ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Equity Lending Facility Update

28 April 2017: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to provide the following update on its planned Equity Lending Facility.

Key points:

- Equity Lending Facility (ELF) overview
- ECT Finance Pty Ltd to be established
- Capital Management Program Update

Overview - Equity Lending Facility (ELF)

The Company previously announced (3 Mar 2017) it had commenced the process of establishing an Equity Lending Facility to be offered to all ESIOA and ESIOB option holders to finance the conversion of their options into Fully Paid Ordinary Shares (ESI).

That update outlined the proposed features of the Equity Lending Facility, including:

- **Eligibility**: The Company will offer all ESIOA and ESIOB option holders a loan to convert their options into fully paid ordinary shares
- **Restrictions**: Lending approvals are not restricted by lending or leverage ratios, although a minimum loan size of $1,000 will apply
- **Loan Term:** The term of the loan will be fixed for three years
- **Early payments:** There will be defined early pre-payment points along the term (likely half yearly, i.e. five pre-payment points before expiry of the loan term)
- **Interest Rates:**
    - An interest rate that will be charged across the loan period and will be determined by two factors:
        - Loan to Strike Ratio (LSR) – the more cash contributed in taking the loan up, the lower the interest rate
        - Interest Payment terms – pre-paid interest will receive a lower interest rate, whereas quarterly capitalised interest payments will attract a higher interest rate
    - Interest rates will be benchmarked against standard margin lending rates in the market and varied accordingly for the factors described above to provide a tiered interest structure.
- **No margin calls**: The borrower will have no exposure to margin calls but the secured shares[1] will be held in a locked custodian account for the period of the loan, and the use of these shares for any other purpose will be prohibited
- **Limited recourse**: The loan recourse will be limited to the secured shares held as security
- **Settlement**: At expiry of the facility, any remaining loan balance will need to be paid out in cash, otherwise the loan will be due and payable and a buy-back of the stock will be sought by the Company (requiring approval of shareholders at the next general meeting), inclusive of additional interest, facility fees, and buy-back costs.

[1] The 'secured shares' are those shares created through the exercise of options which are funded under the ELF program.

The Company has concluded its preliminary due diligence and review of the ELF program and determined the following:

1. The ELF program will proceed
2. The program is in the best interests of the Company and its shareholders
3. There is no legal requirement for shareholder approval.

As such, the Company will move ahead with the program without an Extraordinary General Meeting, avoiding the associated expense, administrative effort, and extended timeframes.

Preparation of loan documentation, the establishment of program management systems and other necessary preparatory work has begun.

It is expected that applications to participate in the ELF program will open mid-June, for an exercise date for all complete applications by 31st July 2017.

The ELF program will be managed and administered by ECT Finance, a new subsidiary of the Company (see below).

Terms sheets, which will outline the conditions of the ELF and other important information such as interest rate structures, pre-payment points and so on will be provided in due course to allow option holders sufficient time to review and consider the program and seek independent financial advice where needed.

Managing Director, Ashley Moore commented, “This program is the result of listening to our shareholders' needs, matched with our market-best knowledge of financing the capital requirements of a pre-revenue technology development company. We are proud of this facility and are confident that it serves the interests of all shareholders and option holders in a commercially balanced and market compliant offering.”

It is important to note that the Company has raised over $4.2 million from the exercise of ESIOA and ESIOB options to date, and option holders may continue to exercise their options at any time up until 31 July 2017. ESIOA and ESIOB options will cease to trade on the ASX on 24 July 2017 (5 business days before expiry).

As program timetables and conditions are finalised, further details will be announced.

ECT Finance Pty Ltd (ECT Finance or ECTF)

Further to the Company’s announcement of 3 March 2017, the process of establishing a fully owned subsidiary, ECT Finance Pty Ltd, is underway.

The objectives of ECT Finance include:

1. **Equipment finance**: provision of finance solutions to Coldry product customers to assist with the funding of capital upgrades to systems at the point of use. This type of financing arrangement follows a conventional vendor-customer finance model aimed at supporting Coldry product sales. The intention is that financing of capital upgrades is "amortised" through the product sales contract established with the customer.
2. **Acquisitions**: The provision of loans and debt as part of any offer for an approved acquisition or purchase.
3. **Equity Financing**: allowing the Company to offer the equity lending facility (ELF) described above, to provide funding for options conversion.

These financing and funding activities will be conducted through ECT Finance with access to specialist financing and funding skills. ECTF's role will include managing corporate and project financing initiatives for the parent company and its subsidiaries, including but not limited to:

- Coldry Solid Fuel Sales – Customer Equipment Finance
- Corporate Working Capital Finance (R&D loans etc.)
- Coldry and Matmor Project Finance
- Equity Lending Facility (ELF) management
- New technology acquisitions

Reasons for establishing ECTF as a separate entity

1. Compartmentalisation of a distinct and material business unit away from the core business of technology R&D, commercialisation, and engineering;
2. Greater transparency of performance related to this distinct business unit;
3. Improved risk and compliance management through separation of business risks into more appropriate entities and structures.

ECTF's ordinary business will be providing and managing the finance initiatives of the group. At this stage, it is not anticipated that ECTF will conduct any other form of business activity.

Full-time appointment of Mr Glenn Fozard

The Company is pleased to announce that Mr Glenn Fozard (current Executive Chairman) has agreed to join ECT in a full-time capacity. Glenn has supported the Company as an adviser since 2007 and a director since 2013. He has been employed in an executive role on a part-time basis since ……

Mr Fozard will manage ECT Finance and lead the Company's Business Development function while retaining his role as Chair of the Board at least in the short term.

The Company is actively reviewing the composition of its Board to support the transition through this next exciting phase of growth. Two areas of focus for the future structure of the Board include:

1. The Company's anticipated global expansion, starting with our Indian project.
2. The Company's Board progressing further towards best practice Governance principles[2].

In accepting this new role, Mr Fozard has announced his intention to resign from his directorships at Greenard Willing and Greenard Willing Structured Products over the coming weeks.

Glenn Fozard commented, "The challenges of ECT, not unlike most pre-revenue technology commercialisation companies, are substantial, but as I look back over the foundation we have established in the last four years, it builds a resolve to continually strive to overcome these challenges in the pursuit of our ambitious goals."

"I, like a lot of our shareholders, have a passionate drive for this company which far exceeds anything I have experienced before. Now is the time for me to dedicate greater time, attention and effort to this fast-developing company. We have a lot to achieve in the pursuit of our goals, both short and long term. Global expansion, increased market capitalisation, growing revenues and most importantly, doing all of this within our stated purpose of 'bridging the gap between today's use of resources and tomorrow's zero emissions future.' Working for this company has been a privilege and a pleasure and I hope to be a part of an increasingly capable team into the future."

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[2] http://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf

Managing Director, Ashley Moore commented "As we enter this next phase of project development in India, the need for innovative capital solutions will become increasingly important in pursuing new business development opportunities. In this respect, the timing of Glenn's appointment is ideal in supporting this key function."

Capital Management Update

On 22 December 2016, the Company announced the establishment of an arrangement with Equity First Holdings (EFH) for the provision of an options conversion funding facility to qualified applicants. Given the low cost of financing under the arrangement the Company proposed to pay the interest on loans. This has remained at the Company's discretion. Over the past 4-6 weeks, the Company has received several enquiries regarding the provision of this financial support.

With the development of the ELF, the Company now advises it will not be incentivising conversions via the EFH facility and no interest will be paid by the Company for any option holder's loans.

Most option holders will be eligible to apply through the ELF to finance their options conversion, ensuring they can maintain their exposure to the Company's fully paid ordinary shares.

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 CO_2 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.