

Federal Budget 2018 R&D Incentive Program Changes

9 May 2018: Environmental Clean Technologies Limited (ASX: ESI) (ECT or Company) is pleased to provide the following statement regarding provisions within the Federal Budget that impact the business.

R&D Incentive Program Changes

The 2018 Federal Budget released last night proposes changes to the R&D Tax Incentive program that aim to reform the program, targeting integrity and fiscal affordability.

Of particular relevance to ECT are the changes that target companies with turnover less than \$20M which propose to:

- 1) Introduce a \$4m annual cap on cash refunds
- 2) Anchor the rate of off-set to the claimant's income tax rate for the year plus 13.5 percentage points

These changes, scheduled to be implemented on July 1st, 2018, were anticipated by the Company and while they generally represent a reduction in potential incentives for certain companies, these changes are not expected to result in a material change to ECT's ongoing R&D programs or proposed Indian project.

Preparation for these changes has been pro-actively managed through the establishment of the Brevet R&D loan facility and the structure of the Master Project Agreement (MPA) covering the Company's Indian project, of which the details will be announced in due course.

The changes will not come into effect until the fiscal year 2019 hence the current tax year's R&D tax offset refund remains uncapped.

ECT Chairman Glenn Fozard, commented, "The Federal Government's R&D Tax Incentive program has been highly supportive, contributing more than AU\$12M to our R&D expenditure since 2011. We expect to continue to receive ongoing support from this targeted program as we develop further innovations across our technology suite.

"Given our experience in this field we were also well prepared for changes of this type, pre-emptively structuring our R&D financing and Indian project to mitigate the impact of such legislative changes."

ECT Finance – Equity Lending Facility (ELF)

The Company is also pleased to advise it has received loan principal repayments of approximately \$350,000 from ECT Finance (via ELF participants) and will continue to update shareholders as it receives these principal repayments in the future.

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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