



India Project Funding Strategy

Thursday, 22 December 2016: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to announce the following transactions in relation to the financing of its proposed project in India.

Highlights:

- ECT starts options financing program of \$3M-\$5M with EFH
- Proceeds will be used to fund the Indian project's detailed design and engineering and the Company's working capital
- ECT signs \$10M term sheet with Brevet for Indian project funding
- Proceeds will be used to fund ECT's remaining capital contribution for completion of the Indian project

Equities First Holdings (EFH) – Options Financing Program

ECT is pleased to announce that it has entered into a financing arrangement involving Equities First Holdings (EFH). This arrangement involves staff and directors and other qualifying sophisticated and professional investors entering into funding facilities with EFH for the sole purpose of financing their ECT options conversions at an interest rate of 5.5% to 6% per annum.

These facilities will require that each of the shareholders transfer their converted shares to EFH under collateral arrangements for the period of 3 years (for staff and directors) and 2 years for other shareholders. Each shareholder taking up these loans will still be entitled to all the economic and voting rights of their shares.

Glenn Fozard, Chairman of ECT said, "Given each of these shareholders, including staff and directors, will be required to a) lock up their shares for the period of the facility and b) direct the facility proceeds exclusively to the exercise of their options, this creates, for the Company, a low cost financing source for our projects and operations, and as such, ECT will initially pay the interest on these loans."

At the end of the transaction, and subject to conditions of the facility, participants in the program may also be required to refund the interest costs to the Company.

Mr Fozard continued, "EFH 'wrote the book on securities lending' and with 15 years of continued operations in this space, despite market volatility with the GFC and the global debt crisis, has continued to lead this industry globally. This makes us very comfortable in dealing with EFH and we look forward to a supportive and collaborative relationship with the EFH team over the course of the loan terms."

Mr Al Christy, Jr., President and CEO of EFH commented, "EFH is pleased to partner with ECT to provide financing that will help the company achieve its financial goals. We look forward to monitoring the ongoing progress of ECT's Indian project, as the interests of ECT, its Directors, its shareholders and EFH are all mutually aligned."

The EFH Options exercise facility is available to eligible Options holders who are 'sophisticated' or 'professional' investors under section 708 of the Corporations Act. Option holders who meet those criteria and have an interest in taking up this EFH financing solution are asked to contact ECT to discuss further.

In relation to the EFH Options exercise program range of \$3M to \$5M, the Company expects to realise up to \$1.5M by the end of February 2017, on the way through to the target of \$3M. Subject to market conditions, the program may be expanded up to \$5M.

Brevet Capital Advisers LLC (Brevet) – up to \$10M Debt Financing of Indian Project

ECT is pleased to announce that Brevet Capital Advisers LLC (Brevet), the company's existing R&D debt provider, has entered into a term sheet to fund ECT's estimated \$10m funding contribution for execution of the proposed Indian project in collaboration with project partners NLC and NMDC. This funding will be provided as non-dilutive, senior secured debt at a competitive commercial interest rate, commensurate with terms and conditions of our pre-existing facilities.

Ashley Moore, Managing Director said, "The Brevet funding facility, along with the EFH facility, provides the required strategic platform to complete the funding needs of the Company for the Indian project. We have targeted solutions that are free of equity dilution and believe that the blended rate of interest across both facilities is significantly below the weighted average cost of capital for the company."

The Brevet facility includes certain pre-conditions, including, a) ECT receiving an overseas ruling from AusIndustry for the Indian project and, b) the Indian partners each co-contributing their 1/3 funding of the project.

The overseas ruling, which provides pre-approval for R&D claims on overseas activity, is currently under review by AusIndustry. The two Indian partners' co-contribution of 1/3 each has been agreed in principle and is subject to finalisation and execution of the Master Project Agreement (MPA), which the parties are working to conclude soon.

Mr Moore continued, "Our project funding solutions are now laid out before us and allow us to focus on the execution of the remaining conditions precedent, including the Master Project Agreement with NLC and NMDC and the AusIndustry R&D Incentive Program overseas ruling."

Overall, the Board and Management's job is to maximise shareholder value and seeking project financing that does not create additional dilution is key to achieving this. These debt arrangements have been structured with this in mind and their establishment now allows management to focus on business outcomes and deliverables in furthering the Indian project.

It should be noted that the Company still maintains the flexibility under shareholder approval of Resolution 6 at its 2016 AGM, to issue shares to NLC and NMDC as part of the project contemplated by the MPA. This does not conflict with today's announcement, as the purpose of the funding instruments announced today relates to ECT's obligation to fund one third of the project.

For further information, contact:

Ashley Moore – Managing Director info@ectltd.com.au

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.

For personal use only