



Shareholder Update – India Project

Tuesday 18 April 2017: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to provide the following update to shareholders on the status of its India project.

Key points

- Master Project Agreement (MPA) progressing through NITI Aayog (National planning committee) review process
- Interim agreement signed to bridge the Tripartite Collaboration Agreement (TCA) and the signing of the MPA
- Commercial activities commenced ahead of MPA signing

MPA Status

On 21 February 2017, the Company reported that the MPA had cleared legal review at both NLC India Limited (NLC) and NMDC Limited (NMDC).

At the time, NLC arranged for ECT to provide a project briefing to the recently appointed Secretary of the Ministry of Coal, Shri Susheel Kumar.

Given the potential significance of the project to enhance India's economic, energy and resource security while contributing to its environmental commitments under the Paris climate agreement, the parties determined it was prudent to escalate the project to NITI Aayog (National Institution for the Transformation of India Committee) for review ahead of final Board approvals and signing.

Consequently, heightened interest from key Indian Government Ministers has increased scrutiny and probity across the review process, resulting in longer than expected timeframes to complete the review.

As a result, on Saturday 15th of April, the parties (ECT, NLC and NMDC) signed an interim agreement which delivers several key outcomes, including:

1. Formal confirmation and acknowledgement of continued interest by the partners in funding and executing the Coldry-Matmor project
2. Commitment to work to conclude the MPA, following review by NITI Aayog, and then proceed towards construction
3. Continuity between the Tripartite Collaboration Agreement and the commencement of the MPA
4. The commitment of funds by NLC and NMDC to execute certain commercial project activities previously subject to the signing of the MPA

Director of Projects and Planning at NLC, Mr P Selvakumar stated that "NLC are strongly committed to the project with ECT and NMDC. We have experienced longer review and approval timetables than we were expecting, due to the unique aspects and national profile of this project. However, we have added additional critical resources to move the project forward, and look forward to commencing construction as soon as possible." NLC also continue with site survey and other preparatory works for the project as outlined in previous announcements.

ECT Managing Director Ashley Moore stated that “It has become increasingly clear to us as we’ve worked our way through this review process that the Coldry-Matmor project is considered by the Committee [NITI Aayog] to be significant on a number of fronts.

“Firstly, it is the first R&D project to be directed to NITI Aayog for their consideration.

“Secondly, our project appears to be amongst the largest R&D projects ever to be undertaken by Indian PSU’s¹, and certainly the largest initiative for both NLC and NMDC.

“Finally, the technologies have the potential to meet a raft of the major innovation objectives set by both the Ministry of Coal and Ministry of Steel², including:

‘Joint collaborative research programmes involving Government, Steel Producers, Consultants, Technology Providers & Equipment Manufacturers, Academic Institutions, Design Organisations and others to pursue development of break-through technologies’,

“Our ground-breaking technologies are receiving positive attention at the highest levels of the Indian government and continue to enjoy the overt, enthusiastic support and commitment of our partners.”

Commercial Preparation activities under way

Mindful of the longer than expected NITI Aayog review timeframes, NLC and NMDC have elected to commence several key commercial preparatory activities, which were to be triggered by and funded under the MPA.

Bringing these activities forward signals a strong financial commitment by NLC and NMDC and will drive these important activities in parallel with the NITI Aayog review process, helping make up for some of the delays experienced.

These activities, which will involve assistance from external consultants, add essential substance to legal, planning, financial and procedural aspects leading into the project execution. With a budget of up to \$A700,000 for these activities, NLC and NMDC will be funding these activities directly. ECT will support this activity via the provision of guidance and assistance as required.

ECT also continues to devote intense research and development effort at our recently upgraded High Volume Test Facility to deliver improved design data in support of the detailed engineering program and is now also planning for the establishment of an Indian office with local staff to support the continued progress of the project.

In relation to our broader strategy, the key to building and maintaining forward momentum on our objectives in India has been to build long-term relationships, maintain our tenacity and develop trust with our partners via a culture of polite persistence.

The Company is aware of how this approach may be unfamiliar to some investors. Those investors that are unfamiliar with the differences between Australian and Indian business culture and regulatory processes will understandably be seeking to learn more. To that end, Austrade provides several informative case studies³ on Australian companies succeeding in the Indian market. They show our experience is not unusual and that we’re positioned like no other Australian company in history, having built a collaboration with two Indian government-owned enterprises with a combined capitalisation in excess of \$10 billion.

¹ PSU – Public Sector Undertaking

² Ministry of Steel Roadmap, Annexe 3 – Short term programs (d) (g) and long term programs (b) (d):
<http://steel.gov.in/R&D%20Annexure/ANNEX-3.pdf>

³ https://www.austrade.gov.au/ArticleDocuments/2833/Case%20Study_GroundProbe-India_July2015.pdf.aspx

As such, the Company is confident in our partners' capability and appetite to pursue Coldry and Matmor through to commercialisation and look forward to providing further updates as we advance through the NITI Aayog review process.

For further information, contact:

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About ECT

ECT is in the business of commercialising leading-edge energy and resource technologies, which are capable of delivering financial and environmental benefits.

We are focused on advancing a portfolio of technologies, which have significant market potential globally.

ECT's business plan is to pragmatically commercialise these technologies and secure sustainable, profitable income streams through licencing and other commercial mechanisms.

About Coldry

When applied to lignite and some sub-bituminous coals, the Coldry beneficiation process produces a black coal equivalent (BCE) in the form of pellets. Coldry pellets have equal or superior energy value to many black coals and produce lower CO₂ emissions than raw lignite.

About MATMOR

The MATMOR process has the potential to revolutionise primary iron making.

MATMOR is a simple, low cost, low emission, production technology, utilising the patented MATMOR retort, which enables the use of cheaper feedstocks to produce primary iron.

About the India R&D Project

The India project is aimed at advancing the Company's Coldry and Matmor technologies to demonstration and pilot scale, respectively, on the path to commercial deployment.

ECT have partnered with NLC India Limited and NMDC Limited to jointly fund and execute the project.

NLC India Limited is India's national lignite authority, largest lignite miner and largest lignite-based electricity generator.

NMDC Limited is India's national iron ore authority.