

Pacific Capital Subscription Agreement – Notice of Breach

Monday, 16 February 2009: Environmental Clean Technologies Limited (ASX:ESI) advises that on Friday 13 February 2009 Pacific Capital Value Limited ('PCVL') purported to issue it with a "notice of default" in relation to the note certificates issued to PCVL on 17 December 2008 ('Note Certificates') under a subscription agreement dated 18 November 2008 ('Subscription Agreement').

ESI considers that the purported notice of default is invalid because:

- (a) it has not been served on ESI in accordance with the delivery procedure for notices under the Subscription Agreement;
- (b) it relies upon ESI's refusal to issue conversion shares to PCVL before payment for those shares has been made as constituting a default by ESI, whereas ESI disputes that it is required to issue the shares in those circumstances;
- (c) it asserts that ESI has breached the Subscription Agreement, but does not describe any such breach; and
- (d) alleged breaches by a party to the Note Certificates must be the subject of a remediation notice before any event of default can exist, and no such notice has been given.

Today, ESI served PCVL with a notice of breach due to PCVL's failures to perform its obligations under the Subscription Agreement, and has given PCVL 10 Business Days in which to remedy those breaches. The breaches relate to PCVL's failure to pay for conversion shares and its dealings with shares in ESI lent to it in accordance with the Subscription Agreement.

Given these events, ESI considers it unlikely that any more convertible notes will be issued to PCVL. ESI will inform ASX of further developments in relation to these matters.

For further information contact;

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