ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

India Project Funding Facility

Monday 8 January 2018: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to announce the signing of a term sheet for a R&D Rebate loan facility through to January 2020 in support of the Company's India project.

Key points:

- New York-based Innovation Structured Finance Co. LLC (Brevet) selected to provide new loan facility under market competitive and improved terms from last year's facility
- Loan supports forward factoring of the anticipated AusIndustry R&D Tax Incentive rebate under the Company's existing overseas ruling for the Coldry component of its India project (and shortly expected overseas ruling for Matmor)
- Anticipated drawdowns of AUD$7 million and AUD$9.5 million for FY17/18 and FY 18/19 respectively
- Loan repayments anticipated in January 2019 and 2020
- Maximum Facility limit is AUD$14 million over the full term
- This funding will be provided as non-dilutive, senior secured, debt

The Company entered a Trading Halt on Wednesday 3rd January and subsequently requested a Voluntary Suspension on Friday 5th January to allow finalisation of a new finance facility.

The new finance facility entailed a market-wide assessment of providers for this type of lending, and the Company is pleased to announce that ECT's incumbent 'R&D rebate' lender, Brevet, has been selected.

Brevet's value proposition was the most favourable of all respondents, which includes highly competitive pricing on commercial terms, very nuanced knowledge of the R&D Tax Incentive program, and a longstanding relationship with ECT and understanding of its business. The selection process involved assessment against multiple measures, including loan-life cash-flow, sensitivity modelling and risk scoring, along with standard measures like interest rates, fees, costs and loan features.

The Company previously announced (22 December 2016) the execution of a Term Sheet with Brevet for a AUD$10 million debt funding facility. That Term Sheet has expired and been superseded by this new AUD$14 million facility, on more favourable terms to the Company.

Key Terms

Of the key terms for the loan facility, the interest rate remains subject to confidentiality, however the Company confirms that the facility offered by Brevet was unanimously agreed by the Board and the executive committee of ECT as being the superior offer presented, for all the reasons stated above, and in the best interests of shareholders.

The rate that ECT pays for this facility will be the subject of mandatory disclosure and audit review during the regular statutory reporting cycles which will invariably reinforce the Board's ingoing view that this transaction is a great deal and allows the Company to progress its India Project with strength and purpose.

Other key terms include:

> Security - As per the previous facility with Brevet, the R&D rebate provided to the Company under the R&D Tax Incentive program serves as the primary security for the new facility. The current registered charge held at the PPSR will remain in place.
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> Defaults & covenants - The defaults and covenants contained within the Term Sheet are typical of the general terms and conditions for a facility of this type and the Company will provide timely updates if any of these are materially breached.

This facility is an important element for the Company in meeting its obligations under the Master Project Agreement (MPA) for the proposed Coldry-Matmor integrated project in India (further project details below).

The transaction secures ECT's anticipated contribution to the project, which is estimated to cost AU$30 million in total and is supported by an overseas ruling for its Coldry technology (see announcement 21 February 2017). The Company has previously advised (3 March 2017) it has submitted an application for an overseas ruling for the Matmor process component of the project and expects an outcome will be notified early in 2018.

Glenn Fozard, Chairman of ECT, commented, "This outcome is proof that loyalty holds a mutual benefit to both borrower and lender. The past few years of dedicated use of Brevet's loan facility to support our Australian R&D activities is now being recognised in highly competitive borrowing rates when it counts the most for our company, as we pursue the scale up of our technologies with our Indian partners."

"With this finance facility in hand we're able to focus our efforts on finalising the current project review process ahead of submission to India's national planning committee, NITI Aayog; and are aiming to reach financial close for the project within the current financial year."

Trading Halt & Voluntary Suspension

The Company requests that the ASX lift the Voluntary Suspension immediately.

Project Background

The project initially focuses on the execution of a research and development (R&D) stage consisting of a Coldry demonstration plant integrated with a Matmor pilot plant.

With an estimated cost for the R&D stage of ~AUD30 million, the project is a first-of-a-kind collaboration between ECT, and two Indian government owned enterprises; NLC India Limited (NLC) and NMDC Limited (NMDC).

ECT is the technology provider. India's national lignite authority, NLC is the site host and coal supplier, and India's national iron ore authority, NMDC is the iron ore supplier to the Matmor component of the project.

Funding of the R&D stage is split equally among the parties under the proposed MPA.

Following successful completion of the R&D stage, the MPA sets the framework for the transition of the project into a commercial phase, entailing a proposed 500,000 tonne per annum Matmor steel plant and commercial scale Coldry plant. The estimated capital cost for the commercial phase is AUD$300M+.

Given the project entails the largest R&D investment ever made on a single project by either NLC or NMDC, and features a strong strategic alignment to India's policy objectives on a broad range of areas including energy and resource security, steel industry development and reduction of emissions intensity, it is potentially a project of national significance for India. These factors combined have supported the referral to NITI Aayog and the inclusion of an external, independent financial review.

The scope of the financial review includes the following broad areas:

- Examination of the Master Project Agreement (MPA) legal structure
- Review of the proposed funding mechanism
- Review of the structure and function of the Special Purpose Vehicle (SPV) entity
- Analysis of the proposed R&D taxation structure
- Analysis of ECT's cumulative cost base for development of the Coldry and Matmor technologies
- Analysis of additional elements of the proposed project structure

The review forms an essential part of the broader project assessment process being undertaken by the Indian Prime Minister's national planning committee, NITI Aayog, before execution of the proposed Master Project Agreement (MPA).

The MPA frames the corporate structure, project roles, project activities, future royalty, technology licensing, financial and governance aspects for the joint development of the integrated Coldry-Matmor facility in India with NLC and NMDC. More detailed agreements would follow in relation to various aspects of the project once the MPA is executed.

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 licensing 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) solid fuel 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 has 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.

Areas covered in this announcement: