to return any documents if you have made payment via BPAY.

Your BPAY reference number will process your payment to your application electronically and you will be deemed to have applied for such securities for which you have paid.

All cheques should be made payable to ECOMAG LIMITED and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Do not forward cash as receipts will not be issued.

LODGING OF APPLICATIONS

Completed Application Forms and cheques must be:

Posted to:	OR	Delivered to:
ECOMAG LIMITED		ECOMAG LIMITED
C/- Security Transfer Australia Pty Ltd		C/- Security Transfer Australia Pty Ltd
PO Box 52		Suite 913, 530 Little Collins Street
Collins Street West VIC 8007		Melbourne, VIC, 3000

Applications must be received by no later than 5.00pm EST on the 30 July 2018 which may be changed immediately after the Opening Date at any time and at the discretion of the Company.

CHESS HIN/BROKER SPONSORED APPLICANTS

The Company intends to become an Issuer Sponsored participant in the ASX CHESS System. This enables a holder to receive a statement of holding rather than a certificate. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold shares allotted to you under this Application on the CHESS sub-register, enter your CHESS HIN. Otherwise, leave this box blank and your Shares will automatically be Issuer Sponsored on allotment.

CORRECT FORM OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to ECOMAG LIMITED. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

TYPE OF INVESTOR	**CORRECT**	**INCORRECT**
Individual *Use given names in full, not initials.*	Mr John Alfred Smith	J A Smith
Company *Use the company's full title, not abbreviations.*	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings *Use full and complete names.*	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts *Use trustee(s) personal name(s), Do not use the name of the trust.*	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates *Use the executor(s) personal name(s).*	Ms Jane Mary Smith & Mr Frank William Smith <Estate John Smith A/C>	Estate of Late John Smith or John Smith Deceased
Minor (a person under the age of 18) *Use the name of a responsible adult with an appropriate designation.*	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships *Use the partners' personal names. Do not use the name of the partnership.*	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Superannuation Funds *Use the name of the trustee(s) of the super fund.*	Jane Smith Pty Ltd <JSuper Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.


EcoMag
www.ecomagnesium.com