

Capital Management Update

7 December 2018: Environmental Clean Technologies Limited (ASX:ECT) (ECT or Company) is pleased to announce that its subsidiary, ECT Finance Limited (ECTF), has signed an agreement for the provision of an AUD 1 million securitisation loan applied to ECTF's equity lending facility (ELF) loan portfolio, with the proceeds of the loan to be used to pay down the wholesale loan to ECT*.

Key points:

- AUD 1 million loan by ECTF to repay wholesale loan to ECT
- Proceeds to be used by ECT to fund operating expenses and commercialisation of Indian and Victorian projects
- Evidence of utility of the ELF book in financing future budget requirements of ECT
- Project bond for India project to be finalised after signing of RCA

In July 2017, ECTF successfully executed the equity lending facility, facilitating the conversion of options to fully paid ordinary shares via the issue of limited recourse loans secured against the shares. This facility was again applied to a subsequent options series in June 2018 (see announcement 27 June 2018).

The ELF loan book within ECTF has a current security value of ~AUD 15.62M, against a wholesale loan from ECT of ~AUD 15.54M.

ECT Finance Chairman, Jim Blackburn commented, "We have been looking at ways that the current loan book can be securitised ahead of individual repayments and with an existing wholesale loan balance of ~AUD 15.54M and a current security value of ~AUD 15.62M, this represents a great opportunity to bring forward repayment of the loans via this method."

Proceeds from the loan to ECTF will be used to repay part of the wholesale loan from ECT, which in turn will be used to fund operating expenses and capital works to support the Company's commercialisation strategy in Victoria and India.

Mr Blackburn added, "This type of lending structure may also be appropriate when it comes time to fund the cash component of the AUD 3.5 million project bond for our India project, the timing for which will be following the signing of the Research Collaboration Agreement (RCA) and prior to the initial funding by our project partners, expected in coming months.

"This approach to financing helps minimise the need to raise fresh equity capital from the market and successful implementation of this current loan underpins the utility and flexibility of maintaining the ELF loan and security book. We want to be clear with our shareholders that there are a good number of options for the Company to furnish the needs of the project bond and that equity capital raisings are furthest from our minds at this stage."

With the securitisation loan fully drawdown, the wholesale loan balance to ECT will be ~AUD 14.54M with an estimated security backing (at 1.25c per share) of ~AUD 15.45M.

The interest rate applied to this securitisation loan is ~16.6% with the lender's own ELF loan position set-off against the interest payment in lieu of cash.

Background - India Project Bond

Timing: The project bond is required to be established following the signing of the RCA and ahead of NMDC and NLCIL's financial contribution to the project account, and thus ahead of construction.

Duration: The duration of the bond will be from commencement of construction to completion of commissioning.

Conclusion: The bond will expire undrawn at the completion of commissioning so long as ECT does not withdraw from the project before this time.

Purpose: The purpose of the bond is to align ECT's financial interest with our project partners over the period in which NLCIL and NMDC will be expending circa AUD 30M in capital funding.

Notwithstanding the above, the bond must be realisable to its value in the unlikely event ECT does not proceed with the project. The Company is exploring funding options, including, but not limited to, further securitisation of the ELF loan book, as outlined above, and strategic partner investment and government funding.

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) 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.

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.

About ECT Finance (ECTF)

*ECT Finance is a subsidiary of ECT which has the sole purpose of providing financing solutions first and foremost to the parent company but also to other unrelated companies. In July 2017, ECTF established the ELF facility which supported the financing of the conversion of ECT's options. ECT offered a wholesale loan to ECTF from which ECTF offered individual loans to approved options holders to finance, in part or full, the conversion of the options into fully paid ordinary shares, through to July 2020.

Areas covered in this announcement:

ECT (ASX:ECT)	ECT Finance	ECT India	India Project	Aust. Project	R&D	HVTF	Business Develop.	Sales
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