

6th December 2017

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Securing of Patented Water Treatment Technology

The Environment Group Limited (ASX:EGL) is pleased to announce that it has signed an agreement which will secure patented water treatment technology with exclusive use in Australia and other key Asian territories.

Shareholders will know that in our annual report we detailed our strategic statements, the first of which is:-

“Cleaner Environment-- Develop integrated solutions to assist customers to meet the highest level of regulatory and reporting requirements. To find innovative outcomes to complex and emerging environmental issues across multiple industry sectors”

Your board acknowledged that one of the most challenging environmental issues is the treatment of contaminated water from mining, industrial and processing industries.

The patented inventions, if successfully commercialised, will combine proven technologies to provide unique low-cost solutions to a wide range of markets. Initial testing has been encouraging however full production units will be required to be verified over a sustained period to comply with industry quality and reliability standards. Given the time required to verify performance it is unlikely that significant financial benefits will be achieved in FY18.

The patents were owned by Ian Cummins and related companies (patent owners). Mr Cummins is an Australian residing in the Philippines who has invented several technologies, some of which failed to meet commercial objectives. With this in mind, the board has approached the water technology claims with extreme caution and insisted that any agreement is largely performance based. The key commercial terms of the agreement are:-

1) EGL will pay \$180,000 USD on signing of the agreement and the granting to EGL

a) Ownership of the patents covering the technology registered in Australia, New Zealand, Indonesia and Vietnam, and exclusive rights in Thailand and Papua New Guinea (where patents have not been registered).

b) The receipt of mobile and containerised test units valued at approximately \$152,000 USD.

2) EGL will pay royalties of 5% on sales revenue from the technology until a payment of \$500,000 USD is reached or until June 2018, whichever is the earlier.

3) EGL will pay royalties of 1% on sales revenue from the technology until share options (below) are exercised, at which time the royalties will become zero.

4) EGL will issue options equivalent to 10% of the current issued share capital to the Patent Owners at a total fee of \$1 AUD, when annual revenue from the patented technology reaches \$50,000,000 USD.

5) EGL will issue further options equivalent to 5% of the current issued share capital to the Patent Owners at a total fee of \$1 AUD, when annual revenue from the patented technology reaches \$100,000,000 USD.

6) EGL will issue further options equivalent to 5% of the current issued share capital to the Patent Owners at a total fee of \$1 AUD, when annual revenue from the patented technology reaches \$150,000,000 USD.

The board would like to thank the EGL management and executive for their skilful identification and negotiation of this opportunity. We will make a further announcement when conclusive testing and long-term trials have been completed.



Lynn Richardson
Non-executive Chair
The Environmental Group Limited