

ESI signs its biggest deal

Friday, 27 February 2009: Environmental Clean Technologies Limited (ASX:ESI) has signed a Heads of Agreement for the staged investment in a Special Purpose Vehicle (SPV) by a Vietnamese-based company, to establish a plant for the production of 20M tonnes per annum of Coldry, black coal substitute, over the next 30 years.

The Heads of Agreement is between ECT and Thang Long Investment and Commercial Joint Stock Company (TL), the parent company of Victoria Capital (party to the Letter of Intent announced 18 November 2008). This agreement provides for ECT to contribute access to the Coldry IP, plant designs and expertise, and TL shall be responsible for contributing all required capital in exchange for exclusive rights to sell the Coldry pellets to its client base, mostly in southern China. TL has also committed to fund all required financial feasibility studies and to include ECT's construction and operation partners (ARUP, McConnell Dowell and Transfield Services) in the project.

The agreement is a massive deal for the company, the state of Victoria and the brown coal industry and enhances shareholder value by laying the foundations for ECT's first viable and sustainable revenue stream.

ECT Chairman Dave Woodall said the company would receive A\$5 royalty per tonne of Coldry sold and had successfully negotiated 10% free carry equity in the SPV, which will be undiluted in the future by capital inflows or other events.

"We have always been confident in the commercial viability of our Coldry technology and that it is a practical method for dewatering the world's abundant reserves of brown coal to produce quality black coal substitute," he said.

"Thang Long Investment's significant commitment demonstrates their confidence in the marketability of Coldry to the international market.

"The relationship with Thang Long Investment represents a successful outcome from our partnership program with Podium Energy, who provided the initial introduction and facilitated negotiations."

The deliverables of the project will be met in four phases, starting with a Coldry plant that will produce 2M t.p.a within three years of commencing construction, finally reaching 20M t.p.a (estimated by 2020).

The preferred site for this plant is located in the La Trobe Valley, Victoria, but final selection will largely depend on the State's willingness to substantially expand its rail and port infrastructure and the power industry's preparedness to commit to provide lignite and heat in a timely manner.

"We will be advertising nationally to attract specialist logistics companies to participate in a Request for Proposal process to enable the selection of a partner who will deliver plant-to-port transportation services in a timely and economic manner," Mr Woodall said.

Investment in this project is anticipated to be as high as A\$6 Billion and feasibility studies typical of large projects will be initiated.

Chief Executive Kos Galtos said this investment would boost economic opportunities in the state of Victoria and locally in the Gippsland region.

Coldry Process

The world's first economic method for dewatering brown coal, creating a high energy pellet with significantly reduced CO2 emissions compared to brown coal, while being suitable for export as a black coal substitute.

Matmor Process

A one-step method for producing low-carbon iron from inexpensive, abundant brown coals and metal bearing media such as mill scale, nickel tailings and low grade iron ore.

“A project of this magnitude will create much needed jobs and business opportunities in construction, project management, engineering, finance and design industries that will help the wider economy in these difficult times,” he said.

“It also ensures that our strategic partners are rewarded for their strong support of our company, as it is our intention that they will be part of the construction and operation of this very real project with significant value.

“Our patient shareholders now have the opportunity to support the growth of the company by approving the share purchase plan at the General Meeting next Wednesday 4 March 2009 and through their active participation.”

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