



India Coldry Project Receives Positive Overseas Ruling

Tuesday 21 February, 2017: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to advise that it has received a positive ruling from the Australian Federal Government AusIndustry agency on its application for an 'Advance Finding and Overseas Ruling' in relation to its Coldry R&D Project in India.

The Company requested a trading halt last Friday (17 February 2017) to provide sufficient time to review and seek appropriate advice on the content of the Finding Certificate.

The Company formally requests the Trading Halt be lifted, effective immediately.

Key Points

The key items from the Finding Certificate include that:

- The (project) activities are eligible (Advance Finding)
- The project is an approved overseas activity (Overseas Ruling)
- There are no exceptions

This outcome has significant positive implications across the core aspects of our India Project, including in relation to:

- Project Financing
- Project Structure (Resolution 6 of the 2016 AGM)
- Matmor Overseas Ruling Application

Project Financing

The Company is eligible for, and has received, rebates under the AusIndustry R&D Tax Incentive Scheme for domestic expenditure. This ruling extends that eligibility to the Coldry related overseas R&D activities proposed in India.

An important part of the Company's Capital Management Plan has been the forward factoring of anticipated R&D refunds. This facility is currently provided by Brevet Capital Advisers LLC.

On 22 December 2016, the Company announced that it has entered a term sheet in relation to a \$10 million debt finance facility with Brevet to support the Company's estimated one-third contribution to the India project. The announcement noted two key conditions precedent:

- 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.

This Overseas Ruling satisfies the first condition precedent. The second condition precedent is subject to the finalisation of the Master Project Agreement (MPA) with NLC India Limited and NMDC Limited. An update on the progress of the MPA is set out in the relevant section below.

Project Structure

The Overseas Ruling provides the single most significant factor in the Company's preferred project financing pathway.

As outlined at the 2016 AGM, the MPA contemplates a range of project funding mechanisms, including debt, equity and other forms of suitable project funding.

In the interest of preserving the Company's ability to maintain a flexible approach to finalising the MPA, the Company sought shareholder approval for the issue of shares as part of the MPA under Resolution 6 at the 2016 AGM.

Given the positive overseas ruling and the ability to fund the Company's contribution via the R&D debt facility under the Brevet term sheet, the Company no longer needs the placement approval provided by Resolution 6 and will allow the resolution to expire on 24 February 2017 without making a placement.

Matmor Overseas Ruling Application

The Matmor 'Advance Finding and Overseas Ruling' application is in progress and expected to be submitted by the end of March, well ahead of the 30 June 2017 deadline for current financial year overseas expenditure to be included.

Given the Company's level of engagement with AusIndustry, the relationship of the Matmor application to the successful Coldry application and the fact that the Company will be submitting a special application, it is anticipated the review will take no more than a few months.

MPA Status

Further to the Company's January update, the Company is pleased to advise the MPA has passed legal review at both NLC and NMDC without material amendment.

During legal review, NLC arranged for ECT to provide a project briefing to the recently appointed Secretary of the Ministry of Coal, Shri Susheel Kumar, who holds the distinction of leading negotiations on behalf of India at the 2015 Paris climate summit.

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

ECT Managing Director Ashley Moore noted, "This view from the Secretary of Coal Shri Susheel Kumar reinforces the position we've consistently taken; that Coldry and Matmor represent a significant opportunity to support economic, energy and resource security while addressing emissions intensity. And while this is a very recent and unexpected development, and notably will require additional time ahead of signing the MPA, the Company welcomes the positive exposure this referral brings to the project at the highest level of India's government, with the potential to further streamline the end-to-end project and lift its profile in the media."

NITI Aayog is chaired by Prime Minister Modi and is the peak Indian Government think tank established in 2015 to replace the Planning Commission. The committee, which consist of State Chief Ministers, Lieutenant Governors, and leaders from academia and research organisations, sets the national development agenda and identifies projects of national significance.

MPA Next steps:

Upon formal submission of the MPA from both NLC and NMDC this month, *NITI Aayog* will review the project against the national strategic plan and, subject to no further actions stemming from their review, the Company expects the Boards of NLC and NMDC to approve execution of the MPA shortly thereafter.

The Company is informed that the review process at *NITI Aayog* may take several weeks.

Further updates will be provided as information comes to hand.

ECT & NLC Commence site preparations:

Noting the likely additional time required for the NITI Aayog review, at a recent project meeting ECT and NLC have agreed to commence site preparations in Neyveli.

Managing Director Ashley Moore commented, "This is a significant step forward for the Project and demonstrates that the review of the full MPA has provided the confidence amongst the partners to engage in parallel processes and keep the project moving ahead towards its successful construction and commissioning".

Ashley Moore and the Company's Chief Engineer (Matmor), Lachlan Bartsch, have been working closely with the NLC Site and Civil Works team and management over the last 10 days in development of the geotechnical survey works program.

Further updates will be provided in due course.

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.