

Shareholder Update

India Project Agreement Clarification

Thursday 31 May 2018: Environmental Clean Technologies Limited (ASX:ESI) (ECT or Company) is pleased to provide the following clarification to yesterday's announcement regarding the signing of its historic agreement with two prominent Indian government enterprises, NLC India Limited (NLCIL) and NMDC Limited (NMDC).

Yesterday's announcement confirmed the signing of the Project Agreement for the execution of the largest ever joint research & development (R&D) project between Australia and India.

This clarification stems from shareholder questions relating to the title of the agreement.

The Company previously titled the agreement as the Master Project Agreement (MPA) to reflect its function, content and intent. Further details on the MPA were announced on 17 May 2018 outlining the commercial terms.

The confusion on the part of some shareholders appears to stem from the use of the title Memorandum of Understanding (MOU) in the final document. These shareholders have drawn the conclusion that the content, intent or substance of the agreement may have also changed.

This is understandable, but incorrect.

To clarify:

Indian Public Sector Undertakings (PSUs) undertaking significant collaboration projects are required to follow naming conventions which essentially allow for two types of legal titles: Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA).

Whilst the parties had reached agreement on the key commercial terms for the project to proceed on 17 May 2018, the administrative process for final document endorsement required alignment of the agreement title to the PSU naming conventions which resulted in the Master Project Agreement being re-titled as a MOU and the sub-agreements will be re-titled as a MOA.

These titles, whilst intended to clearly identify the key differences in staged or nested agreements, do not, by the mere fact of changing the title, change the material terms of the agreement and does not make it any less an agreement indicating the firm commitment of the parties to proceed to financial close.

Under Australian nomenclature the MPA may be described as a Heads of Agreement, as it outlines the key terms of the sub-agreements, largely in commercial language.

However, the subtleties of Australian naming conventions do not resonate with Indian PSU conventions, and given that changing the title had no material bearing on the terms of the agreement, ECT had no hesitation in accommodating the requirement by the Boards of NMDC and NLCIL to change the title of the agreement for finalising and signing.

ECT also reinforces the timeframes in which the parties seek to complete and sign the sub-agreements and thus, reach financial close.

Initially, the parties had targeted 30 June 2018, and subsequently revised guidance in the Company's 17 May 2018 announcement to 31 July 2018.

ECT Chairman Glenn Fozard commented "Our announcement yesterday mentioned August as the target for financial close, which understandably caused some investors to wonder if there is a risk of timeline slippage.

"Whilst all parties reaffirmed their target date yesterday for financial close by 31 July 2018, we are reminded that NLCIL and NMDC are large companies and have strict protocols for such contracting processes and additional time may be needed to enable adequate notice and review periods for each of the PSU Boards.

The completion and signing of yesterday's project agreement is a material achievement in progressing this first-of-a-kind project through to financial close and onto the construction phase.

Dr Narendra K. Nanda, Director technical NMDC commented "NLCIL and NMDC are delighted to be in Australia for this important occasion, meeting with ECT, Indian High Commissioner Dr Gondane, Australia India Business Council. Today members my delegation are meeting with senior government representatives in Canberra meanwhile I have had the opportunity to visit the test facility for Coldry and Matmor at Bacchus Marsh. I am happy to say the facilities are excellent and represent the essential work necessary to support the successful execution of the pilot plant project."

"ECT have shared with me today much of the positive feedback on the signing event yesterday, together with some of the concerns expressed by shareholders regarding the MOU title, however this does not change the commitment or intent of NLCIL, NDMC and ECT to move quickly to achieve Financial Close and begin site works as soon as possible"

With the full support of NLCIL and NMDC the Company will continue to maintain focus and effort toward the timely completion of the sub-agreements in parallel with ongoing engineering preparatory activity and will continue to provide shareholders with guidance and updates on progress.

For further information, contact: *Glenn Fozard – Chairman* *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 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.

Areas covered in this announcement:

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