



**ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED**

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

TO BE HELD AT:

Norton Rose

Level 15, 485 Bourke Street, Melbourne, Victoria

At 11:00 am on Friday, 16th November 2012

TO BE VALID, THE PROXY FORM ENCLOSED FOR USE AT THE MEETING MUST BE COMPLETED AND RETURNED NO LATER THAN 11:00 AM ON WEDNESDAY, 14th NOVEMBER 2012

IMPORTANT

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your legal, financial or other professional adviser immediately.

Contents

Chairman's Letter	2
Notice of General Meeting	3
Explanatory Memorandum	9
Glossary	23

A Proxy Form is enclosed separately



Chairman's Letter

5th October 2012

Dear Shareholder,

This year's Annual General Meeting will be held at the offices of Norton Rose, Level 15, 485 Bourke Street, Melbourne, Victoria commencing at 11:00 am on Friday, 16th November 2012. The Directors look forward to the opportunity to provide Shareholders with an update on the Company's progress at the Annual General Meeting.

The Meeting will consider the Remuneration Report for the Company, the re-election of Mr Ashley Moore and Mr Stephen Carter as directors of the Company, the approval of prior issues of shares, an approval to give the Company capacity to place equity securities up to 25% of the Company's existing equity base in the next 12 months without additional Shareholder approval and approval to issue up to 300 million Shares and an equal number of Options for total consideration of up to \$6.0 million to Monash Capital Group Pty Ltd or its nominee. In addition approval will be sought to increase the aggregate amount payable in fees to non-executive directors and implement an incentive scheme for key executives and directors, including the issue of shares to directors in lieu, in part, of cash payments to provide an incentive linkage between Director remuneration and share price.

I encourage you to read the Explanatory Memorandum in full and look forward to seeing you at the Annual General Meeting on 16th November 2012.

Yours sincerely,

Mike Davies
Managing Director and Executive Chairman



Notice of Annual General Meeting

The Annual General Meeting of Environmental Clean Technologies Limited (ACN 009 120 405) will be held at Norton Rose, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria on 16th November 2012 at 11:00 am, Melbourne time.

AGENDA

ORDINARY BUSINESS

1. Annual Financial Report

To receive and consider the Annual Financial Report of the Company for the year ended 30 June 2012 and the related Directors' Report, Directors' Declaration and Auditor's Report.

2. Resolution 1 - Remuneration Report

To consider and, if thought fit, pass the following resolution as an advisory resolution:

"That, for the purposes of section 250R of the Corporations Act 2001 (Cth), the Remuneration Report for the Company for the financial year ended 30 June 2012 be adopted."

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company. However, please refer to the Explanatory Memorandum for an explanation of the consequences of 25% or more eligible votes being cast against this advisory resolution under amendments to the Corporations Act.

3. Resolution 2 – Re-election of Mr Ashley Moore

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That Mr Ashley Moore, who retires in accordance with clause 13.2 of the Constitution, being eligible for re-election, be re-elected as a Director of the Company."

4. Resolution 3 – Re-election of Mr Stephen Carter

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That Mr Stephen Carter, who retires in accordance with clause 13.2 of the Constitution, being eligible for re-election, be re-elected as a Director of the Company."

5. Resolution 4 - Ratification of prior issue of Shares and Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve the prior issue of 35,333,334 Shares and 22,222,223 Options as described in the Explanatory Memorandum accompanying this Notice of Meeting."

6. Resolution 5 – Approval for additional placement capacity of securities

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting."



7. Resolution 6 – Approval of issue of New Shares and Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 300 million new Shares and 300 million listed Options to Monash Capital Group Pty Ltd or its nominee, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting.”

8. Resolution 7 – Increase aggregate fees payable to non-executive directors

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.17, clause 13.8 of the Constitution and for all other purposes, Shareholders approval be given to increase the total amount of director’s fees payable by the Company to its directors to \$400,000 per annum.”

9. Resolution 8 – Approval of the issue of shares under the ECT Executive & Director Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of Exception 9 in ASX Listing Rule 7.2 and for all other purposes, Shareholders approve as an exception to ASX Listing Rule 7.1 the issue of Shares under the Plan as detailed in this Notice and accompanying Explanatory Memorandum.”

10. Resolutions 9(a), (b), (c) and (d) – 4 Resolutions to approve the issue of shares to Directors under the ECT Executive & Director Incentive Plan (the Plan)

10 (a) Resolution 9(a) – Approval of the issue of shares to Mr Ashley Moore under the Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rules 10.14 and 10.15A and for all other purposes, Shareholders approve the acquisition by Mr Ashley Moore of Shares under the Plan, as detailed in this Notice and the accompanying Explanatory Memorandum.”

10 (b) Resolution 9(b) – Approval of the issue of shares to Mr Michael Davies under the Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rules 10.14 and 10.15A and for all other purposes, Shareholders approve the acquisition by Mr Michael Davies of Shares under the Plan, as detailed in this Notice and the accompanying Explanatory Memorandum.”



10 (c) Resolution 9(c) – Approval of the issue of shares to Mr Stephen Carter under the Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rules 10.14 and 10.15A and for all other purposes, Shareholders approve the acquisition by Mr Stephen Carter of Shares under the Plan, as detailed in this Notice and the accompanying Explanatory Memorandum.”

10 (d) Resolution 9(d) – Approval of the issue of shares to Mr Iain McEwin under the Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rules 10.14 and 10.15A and for all other purposes, Shareholders approve the acquisition by Mr Iain McEwin of Shares under the Plan, as detailed in this Notice and the accompanying Explanatory Memorandum.”

OTHER BUSINESS

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

Voting exclusion statement

As required by the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast on:

1. Resolution 1 by a Director or other Key Management Personnel of the Company and any closely related party of such a Director or other Key Management Personnel. Closely related party is defined in the Corporations Act and includes a spouse, dependent and certain other close family members, as well as any companies controlled by the Key Management Personnel.
2. Resolution 4 by any of the persons who participated in the issue of the Shares or Options under the applicable issues and any associate of any of those persons.
3. Resolution 5 by any person who may participate in an issue of securities that are issued pursuant to an approval granted by Resolution 5 and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 5 is passed, and any associate of such a person.
4. Resolution 6 by Monash Capital Group Pty Ltd and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 6 is passed, and any associate of such a person.
5. Resolution 7 by a director of the Company, and any associate of such a person.
6. Resolutions 8, 9(a), 9(b), 9(c) and 9(d) by a director of the Company (except one who is ineligible to participate in the ECT Executive & Director Incentive Plan) and any associates of such a person.

However, a Director or Key Management Personnel may cast a vote on Resolution 1 if:

1. the person is acting as proxy for a person who is entitled to vote and the proxy form specifies how the proxy is to vote; or



2. the person is the Chairman voting an undirected proxy which expressly authorises the Chairman to vote the proxy on a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Company need not disregard votes of the above parties for Resolutions 4, 5, 6, 7, 8, 9(a), 9(b), 9(c) and 9(d) if:

1. it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
2. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, in relation to Resolutions 7, 8, 9(a), 9(b), 9(c) and 9(d), if you leave your proxy undirected, Key Management Personnel (other than the Chairman) or their closely related parties will not be able to vote your Shares.

Explanatory Memorandum

The accompanying Explanatory Memorandum forms part of this Notice of Annual General Meeting and should be read in conjunction with it. A Glossary of terms used in this Notice of Annual General Meeting and Explanatory Memorandum is contained in the Explanatory Memorandum.

NOTES REGARDING PROXIES AND VOTING

Voting entitlements

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining voting entitlements for the Meeting will be as it appears in the share register at 7:00 pm on Wednesday, 14th November 2012. Accordingly, only those persons will be entitled to attend and vote at the Meeting.

Important voting information

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

The Chairman of the Meeting intends to vote all undirected proxies in favour of each Resolution.

In respect of Resolution 1, 7, 8, 9(a), 9(b), 9(c) and 9(d), if the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on those Resolutions, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Appointing a proxy

A Proxy Form accompanies the Notice of Meeting.

The Proxy Form contains important information and other instructions which you should carefully read.

A Shareholder who is entitled to attend and vote at the Meeting has the right to appoint a proxy to attend and vote on his or her behalf. The proxy need not be a Shareholder of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint not more than 2 proxies to attend and vote at the Meeting and may specify the proportion or number of votes each proxy is appointed to exercise. If you want to appoint 2 proxies, an additional proxy form will be supplied by the Company's share registry, Security Transfer Registrars Pty Ltd, on request by contacting them directly. Contact details for Security Transfer Registrars Pty Ltd are shown below. Where 2 proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes (disregarding fractions).



Proxy Forms must be signed by a Shareholder or the Shareholder's attorney or, if the Shareholder is a corporation, must be signed by 2 directors or by a director and a secretary, or if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the Proxy Form is signed by a person who is not the registered holder of Shares (e.g. an attorney), then the relevant authority (e.g. in the case of proxy forms signed by an attorney, the power of attorney or a certified copy of the power of attorney) must either have been exhibited previously to the Company or be enclosed with the Proxy Form.

Please read the instructions and other information on the Proxy Form.

For an appointment of a proxy to be effective, the proxy's appointment (and, if the appointment is signed by an attorney, the authority under which it was signed or a certified copy of the authority) must be received by Environmental Clean Technologies' share registry by 11:00 am on Wednesday, 14th November 2012.

A Proxy Form is included with this Notice. If you require a second proxy form, please contact Environmental Clean Technologies' share registry or you may copy the Proxy Form.

Proxy Forms may be lodged by posting, delivery or facsimile to the Company's share registry as follows:

Security Transfer Registrars Pty Ltd

Postal Address: PO BOX 535, Applecross, Western Australia 6953

Street Address: Alexandria House, Suite 1, 770 Canning Highway,
Applecross, Western Australia 6153

Telephone: +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

Corporate shareholders

A Shareholder which is a body corporate and which is entitled to attend and vote at the Meeting, or a proxy which is a body corporate and which is appointed by a Shareholder entitled to attend and vote at the Meeting, may appoint a person to act as its representative in accordance with section 250D of the Corporations Act. The representative must present satisfactory evidence that they are authorised to act as the company's representative prior to admission to the Meeting. The authorisation may be effective either for this Meeting only or for all meetings of the Company.

Registration

If you are attending the Meeting, ***please bring your personalised Proxy Form with you.*** If you do not bring your form with you, you will still be able to attend the Meeting, but on registration, representatives from the Company's share registry will need to verify your identity.

Questions from Shareholders

There are 2 ways to ask the Directors or the Auditor a question:

1. Post or email your question to the Company at:

Environmental Clean Technologies Limited
Level 7, 530 Little Collins Street,
Melbourne Vic, 3000 Australia
Email: info@ectltd.com.au
Telephone: +61 (0) 3 9909 7684
Attention: Company Secretary



2. Attend the Meeting.

Questions to the Company should relate to matters that are relevant to the Meeting, including matters arising from the 2012 Annual Report and general questions regarding the Company's management or performance. Written questions to the Auditor should relate to the conduct of the audit or the content of the Auditor's Report.

Please note that written questions to the Company must be received no later than 11:00 am (Melbourne time) on Wednesday, 14th November 2012. Questions to the Auditor must be received no later than 5 business days before the Meeting, being Friday, 9th November 2012.

The Company is required by law to forward all questions to the Auditor, from which the Auditor is required to prepare a list of those questions that are considered to be relevant to the conduct of the audit or the content of the Auditor's Report. The Auditor may omit questions that are the same in substance to other questions. The list of questions prepared by the Auditor will be available on the Company's website, www.ectltd.com.au prior to the Meeting. In addition, copies of the list of questions will be available at the Meeting.

The Chairman of the Meeting will answer as many of the frequently asked questions submitted to the Company as possible at the Meeting.

By order of the Board

Mike Davies
Managing Director and Executive Chairman
5th October 2012



Explanatory Memorandum

This Explanatory Memorandum (which is included in, and forms part of, the Notice of Annual General Meeting) is provided to Shareholders to explain the Resolutions to be put to Shareholders at the Annual General Meeting and to assist Shareholders to determine how they wish to vote on the Resolutions.

The Annual General Meeting will be held at the offices of Norton Rose, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria on Friday, 16th November 2012 at 11:00 am, Melbourne time.

1. Annual Financial Report

The full year results for the Company are available in the 2012 Annual Report sent to those Shareholders who elected to receive the annual report or online at www.ectltd.com.au. Any relevant announcements made by the Company after the date of the 2012 Annual Report will be available on the Company's website at www.ectltd.com.au.

The Corporations Act and the Company's Constitution require the following reports in respect of the financial year of the Company ended on 30 June 2012 to be presented to the Meeting:

- the Financial Report (which includes the Financial Statements and Directors' declaration);
- the Directors' Report (which includes the Remuneration Report); and
- the Auditor's Report.

Except for the non-binding advisory resolution in respect of the Remuneration Report (refer to Resolution 1 below), there is no requirement in the Corporations Act or the Constitution for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about or make comments on the management or performance of the Company.

The Auditor of the Company is required to attend the Meeting and will be available to take Shareholder's questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the 2012 financial statements of the Company and the independence of the Auditor in relation to the conduct of the audit. The Auditor will also be allowed a reasonable opportunity to answer written questions submitted in accordance with the process described previously.

2. Adoption of Remuneration Report (Resolution 1)

The Remuneration Report of the Company for the financial year ended 30 June 2012 is set out in the Directors' Report (included in the 2012 Annual Report) (**Remuneration Report**).

In compliance with section 300A of the Corporations Act, the Remuneration Report sets out the Company's policy for determining the nature and amount of remuneration for the Directors and specified executive officers of the Company. The Board has a policy of ensuring that remuneration paid to Directors and management is market competitive while at the same time aligned to the achievement of strategic objectives and the creation of value for Shareholders.

Section 250R of the Corporations Act requires a resolution in relation to the Remuneration Report to be included in the business of the Meeting, so that Shareholders have opportunity to comment and ask questions on the content of the Remuneration Report and exercise a vote for its adoption. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.



The Corporations Act requires that if at 2 consecutive annual general meetings of the Company, 25% or more of votes cast are against the adoption of the Remuneration Report, Shareholders will be required to vote at the second of those annual general meetings on a resolution (known as a spill resolution) that another general meeting of the Company (known as a spill meeting) is to be held within 90 days of the spill resolution at which all of the Directors at the time the Remuneration Report was approved (other than the Managing Director of the Company) must stand for re-election.

At the 2011 Annual General Meeting over 95% of eligible Shareholders voted in favour of adopting the Company's Remuneration Report for 2011 and nothing further was required under the Corporations Act. At the forthcoming Meeting if more than 75% of the votes cast on Resolution 1 are in favour of adopting the Remuneration Report then nothing further happens. If 25% or more of the votes cast on Resolution 1 are against adopting the Remuneration Report and at the Company's 2013 Annual General Meeting the same result occurs, at the Company's 2013 Annual General Meeting a spill resolution will be put to Shareholders to consider whether the Board should be put up for re-election at a subsequent general meeting (spill meeting). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene the spill meeting within 90 days of the 2013 Annual General Meeting.

The vote on Resolution 1 will, in the first instance, be determined by a show of hands as required by clause 12.12 of the Constitution. However, if there is any doubt regarding the outcome of the voting, the Chairman of the Meeting will demand a poll for Resolution 1 so that the votes for and against the Resolution can be accurately determined. If a poll is required, it will be held towards the end of the Meeting.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation to vote the proxy in accordance with the Chairman's intention.

3. Resolutions 2 & 3 – Re-election of Mr Stephen Carter (Non-executive Director) and Mr Ashley Moore (Chief Operating Officer and Executive Director).

Clause 13.2 of the Company's Constitution and ASX Listing Rule 14.4 provide that a Director must not hold office without re-election after the third Annual General Meeting following the Director's appointment or 3 years, whichever is longer. In addition, clause 13.2 of the Constitution provides that one-third of the Directors for the time being, or if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office at each Annual General Meeting of the Company. The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots. All the incumbent Directors were elected or re-elected to office at the 2011 AGM and it was agreed between them that Messrs Carter and Moore will stand for re-election at the 2012 AGM.

Mr Stephen Carter (MBA, Dip. Applied Science, Advanced Dip. Company Directors, Diploma Stockbroking, FAICD, MSAA) was appointed as a non-executive director in May 2009, re-elected at the 2011 AGM on 30th November 2011 and is retiring from the Board under these rotation rules and, being eligible, offers himself for re-election at the Meeting. Stephen has extensive experience in delivering strategic projects including the commissioning of Crown Casino, the commercial preparation for the integration of Ansett/Air New Zealand, delivery of a multi-million dollar funding package for the redevelopment of the Melbourne Showgrounds, the review and transformation of Air New Zealand's engineering division and the commercial repositioning of Spotlight Pty Ltd. Mr Carter is not and has not been a director of any other publicly listed company in the past 3 years.



Mr Ashley Moore (BEng (Chem), MIEAust, CPEng) was appointed as a Director by the Board on 17th August 2011, elected at the 2011 AGM on 30th November 2011 and is retiring from the Board under these rotation rules and, being eligible, offers himself for re-election at the Meeting. Ashley is a graduate of Melbourne University in chemical engineering and is a Chartered Professional Engineer. He has extensive industry experience in all facets of supply chain management, sales and marketing and major project delivery from more than 25 years in the industry. Ashley joined ECT in October 2009 as Business Manager, Coldry, during which time he displayed exemplary leadership and team building skills. Mr Moore is not and has not been a director of any other publicly listed company in the past 3 years. Ashley was appointed to be the Chief Operating Officer of the Company in August 2011.

Recommendation

The Board (other than Mr Carter with respect to Resolution 2 and Mr Moore with respect to Resolution 3) recommends that Shareholders vote in favour of Resolutions 2 and 3.

4. Resolution 4 - Ratification of prior issue of Shares and Options

Subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that a company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued securities.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

(a) Issue of securities in 12 months to 30th September 2012

In the 12 month period to 30 September 2012 there were a number of issues of new Shares and Options in the Company. In total 657,184,907 Shares, 350,139,076 listed Options and 20,000,000 unlisted Options were issued.

(b) Issues of Shares not requiring ratification for the purposes ASX Listing Rule 7.4

Of the new Shares and Options issued, the issue of 621,851,573 Shares, 327,916,853 listed Options and 20,000,000 unlisted Options were ratified or approved by Shareholders, or fell within the 15% limit in ASX Listing Rule 7.1. The issues were as follows:

	ESI	Listed Options	Unlisted Options
Rights Issue allotments	184,366,583	92,183,507	
Take-up of shortfall from 2011 Rights Issue	178,966,673	89,483,340	
Approved at AGM November 2011	66,666,671	33,333,338	
Ratified at General Meeting 27 April 2012	119,333,336	57,916,668	20,000,000
Approved at General Meeting 27 April 2012	72,500,000	55,000,000	
Exercise of Listed Options	18,310		
Total subject to ASX LR 7.4 exceptions	621,851,573	327,916,853	20,000,000
To be ratified at 2012 AGM	35,333,334	22,222,223	
Grand Total Issued	657,184,907	350,139,076	20,000,000



(c) Resolution 4

Resolution 4 requests Shareholders to ratify, for the purposes of ASX Listing Rule 7.4, the issue of 35,333,334 Shares and 22,222,223 listed Options to the following parties:

On 4th June 2012 the Company issued 2,000,000 new Shares at 2.1¢ per Share to Podium International Pty Ltd in consideration for entering into the agreement in respect of Exploration Licence EL5119.

On 21st June 2012 the Company issued 33,333,334 new Shares at 2.1¢ per Share and 22,222,223 listed Options at nil consideration per Option by way of a private placement to professional and sophisticated investor private clients of Menzies Securities to raise \$700,000. The funds raised from the placement were used for the Company's on-going working capital requirements.

By ratifying the above issues pursuant to ASX Listing Rule 7.4, the Company will retain the flexibility to issue new Shares and other securities in the future up to the 15% annual limit set out in ASX Listing Rule 7.1 (without the need to obtain prior Shareholder approval).

(d) Information required for shareholder ratification

Under ASX Listing Rule 7.5, the Company is required to provide the following information in relation to Resolution 7:

- a. The total number of securities allotted was 35,333,334 Shares and 22,222,223 listed Options as set out in item 4(c) above.
- b. The prices at which the new Shares and new Options were issued are detailed in item 4(c) above.
- c. Each of the Shares issued was issued as fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares.
- d. Each listed Option is exercisable at \$0.02 on or before 16 January 2014 and each Option entitles the holder upon exercise to be issued with one fully paid ordinary share in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares.
- e. The parties to whom the Shares and Options were issued are detailed in item 4(c) above.
- f. The purpose for the issue of the Shares and Options is detailed in item 4(c) above.
- g. A voting exclusion statement is included in the Notice of Annual General Meeting.

Recommendation

The Board unanimously recommends that shareholders vote in favour of Resolution 4.

5. Resolution 5 - Approval for additional placement capacity of securities

Effective 1 August 2012, ASX Listing Rule 7.1A was introduced to provide eligible mid to small cap listed entities with the ability to seek shareholder approval to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placements over a 12 month period over and above the 15% permitted under ASX Listing Rule 7.1. The authority to undertake such placements requires shareholder approval by way of a special resolution at an AGM and such approval is valid for 12 months from the date of the AGM. To be eligible the company, at the time of the AGM, must not have a market capitalisation of more than \$300 million and cannot be included in the S&P/ASX 300 Index. Furthermore, the securities must not be issued at a price that is less than 75% of the volume weighted average price (VWAP) of the securities calculated over the 15 trading days on which trades in those securities were recorded immediately before the date on which the issue price of the securities is agreed, or the issue date (if the securities are not issued within 5 trading days of the date on which the issue price is agreed).



As at the date of this Notice the Company has 1,609,093,752 fully paid ordinary Shares on issue and Resolution 5 seeks approval for the Company to have the capacity to issue new equity securities equal to 10% of the sum of the number of Shares on issue 12 months before the date of issue or agreement plus the number of Shares issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1 (security issues approved by shareholders) or ASX Listing Rule 7.4 (ratification of securities issued under the 15% limit of ASX Listing Rule 7.1) or under an exception in ASX Listing Rule 7.2 (exemptions to ASX Listing Rule 7.1 including Shares issued pursuant to a pro-rata rights issue and approved employee incentive schemes). The Company, as at the date of this Notice, has on issue 2 classes of equity securities, Shares and Options listed on ASX. If Resolution 5 is approved the Directors may, at their discretion, issue equity securities up to 25% of the number of ordinary securities on issue by way of placements over a 12 month period pursuant to ASX Listing Rules 7.1 and 7.1A.

Determination of the additional capacity to issue Securities if Resolution 5 approved.

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
 - plus the number of partly paid shares that became fully paid in the 12 months;
 - plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
 - less the number of fully paid shares cancelled in the 12 months.

(Note that A is has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity).

D is 10%

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

On 30 September 2011, the Company had on issue 951,908,845 Shares and in the 12 months to 30 September 2012 the Company issued a further 363,351,566 Shares pursuant to ASX Listing Rule 7.2 and 258,500,007 Shares pursuant to ASX Listing Rules 7.1 and 7.4, making A in the above formula a total of 1,573,760,418 Shares of which the Company as at 30 September 2102 had a capacity to issue:

- 236,064,063 equity securities under ASX Listing Rule 7.1 (15% of A); and
- subject to Shareholder approval being sought under Resolution 5, 157,376,042 equity securities under ASX Listing Rule 7.1A (10% of A).



The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2

Notice requirements for approval under rule 7.1A

Minimum price. The Company will only issue equity securities for which the aggregate issue price of the equity securities is 75% or more of the volume weighted average price (VWAP) of equity securities in the same class calculated over the 15 trading days immediately before the date on which the issue price of the equity securities is agreed, or the issue date (if the equity securities are not issued within 5 trading days of the date on which the issue price is agreed).

Risk of economic and voting dilution. Shareholder approval of Resolution 5 and any subsequent issue of Shares pursuant to ASX Listing Rule 7.1A.2 may result in the economic and voting dilution of existing Shareholders. There is a risk that:

- the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the approval at the Meeting under rule 7.1A; and
- the equity securities may be issued at a price that is at a discount to the market price for Company's equity securities on the issue date.

The impact upon the funds raised and existing shareholder dilution under alternative scenarios of share price and increases in Variable A from the level as at 30 September 2012 is shown in the table below. The table provides a matrix showing the number of Shares issued for a 10% dilution and the funds raised assuming Variable A is as at the 30 September 2012 level, 50% higher and 100% higher and assuming the placement Share price is at the Current Price of 1.0¢ (Share price as at 4 October 2012), half the Current Price at 0.5¢ and double the Current Price at 2.0¢.

Variable A in LR 7.1A.2	Share price	Dilution		
		\$0.005	\$0.010	\$0.020
		Half Current Price	Current Price	Double Current Price
Current Variable A	10% Voting Dilution	157,376,042	157,376,042	157,376,042
	Funds Raised	\$786,880	\$1,573,760	\$3,147,521
50% Increase in Variable A	10% Voting Dilution	236,064,063	236,064,063	236,064,063
	Funds Raised	\$1,180,320	\$2,360,641	\$4,721,281
100% Increase in Variable A	10% Voting Dilution	314,752,084	314,752,084	314,752,084
	Funds Raised	\$1,573,760	\$3,147,521	\$6,295,042

The table has been prepared on the following assumptions:

- (a) The Company issues the maximum number of equity securities available if the additional 10% placement capacity is permitted by shareholders approving Resolution 5.
- (b) No Options are exercised into Shares before the date of the issue of the equity securities;
- (c) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (d) The table shows only the effect of issues of Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
- (e) The issue of equity securities under the 10% Placement Facility consists only of Shares. If the issue of equity securities includes Options or other convertible securities, it is assumed that those



- Options or other convertible securities are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders;
- (f) The Current Price is \$0.010, being slightly below the price of the Shares on ASX on 27 September 2012 of \$0.011.

Expiry of approval. If approved by Shareholders the Company may issue equity securities on terms as detailed in this Explanatory Memorandum from 16th November 2012 until the earlier to occur of:

- 15th November 2013; or
- the date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX.

The approval under Resolution 5 for the issue of the equity securities will cease to be valid if Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

Purpose of new issues. Funds raised from any issues under ASX Listing Rule 7.1A.2 may be used for working capital purposes, the acquisition of assets or as consideration for the payment of expenses incurred or services rendered.

Allocation policy. The Company's allocation policy will be dependent on the prevailing market conditions at the time of any proposed issue pursuant to ASX Listing Rule 7.1A. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to the methods of raising funds that are available to the Company and advice from the Company's corporate and financial advisers, if applicable. The allottees, if Resolution 5 is approved, have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Details of new issues under rule 7.1A from prior year. The Company has not previously obtained approval to issue any Securities pursuant to ASX LR 7.1A.

Voting exclusion statement.

A voting exclusion statement relating to the approval of Securities under ASX Listing Rule 7.1A is included in the Notice of General Meeting.

Please note that Resolution 5 is a special resolution and therefore requires approval of at least 75% of votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or representative).

Recommendation

The Board unanimously recommends that shareholders vote in favour of Resolution 5.

6. Resolution 6 – Approval of issue of new Shares and Options

On 27th April 2102 Shareholders approved the issue of 300 million Shares and 300 million listed Options to Monash Capital Group Pty Ltd (**Monash Capital**) or nominated entities to raise \$4.0 million to accelerate completion of the Design for Tender and to secure working capital funding for the balance of 2012/early 2013. This approval expired before Monash Capital could arrange the full subscription amount and on 26th July 2012 its nominated entity subscribed for 37.5 million Shares and 37.5 million listed Options and the Company received \$500,000 in part satisfaction of the placement as approved at the April 2012 General Meeting.

In announcements on 19th and 26th July 2012 the Company advised that in the event Monash Capital was unable to subscribe for the full \$4.0 million placement it would extend to the Company a converting loan for an amount of \$6.0 million. As at the date of this Notice, the Company has not received the proposed converting loan but Monash Capital remains committed to subscribing for up



to 300 million Shares at \$0.02 per shares (ESI) and an equal number of listed Options (ESIO) for nil consideration, subject to Shareholder approval of Resolution 6. If Shareholders do not approve Resolution 6 the Company will consider alternative capital raising initiatives consistent with the ASX Listing Rules to fund the on-going development of its technologies and to meet working capital requirements.

ASX Listing Rule 7.1 – Issue of new Shares and Options

Subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that a company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued Securities. Shareholder approval is required for the issue of new Shares and Options under ASX Listing Rule 7.1 if the number of Shares and Options to be issued may exceed this limit hence Resolution 6 seeks approval pursuant to ASX Listing Rule 7.1

Information required for Shareholder approval

In accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders:

1. The maximum number of Shares and Options to be issued will be 300 million and 300 million respectively.
2. The proposed issue of Shares and Options is expected to be within 5 business days following Shareholder approval, but in the event of a delay, no later than 13th February 2013.
3. Up to 300 million Shares will be issued at 2.0¢ per share and an equal number of Options will be issued for nil consideration..
4. Each Share issued will be issued as a fully paid ordinary share in the capital of the Company and issued on the same terms and conditions as the Company's existing Shares.
5. Each Option is exercisable at no less than 2.0¢ and no later than 16th January 2014 [and each Option entitles the holder upon exercise to be issued with one fully paid ordinary share in the capital of the Company and issued on the same terms and conditions as the Company's existing Shares.
6. The proposed placee of the new Shares and Options will be Monash Capital or its nominated entity or entities. Following the placement contemplated by Resolution 6, Monash Capital and its nominees will hold approximately 16% of the issued capital of the Company.
7. The proposed placement of up to \$6.0 million (before expenses) will be used to fund the on-going development of the Company's Coldry and Matmor technologies and to meet working capital needs.
8. A voting exclusion statement is included in the Notice of Annual General Meeting.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 6.

7. Resolution 7 - Increase aggregate fees payable to non-executive directors

The Constitution allows payment to non-executive Directors, out of the funds of the Company, by way of remuneration for their services as Directors, of such sums as may be determined by the Company in general meeting. A General Meeting held in September 2008 determined that the total fee payable to all non-executive Directors of the Company be increased to \$250,000 per annum. It has not been changed since that time. Resolution 7 proposes that the aggregate amount of Directors' fees paid to non-executive Directors for undertaking their duties as directors be set at a maximum of \$400,000 (i.e. an increase of \$150,000 per annum) and seeks Shareholder approval for that amount. The Company has sought to appoint an additional non-executive Director since late 2011, but in the process it became evident that the Company's present non-executive Directors' fees do not reflect the fair remuneration for the work and risks associated with being a Director of the Company. Up until 30 June 2012, there were two non-executive Directors and their annualised fee was \$50,000 each and the aggregate amount paid was well within the shareholder approved limit. Effective 1 July 2012 the base fee payable to non-executive directors for discharging their duties as Directors was increased to \$75,000 per annum each, being \$50,000 in cash and \$25,000 in Shares, subject to shareholder approval for the issue of the Shares, the subject of Resolution 8. If Shareholders do not approve the issue of Shares, as part of the non-executive Directors remuneration, then the \$25,000 will be paid in cash. Additionally, it is planned there be 4 non-



executive directors and that the total base fees payable in cash and shares would exceed current limit of \$250,000. It is important for Shareholders to approve Resolution 7 to permit the increase in aggregate non-executive Directors' fees to facilitate the appointment of additional non-executive Directors to enhance the necessary skills and experience to guide the Company through the critical transition of the building and operation of the Coldry Demonstration Plant through to the construction of a full commercial-scale production plant.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 7.

8. Resolution 8 – Approval of the issue of shares under the ECT Executive & Director Incentive Plan

Background

The Board considers it important that a component of executive and Director remuneration be by way of the issue of Company Securities, to help align their interests to the success of the Company. The Company has an Executive & Director Incentive Plan (the **Plan**) that permits the issue of Shares or the grant of Options to eligible executives and Directors as an incentive component of their remuneration and to reduce the cash expenditure of the Company.

It is proposed that Non-executive Directors acquire Shares through fee sacrifice to enable the Company to provide an appropriate level of directors' fees without impacting upon the cash reserves of the Company but will also provide an incentive for performance. In respect of the Executive Directors the issue of Shares under the Plan will be applied to the provision of bonuses and / or part of the base remuneration of the relevant Director undertaking executive responsibilities.

The Plan to be approved in Resolution 8 is structured to comply with Exception 9 in ASX Listing Rule 7.2 so that issues of Shares under the Plan will not be taken into account for the purposes of the 15% limit on Shares that may be issued under ASX Listing Rule 7.1, with the exception that Shares issued under the Plan will be added to the total number of Shares on issue against which the 15% limit is calculated. The issue of Shares to any Director of the Company will also require approval by Shareholders under Exception 4 in ASX Listing Rule 10.12 to ASX Listing Rule 10.11 which applies to acquisitions of Shares by a director or associate under an employee incentive scheme that have been approved for the purposes of ASX Listing Rule 10.14. The approval for the issue of Shares to Directors pursuant to the Plan will be sought in Resolutions 9(a), (b), (c) and (d).

Executive bonuses

The Company has in the past provided equity incentives based upon achievement of pre-determined performance criteria. Past issues of Securities as part of employee remuneration were part of an incentive plan, but as it had never been explicitly approved pursuant to the requirements of Exception 9 in ASX Listing Rule 7.2 any issues were counted against the 15% limit allowed in ASX Listing Rule 7.1. The Company may grant bonuses on an annual basis to key management personnel through the Plan to reward performance against benchmarks agreed by the Board. Executive bonuses are not expected to exceed 20% of base remuneration in any one year and may be paid in cash or Securities or a combination of both. By approving Resolution 8, any issue of Securities issued pursuant to the Plan will not be counted against the 15% limit allowed in ASX Listing Rule 7.1. If Resolution 8 is not approved the Company may still issue Securities pursuant to the Plan, however any Securities issued will be counted against the 15% limit allowed in ASX Listing Rule 7.1.

The Company's Managing Director, Mr Mike Davies and its Chief Operating Officer, Mr Ashley Moore, will both be eligible for a grant of bonuses pursuant to the Plan but as they are both Directors of the Company, separate Shareholder approval is required for the Company to issue Securities to a Director pursuant to the Plan. Such approval is being sought by Resolution 9 and details of the approval required are detailed in the explanatory notes for Resolution 9 below. Resolution 9 will be seeking approval for an issue of Securities to Mr Moore in the event he is eligible for bonus under



the Plan and to Mr Davies as part of his remuneration package under the Plan. Effective 1 July 2012, the base fee payable to Non-executive Directors for discharging their duties as Directors was increased to \$75,000 per annum each, being \$50,000 in cash and \$25,000 in Shares, subject to Shareholders adopting Resolutions 8 and 9(a), (b), (c) and (d), by approving the issue of Securities to Directors pursuant to the Plan and sacrificing part of their Directors' fees by accepting an issue of the Shares.

Information required for Shareholder approval

Under ASX Listing Rule 7.2 Exception 9(b), the Company is required to provide the following information to shareholders to allow them to assess the proposed Plan:

Summary of the terms of the Plan

The objective of the ECT Executive & Director Incentive Plan (the Plan) is to assist in the reward, retention and motivation of executives and employees. Eligible participants in the Plan are non-executive directors, executive directors, executives and other employees of ECT. The Plan permits the ECT Board from time to time at its discretion to issue Shares or the grant of Options or rights to Share or Options eligible participants in the Plan. The Board will determine the procedure for issuing Shares, granting Options and rights to Share or Options, including the form and content of any invitation, offer or acceptance procedure. The Board may at its discretion impose one or more vesting conditions, including time or performance conditions, at the time of grant of rights to Share or Options under the Plan. Any issue of Shares, grant of Options and rights to Share or Options will not confer any right or interest in Shares, nor have any entitlement to dividends until any Vesting Conditions have been met. Any Options or rights to Share or Options which have not been exercised will expire and cease to exist in accordance with the terms and conditions specified at the time of grant. The Plan permits the Board to enforce forfeiture of unvested Shares, grant of Options and rights to Share or Options under defined circumstances. If a change of control of ECT occurs, the Board may at its discretion resolve that the vesting conditions applicable to unvested Options or unvested rights to Share or Options be waived. A copy of the Plan is available from the Company upon request.

Prior Issues under the Plan

The Company has not previously sought approval for the Plan so there has been no Securities issued under the Plan since the date of the last approval.

Voting exclusion statement.

A voting exclusion statement relating to the approval of the Plan is included in the Notice of General Meeting.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 8.



9. Resolutions 9(a), (b), (c) and (d) – Approval of the issue of Shares to Directors under the ECT Executive & Director Incentive Plan

Background

The Company is seeking approval for the Executive & Director Incentive Plan (the **Plan**) in Resolution 8 to permit the issue of Shares or the grant of Options (**Securities**) to eligible executives and Directors as an incentive component of their remuneration and reduce the cash expenditure of the Company. The Board considers it a major incentive for the Directors to receive part of their remuneration in the form of Shares, linking their remuneration to the Company's share price performance. For Directors to receive Securities pursuant to the Plan the Shareholders must also approve Resolutions 9(a), (b), (c) and (d). Under ASX Listing Rule 10.11, the Company must obtain the approval of its shareholders by resolution before it can issue Securities to a related party or a person whose relationship with the Company or a related party is, in ASX's opinion, such that shareholder approval should be obtained. As a director of the Company, each Director is a related party of the Company, and therefore any issue of Shares under the Plan requires shareholder approval under ASX Listing Rule 10.11 unless an exception applies. Exception 4 in ASX Listing Rule 10.12 to ASX Listing Rule 10.11 applies to acquisitions of Shares by a director or associate under an employee incentive scheme which have been approved for the purposes of ASX Listing Rule 10.14. ASX Listing Rule 10.14 prohibits the Company from permitting such acquisitions without Shareholder approval.

Executive Directors' bonuses [Resolution 9(a)]

The explanation for Resolution 8 above notes the Company may grant bonuses on an annual basis to key management personnel through the Plan. Incentive bonuses are not expected to exceed 20% of base remuneration in any one year and may be paid in cash or Securities or a combination of both. The number of Shares to be issued in satisfaction of any bonus payable partly or wholly by the issue of Shares will be determined by reference to the VWAP over the first 5 ASX Business Days in the third month of the Relevant Quarter in which the bonus is approved by the Board. A Relevant Quarter is the three month periods ending 31 March, 30 June, 30 September and 31 December of each year. Shares to be issued in satisfaction of a bonus are to be issued in the first month following the Relevant Quarter in which the bonus is approved by the Board.

The Company's Managing Director, Mr Mike Davies and its Chief Operating Officer, Mr Ashley Moore, are both Executive Directors and are eligible for a grant of bonuses but the Company cannot issue Securities to Directors without Shareholder approval. Resolution 9(a) only contemplates provision of incentive bonuses for Mr Moore, and his entitlement to receive a bonus will be determined on the basis of achieving critical milestones in the commercialisation of the Company's core technologies. These milestones include successful completion of the Design for Tender and proceeding to build a Coldry pre-commercial demonstration module. The amount of any bonus entitlement will be determined at the discretion of the Board.

If Resolution 9(a) is approved then in any 12 month period from 14 November 2012 to 13th November 2015 the Company will not issue more than 6 million new Shares to Mr Moore, If the number of Shares to be issued in a year in satisfaction of a bonus to be granted were to exceed the maximum of 6.0 million new Shares, then the bonus amount that would exceed the maximum of new Shares to be issued over the 12 month period would be paid out in cash to ensure the maximum is not exceeded.

If Shareholders do not approve Resolution 9(a) any bonus entitlement of Mr Moore will be paid in cash.

Managing Director's remuneration to be partially satisfied by the issue of Shares [Resolution 9(b)]

Effective from 1 July 2012 and while Mr Davies is discharging the duties of Managing Director and Executive Chairman his base remuneration will be \$22,500 (before tax) per month payable in cash plus Shares to the value of \$12,500 per Relevant Quarter and to be issued quarterly. The Board considers it important that part of the Managing Director's remuneration be linked to the Company's Share price as an incentive to ensure there is an alignment between remuneration and returns to Shareholders. The Shares to be issued, subject to shareholder approval of Resolutions 8 and 9(b),



will be allotted within the first week following the end of each Relevant Quarter and priced at VWAP over the first 5 ASX Trading Days in the third month of the Relevant Quarter.

In respect of the three months to 30 September 2012 the VWAP (as described above) was 1.24¢ per Share and Mr Davies has an entitlement under the Plan to the issue of 1,008,065 new Shares, and Resolution 9(b) encompasses approval to issue these Shares.

If Resolution 9(b) is approved then in any 12 month period from 14 November 2012 to 13th November 2015 the Company will not issue more than 5 million new Shares to Mr Davies, If the number of Shares to be issued in a year in satisfaction of the equity component of Mr Davies remuneration were to exceed the maximum of 5.0 million new Shares, then the equity component amount that would exceed the maximum of new Shares to be issued over the 12 month period would be paid out in cash to ensure the maximum is not exceeded.

If Shareholders do not approve Resolution 9(b) then Mr Davies will be paid \$12,500 per Relevant Quarter in cash.

Non-executive Director Incentive Shares [Resolutions 9(c) and (d)]

Effective 1 July 2012, base fee payable to Non-executive Directors for discharging their duties as Directors has been increased to \$75,000 per annum each, being \$50,000 in cash and Shares to the value of \$25,000 per annum, subject to Shareholder approval of Resolutions 9(c) and (d) for the issue of the Shares in lieu of cash fees to the 2 Non-executive Directors, namely Mr Stephen Carter and Mr Iain McEwin. The Board consider it important that part of each Non-executive Director's remuneration be linked to the Company's Share price as an incentive to ensure there is an alignment between their remuneration and returns to Shareholders. If Resolutions 9(c) and (d) are approved Shares to the value of \$6,250 will issued to each of the Non-executive Directors in respect of each Relevant Quarter. A Relevant Quarter is the three month periods ending 31 March, 30 June, 30 September and 31 December of each year. The shares to be issued, subject to Shareholder approval of Resolutions 9(c) and (d), will be allotted within the first week following the end of each Relevant Quarter and priced at VWAP over the first 5 ASX Trading Days in the third month of the Relevant Quarter. Shareholder approval of Resolutions 9(c) and (d) will pertain only to the two Non-executive Directors as at the date of this Notice, being Mr Stephen Carter and Mr Iain McEwin.

In respect of the three months to 30 September 2012 the VWAP (as described above) was 1.24¢ per Share and Messrs Carter and McEwin have an entitlement under the Plan to the issue of a total of 1,008,065 new Shares, and Resolutions 9(c) and (d) encompasses approval to issue these Shares.

If Resolutions 9(c) and (d) are approved then in any 12 month period from 14 November 2012 to 13th November 2015 the Company will not issue more than 2.5 million new Shares to each of Messrs Carter and McEwin, If the number of new Shares to be issued in a year in satisfaction of the equity component of each Non-executive Directors' remuneration were to exceed the maximum of 2.5 million new Shares each, then the equity component amount that would exceed the maximum of new Shares to be issued over the 12 month period would be paid out in cash to ensure the maximum is not exceeded.

If Shareholders do not approve the issue of Shares to Mr Carter or Mr McEwin under Resolutions 9(c) and (d), as part of the Non-executive Directors remuneration, then the \$25,000 per annum per Non-executive Director will be paid in cash on a quarterly basis.

Information required for Shareholder approval

Under ASX Listing Rule 10.15A, the Company is required to provide the following information to shareholders to allow them to assess the proposed issue of Shares under the Plan:

Number of Securities to be issued

The maximum number of Shares for which approval is being sought under the Plan for the issue of bonus shares to the Executive Director, the Share issue component of the Managing Director's remuneration and the Non-executive Directors fee sacrifice is 48 million Shares over the 3 years of the approval sought, being not more than 16 million Shares in any 12 month period from 14



November 2012 to 13th November 2015. The 16 million per annum is the maximum number of Shares that could be issued under this approval, and is not the expected number of Shares that will be issued under the Plan unless the Company's Share price falls significantly. The maximum number of Shares is required to be specified under the ASX Listing Rules. It is likely that the number of Shares issued under the Plan in each calendar year will be considerably less than this maximum number. In the year to 30 June 2013, if Resolutions 9(a), (b), (c) and (d) are approved, there will be a total 2.0 million new Shares issued in respect of the September 2012 quarter entitlements for the Managing Director and the 2 Non-executive Directors detailed above. In respect of the Managing Director and the 2 Non-executive Directors, it is estimated a maximum of approximately 7.5 million new Shares for the 3 quarters to June 2013 and, in respect of Mr Moore, if the Board agrees to grant a bonus in the year ended 30 June 2013 there could be a further issue of up to 4.0 million new Shares, a total of 13.5 million new Shares for the year.

In respect of each Resolution, if approved, the maximum number of new Shares that may be issued over the 3 year period from 14 November 2012 to 13th November 2015 is as follows:

- Resolution 9(a) – 18.0 million new Shares to Mr Moore;
- Resolution 9(b) – 15.0 million new Shares to Mr Davies
- Resolution 9(c) – 7.5 million new Shares to Mr Carter
- Resolution 9(d) – 7.5 million new Shares to Mr McEwin

Price of Securities

The price of Shares to be issued under the Plan will be based on the market price. The Shares to be issued will be allotted within the first week following the end of each Relevant Quarter and priced at VWAP over the first 5 ASX Business Days in the third month of the Relevant Quarter as described above. A Relevant Quarter is the three month periods ending 31 March, 30 June, 30 September and 31 December of each year.

In respect of the Executive Director's bonuses [Resolution 9(a)], the Relevant Quarter in which the Board determines the Executive Director is eligible to receive a bonus. In respect of the Managing Director's remuneration [Resolution 9(b)] and the Non-executive Directors' remuneration [Resolution 9(c) and 9(d)], the Relevant Quarter is the three month period in which the remuneration is earned.

No Previous participants

As the Plan is a new Plan there have been no previous participants.

Eligible directors

The Directors eligible to participate in the Plan are as follows:

- Mr Michael Davies
- Mr Ashley Moore
- Mr Stephen Carter
- Mr Iain McEwin

Subsequently appointed Directors are not covered by Resolutions 9(a), (b), (c) or (d) and a separate future resolution will be required before they will be eligible to participate in the Plan.

No Loan arrangements

Shares will be acquired under the Plan pursuant to fee sacrifice arrangements with relevant Participants. There are not proposed to be any loans in relation to such acquisitions.



Annual report disclosures

Details of any Securities issued under the Plan will be published by the Company in each annual report of the Company relating to a period in which Securities have been issued, and that approval for the issue of Securities was obtained under ASX Listing Rule 10.14.

Any additional persons who become entitled to participate in the Plan after Resolutions 9(a), (b), (c) and (d) was approved and who are not named in the Notice of General Meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

Date of issue

The Company will issue Shares that are the subject of Resolutions 9(a), (b), (c) and (d) under the Plan no later than 13th November 2015.

Voting exclusion statement.

A voting exclusion statement relating to the Plan Proposal is included in the Notice of Annual General Meeting.

Recommendation

Even though each member of the Board is interested in the outcome of Resolutions 9(a), (b), (c) and (d), it unanimously recommends that Shareholders vote in favour of Resolutions 9(a), (b), (c) and (d).



Glossary

In this Notice and Explanatory Memorandum:

\$ or A\$ means Australian dollars (AUD);

AGM means an annual general meeting;

Annual General Meeting or **Meeting** mean the annual general meeting of the Company to be held at 11:00am on Friday, 16th November 2012;

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires);

ASX Listing Rules means the listing rules of the ASX;

Auditor means BDO East Coast Partnership;

Board means the board of Directors of the Company;

Constitution means the constitution of the Company;

Corporations Act means the *Corporations Act 2001* (Cth);

Directors mean the directors of the Company from to time;

Explanatory Memorandum means the explanatory memorandum which accompanies, and is incorporated as part of, the Notice of Meeting;

Environmental Clean Technologies, ECT or **Company** means Environmental Clean Technologies Limited ACN 009 120 405;

Key Management Personnel means key management personnel as defined by section 9 of the Corporations Act;

Menzies Securities means Menzies Securities Pty Ltd ACN 130 703 463;

Monash Capital means Monash Capital Group Pty Ltd ACN 117 708 442

Notice, Notice of Meeting, or **Notice of Annual General Meeting** means the attached Notice of Meeting;

Options means options to acquire Shares;

Plan means the Executive and Director Incentive Plan of the Company;

Proxy Form means the proxy form which accompanies this Notice;

Relevant Quarter means the three month periods ending 31 March, 30 June, 30 September and 31 December of each year.

Resolution means the resolution to be put to shareholders at the Meeting, as set out in the Notice of Annual General Meeting;

Securities means Shares, Options, securities convertible into Share or rights to Shares or Options that maybe granted by the Company;

Shareholder means the registered holder of Shares; and

Shares means fully paid ordinary shares in the capital of the Company.