



Shareholder Update: Coldry Demonstration Project

Friday, 5 July 2013: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to provide the following update to shareholders in relation to delivering on the key objective of constructing the Coldry Demonstration Plant (CDP).

Key points

- Coldry engineering work to advance to 'construction-ready' phase
- Arup Strategic Deliverable Bond extended to deliver 'Construction-ready' design for CDP
- ECT bid for Indian coal drying R&D project advances to next stage

Coldry Demonstration Project

Background

The successful demonstration of ECT's Coldry technology is currently the key objective for the company and is the gateway to commercial deployment and revenue generation.

Revenue is the key to delivering fundamental shareholder value.

Engineering development for the Coldry demonstration plant has followed a methodical, iterative process to deliver the increasing levels of accuracy and certainty around cost estimates necessary to attract the capital required to execute the demonstration project.

Arup commenced the current engineering and design work in November 2011. The program was targeted at delivering a 'tender-ready' package by December 2012.

In August 2012 the Advanced Lignite Demonstration Program (ALDP) was announced which dovetailed closely with our Coldry demonstration objective. The engineering and design work was aligned to meet ALDP requirements.

In November 2012 ECT put in place a Strategic Deliverable Bond (SDB) with its engineering development partner Arup to provide appropriate funding of up to \$2.5m for the Design for Tender program (DFT), and support pre-construction works for the CDP project.

In February this year ECT announced the DFT as it was originally scoped was largely complete, delivering the required level of detail to enable indicative pricing for the plant, and to allow prioritisation of targeted cost reduction efforts.

Current Status

The work undertaken since February has progressed significantly, and has included:

- Parallel site-specific works to support successful construction commencement on the Loy Yang site
- Value Engineering targeted at capital reduction of specific plant components
- Constructability analysis and review targeted at improved design efficiency and cost reduction

Detailed computer modeling of the core process has also been further developed providing a powerful scenario-based techno-economic evaluation tool for Coldry plant performance, under a range of operational conditions and on different coals, to refine capital and operational cost estimates.

Next Steps

ECT Extends Strategic Deliverable Bond to complete Engineering package for CDP

To support the advancement of the engineering works, ECT and Arup have agreed to extend the maximum amount of the SDB by another \$1.4m.

Mr. Ashley Moore, Managing Director stated, "At the conclusion of this work supported by the extended SDB, the CDP design will essentially be 'construction-ready', following final competitive tendering for plant work packages and final site selection.

"The 'construction-ready' Arup work program, scheduled to be complete at the end of August, will deliver a world-class engineering package, able to be constructed directly by a skilled construction contractor such as McConnell Dowell.

"The completion of the engineering design, including the requisite phases of 'value engineering' coupled with the development of sophisticated modeling for deployment of Coldry in and beyond Australia is the culmination of years of disciplined and methodical engineering development. This effort has transformed Coldry from a technology 'proven at pilot scale' to an integrated module capable of delivering 170,000 tonnes per year on successful demonstration project completion".

It remains ECT's intent that McConnell Dowell lead construction efforts, though various work packages will be open for competitive tendering.

Mr. Moore further commented "The huge promise of Coldry can only be realised through the combination of complete quality engineering and the meticulous management of the construction program. We are fortunate that our partners Arup and McConnell Dowell have provided substantive ongoing support in the delivery of this critical phase."

ECT will evaluate the final tender submissions and make decisions on the contract structures, which will provide for the most appropriate controls and deliver the greatest value for the project.

Added Value

While this work clearly drives the CDP to construction readiness, there is significant added value for ECT through the ability to leverage the design work into other Coldry development opportunities.

To this end ECT is actively participating in the early assessment stages of the advanced R&D program announced by India's Neyveli Lignite Corporation (NLC) in January this year.

ECT successfully passed through the Expression of Interest (EOI) stage, and has recently submitted a more detailed proposal for NLC's lignite-dewatering project, again supported through the design engineering completed with Arup.

The extensive computer modeling tools in combination with the existing engineering and design work by Arup are expected to drive down cost and development timeframes for the NLC project, should ECT be selected.

NLC is expected to make an announcement of successful applicants in due course.

Further updates on the status of any development with NLC will be provided in line with continuous disclosure obligations.

About the Strategic Deliverable Bond

ECT initially executed an agreement in November 2012 in favour of its engineering development partner Arup for the placement of a Strategic Deliverable Bond for up to \$2,500,000 in order to deliver the balance of the Design for Tender (DFT) program and other pre-construction engineering works associated with the development and delivery of the Coldry technology. The Terms associated with the Bond Extension are largely similar, with key aspects as follows:

Amount: Up to AU\$1,400,000

Interest Rate: 0%

Convertibility: ESI shares will be issued at a price of 90% of the lowest VWAP of the preceding 5 days trade

The Bond provides ECT the option, should it elect to take up, to satisfy Arup invoices with cash (within certain limits). Fees of 5% on the face value of the extension represent low capital raising expense.

EGM

The company intends to call a General Meeting in the near future to cover various facets of capital management in support of Coldry commercialisation.

A date will be set and the Notice of Meeting issued shortly.

For further information contact: *Ashley Moore – Managing Director*
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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.
