



Matmor Acquisition

Thursday, 4 December 2014: Environmental Clean Technologies Limited (ECT or Company and ASX:ESI) is pleased to announce the formal acquisition of the Matmor technology, including plant, equipment and intellectual property (IP), via the signing of the Matmor Assets Sale Agreement.

Key Points

- Formal acquisition of Matmor plant, equipment and IP, consisting of patents and all associated trade secrets agreed
- Readiness to commence forward development works with interested parties
- Acquisition deal totalling \$4.5 million in equity and cash

On Friday 28 November the company was granted a Trading Halt, followed by a Voluntary Suspension to allow sufficient time to complete a transaction for the acquisition of the Matmor technology.

Today, that transaction is complete, with the signing of the binding sales agreement. The company has requested the Voluntary Suspension be lifted, effective immediately.

The transaction supports the Company's need to more closely align Matmor and Coldry development to deliver on the full potential of the technologies, by attracting world-class development partners keen to benefit from the combined offering.

ECT Managing Director Ashley Moore stated "This transaction is a significant commercial step ahead of commencing the technical scale-up of the Matmor technology, providing clarity and certainty in relation to current and future access to the IP in the eyes of potential development partners."

"With the conclusion of this transaction, the Company is in a position to confidently enter development and investment discussions with interested parties, aimed at advancing both Matmor and Coldry."

Background

To date, the company has maintained an exclusive licence to develop and commercialise the Matmor technology.

This has been a suitable model for the fundamental research and development (R&D) undertaken, and a prudent approach to de-risking investment in early stage technology development. The same approach was used in relation to the Company's Coldry technology, prior to its acquisition in 2009, ahead of the significant investment to progress the applied R&D and detailed design to commercial scale. Coldry is currently poised to progress to demonstration phase, the final step before broad commercial deployment.

From a Shareholders perspective, formalising ownership of the Matmor technology prior to investing the significant sums required to advance it through the scale-up process to Pilot scale, is an inevitable and necessary event on the commercialisation pathway. Timing the acquisition is challenging, however the Board has formed the view that the level of interest from parties in India supports the timing and believes it will provide the necessary level of certainty required in relation to IP access.

Managing Director Ashley Moore stated, "From an external investment point of view, bringing the Matmor technology in-house along side Coldry creates a more attractive investment 'package' for interested parties. The whole is viewed as greater than the sum of its parts."

This interest has grown out of the Company's India strategy, which addresses challenges around energy and resource security, economic security and environmental security.

In addition, it has become clear through the Company's ongoing discussions with various parties, that while the Coldry and Matmor technologies are individually attractive in their own right, the combined offering is a significantly more compelling proposition, able to leverage lower value resource assets (lignite and iron ore tailings) to deliver higher value, diversified outputs such as iron and iron alloys in addition to Coldry's thermal coal product.

Total ownership of the full technology suite will allow the Company to take further advantage of the considerable interest being shown from companies in India and other countries.

Matmor Development – Next Steps

As mentioned in an announcement on 8 October 2014, the Company has concluded preliminary testing of several Indian iron ores, with encouraging results.

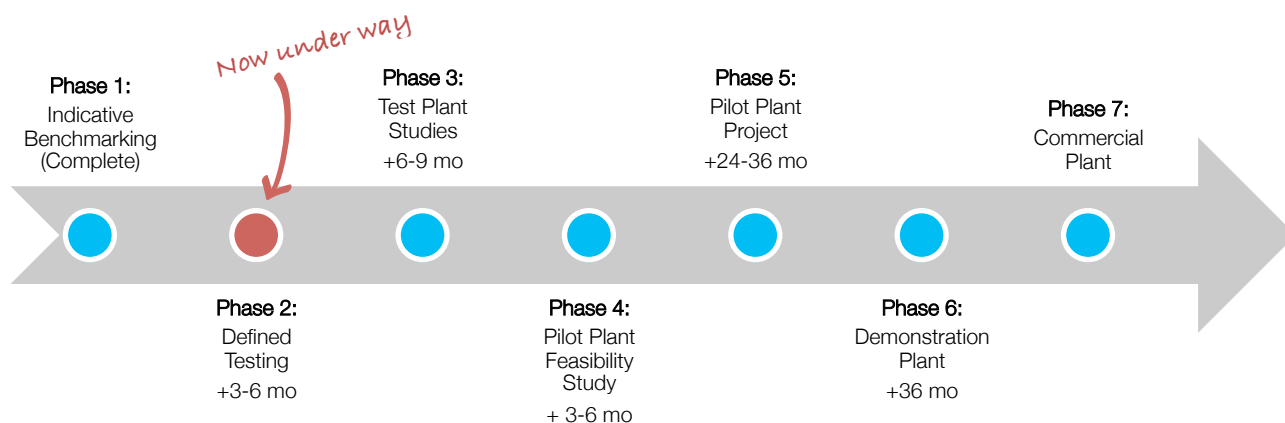
Our intention is to pursue a second phase of bench-scale, batch testing on those same iron ores to refine outcomes and inform the selection of candidate inputs for subsequent test plant trials.

Bench-scale trials require several hundred kilograms of raw materials, whereas the test plant trials may require tonnes of raw inputs and involve iterative development of the test plant as part of ongoing fundamental and applied research and development necessary to inform Pilot scale design.

In addition to these technical activities, the Company is developing commercial pathways, starting with collaboration options around both Matmor and Coldry technologies, with the view to advancing Matmor and Coldry to Pilot and Demonstration scale respectively.

The diagram below outlines the estimated timing for each stage of Matmor development, with refined timeframes to be provided on the way through.

Matmor – Indicative Development Pathway



Transaction Overview

In readiness to commence the next stage of Matmor development works with interested parties, this transaction formalises ownership of both the tangible and intangible Matmor assets under ECT, extinguishing the past participation and licensing agreements.

The acquisition agreement covers two aspects:

- 1) Tangible Assets; the Matmor test plant and associated equipment
- 2) Intangible Assets; the Matmor Patents and all associated intellectual property

The transaction consists of:

- 150 million ESIOB options (Agreed value of \$1M)
- \$3.5M cash, paid from future ECT cash flows

The Board believes this transaction is a prudent use of shareholders capital given the level of interest from various parties to commence joint development of Matmor and Coldry.

Chairman, Glenn Fozard highlighted that “the purchase of Matmor would not have been possible without the full support of the IP owner, the Calleja Group. The transaction’s structure ensures that ECT will not need to undertake a capital raising to finalise the acquisition. Further, the Calleja Group has shown a commitment to the value that this acquisition brings to ECT by agreeing to receive Options as the upfront consideration, as well as recognising the future commercialisation value of both technologies, through accepting the residual payments from future cash flows.”

Further details in relation to Matmor and Coldry development will be announced in due course.

For further information contact:

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About ECT

ECT is in the business of commercialising leading-edge coal and iron making 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 relatively simple 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.
