ADDITIONAL INFORMATION – LEAD MANAGER MANDATE

Wednesday 19 May 2021: On 7 April 2021, Environmental Clean Technologies (**ECT** or **Company**) announced that it had received firm commitments from sophisticated and professional investors to raise $1.5 million under a Placement and was also conducting a share purchase plan to raise up to an additional $2 million (**SPP**). The Company appointed Kaai Pty Ltd ACN 644 272 131 trading as Kaai Capital (**Kaai or Lead Manager**) as lead manager to the Placement and to any shortfall which may arise under the SPP (**Mandate**) and also invited Kaai (or its nominee) to acquire shares in the Company under an Equity Lending Facility (ELF). Details of the capital raising, and the Mandate are provided in the 7 April 2021 Announcement. Some of the fees payable to Kaai are subject to shareholder approval to be sought at a meeting of the Company proposed to be held in June 2021 (**Meeting**). If shareholder approval is not obtained, the Company will proceed with the issue of securities to Kaai, in payment of its fees, under its placement capacity when it is able to do so. The purpose of this announcement is to provide additional information in relation to the Mandate.

Under the Mandate, Kaai lead managed the Placement for the Company which raised $1.5 million and will also assist to place any shortfall arising under the SPP. Kaai will also have a first right of refusal to lead manage any capital raisings by the Company in the next 12 months.

ECT's engagement of Kaai followed soundings of other market participants, extensive negotiations between the parties and consideration by the Board of various fundraising structures. The Company agreed to enter into the Mandate with Kaai (including the fees payable) having regard to various factors including Kaai's strong recent track record in raising capital for small cap ASX companies and ability to act quickly, willingness to accept shares and options in lieu of payment of cash fees, depth of knowledge of the business (with some of the principals of Kaai having been involved in ECT's original ASX listing in 2006) as well as its ability to introduce the Company to Euclase Capital (**Euclase**) which has been appointed as the Company's Corporate Advisor (as noted in the 7 April 2021 announcement). The Company is also pleased to note that Kaai will donate $15,000 of its fees in cash to an Australian registered charitable deductible gift recipient.

Euclase Mandate

In consideration for the corporate advisory services to be provided by Euclase under the Mandate, the Company will pay Euclase a fee of $5,000 (ex GST) per month during the term of the engagement.

Fees payable under the Kaai Mandate

Under the Mandate, in consideration for lead manager services provided and to be provided by Kaai, the Company has (subject to shareholder approval to be sought at the General Meeting to be held in June 2021) agreed to pay Kaai the following fees:

- a fee of 6% of the amount raised under the Placement, which Kaai has elected to receive in Shares (**Placement Fee Shares**) and attaching listed Options (ASX:ECTOE) (**Placement Fee Options**) on the same terms as the Placement. Subject to shareholder approval, this will result in the issue of 90,000,000 Placement Fee Shares and 30,000,000 Placement Fee Options to Kaai (or its nominees)*;

- if there is an SPP shortfall, a fee of 6% of the amount that Kaai places in SPP shortfall Shares which Kaai has agreed to receive in Shares (**SPP Fee Shares**) on the same terms as the SPP. If eligible shareholders take up the SPP in full, there will be no SPP shortfall, and no fee will be payable. If no shareholders take up the SPP (which is considered unlikely) and Kaai places the entire SPP shortfall, it will result in the issue of up to 75,000,000 SPP Fee Shares to Kaai*; and

- the issue of listed Options (ASX:ECTOE) to Kaai at an issue price of $0.00001 per Option on the basis of 1 Option for every 2 Shares that are issued under the Placement and SPP shortfall (**LM Options**). The number of LM Options to be issued will therefore depend on whether there is any shortfall under the SPP. In the event no shareholders take up the SPP (which is considered very unlikely) and Kaai places the entire SPP shortfall, this will result in the issue of up to 1,375,000,000 LM Options to Kaai or its nominees*.

*If shareholders do not approve the issue of securities above, the Company will issue these securities under its placement capacities as and when it is able to.

ELF Facility

Under the Mandate, the Company also agreed, subject to shareholder approval to be sought at the Meeting, to establish an Equity Lending Facility (**ELF**) with Kaai (or its nominees), on the following terms and conditions:

- Under the ELF Kaai (or its nominee) will be invited to acquire 350,000,000 Shares in the Company at an issue price of $0.002 each (**ELF Shares**) which will have a holding lock applied.
- The subscription price of $700,000 will be funded by way of a loan from ECT Finance Limited (a wholly owned subsidiary of the Company) (**ECT Finance**) to the holder, with the loan to be secured against the ELF Shares.
- At any time in the 3 years after the issue of the ELF Shares, the holder may elect to repay ECT Finance the loan (including any accrued and unpaid interest and fees), in which case the security and the holding lock will be lifted. If the holder does not pay this amount by the due date, the ELF Shares will be sold or cancelled. Under the ELF, the Company has the right to sell the ELF Shares. Alternatively, the Company could, with shareholder approval, cancel the ELF Shares as a reduction of capital.
- Under the ELF, the holder will pay an interest rate of 11.95% (in cash), or a concessional interest rate of 5.95% (in cash) if there is no event of default subsisting, with interest to capitalise and be paid at maturity of the ELF.
- The holder is also required to pay an establishment fee of $200, a SMSF custodian fee of $200 (if applicable) and a management fee of 2% of the principal outstanding on each 6-month anniversary of the drawdown date (unless the loan strike ratio is less than 85% - this ratio is the amount of the loan outstanding after repayments as a percentage of the original loan, so in broad terms will apply after 15% of the loan is repaid). The management fee will be capitalised and paid at maturity of the ELF.
- The $700,000 can be partially repaid by the holder at any time, in which case, ECT Finance and the Company will have discretion to release the security and holding lock over a portion of the ELF Shares (but is not obliged to do so).

Valuation

The Directors have valued the Placement Fee Options, Placement Fee Shares, LM Options, SPP Fee Shares and ELF Shares in accordance with the valuation set out in Schedule 1, which can be summarised as follows:

Type	Number (maximum)	Value
Placement Fee Options	30,000,000	$15,000
Placement Fee Shares	90,000,000	$90,000
LM Options	1,405,000,000*	$702,500*
SPP Fee Shares	85,000,000	$120,000
ELF Shares	350,000,000	$262,500

**this assumes that no eligible shareholder takes up any of their entitlement under the SPP and Kaai places the entire SPP shortfall. The Company considers this to be unlikely. If eligible shareholders take up some or all of their entitlement under the SPP, the number of shortfall shares to be placed by Kaai will reduce (or be nil), and the number of LM Options to be issued will also reduce proportionately.*

This announcement has been approved and authorised to be given to the ASX by the Board of ECT.

For further information, contact:

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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

Coldry is the gateway enabler of higher-value applications for low rank coals.

Low rank coals are a rich source of valuable hydrocarbons but suffer from high moisture content that must be reduced to enable higher-value upgrading and conversion to solid fuels, liquid or gaseous hydrocarbons.

Drying is easy. However, drying efficiently and cost effectively has been the challenge. Coldry meets this challenge through a combination of 'brown coal densification' and waste heat utilisation, delivering the world's first low temperature, low pressure, low cost, zero CO_2 emissions drying process.

About HydroMOR

The HydroMOR process has the potential to revolutionise primary iron making.

HydroMOR is a simple, low cost, low emission, hydrogen-driven technology which enables the use of 'low value' feedstocks to produce primary iron.

About COHgen

The COHgen process has the potential to deliver a lower cost, lower emission method for hydrogen production from brown coal.

COHgen is currently advancing through fundamental laboratory development intended to form the basis for a patent application ahead of scale up and commercialisation.

About CDP-WTE

The catalytic depolymerisation-based waste-to-energy process converts 'low-value' resources into higher-value diesel and other valuable by-products.

CDP-WTE can be deployed as a standalone solution or integrated with the Coldry process to deliver higher-value, lower-emission energy solutions to lignite resource owners.

Areas covered in this announcement:

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

Schedule 1

Valuation

In order to provide additional information to Shareholders, the Directors have prepared the following valuation of the Placement Fee Options, LM Options and ELF Shares.

1. Placement Fee Options and LM Options

The Placement Fee Options and LM Options are options in the same class as the currently listed options ASX:ECTOE. They have an exercise price of $0.003 (0.3 cents) and a February 2023 expiry date. The valuation methodology adopted by the Directors is the Black-Scholes methodology.

Black Scholes – (see assumptions below) = 0.05 cents per ECTOE

Assumptions for Black-Scholes valuation:

Spot price	180
Strike price	300
Time to expiry	22 months
Volatility	80%
Risk free interest rate	2%
Dividend yield	0%

Additional notes: Black-Scholes is a theoretical pricing model which is typically more valid for large cap listed companies. Volatility is a highly influential variable in this model and volatility for nano-cap stocks like ECT adds little validity to the final price generated from this model. The valuation above should be considered in this context.

2. Placement Fees and LM Options

Based on the above the Directors consider that an appropriate valuation range for the fees to be paid to the Lead Manage KAAI by way of issue of the of the Placement Fee Options and the LM Options is as follows:

If there is no SPP Shortfall - $390,000

If there is a 50% SPP Shortfall $546,250

This is based on the issue of 30,000,000 Placement Fee Options and:

(1) If there is no SPP shortfall – the issue of 750,000,000 LM Options; and
(2) If there is a 50 % SPP shortfall – the issue of 1,062,500,000 LM Options.
The Directors did not consider it meaningful to value the Lead Manager fees if the SPP shortfall was more than 50%.

3. ELF Shares

Principal terms: 0.2 cents loan, 350m ECT:ASX, May 2023 expiry.

Consistent with the treatment of similar issues by the Company's auditors, the Directors have valued the ELF offer based on Black Scholes at 0.075 cents per share.

Assumptions for Black Scholes valuation:

Spot price	180
Strike price	200
Time to expiry	2 Years
Volatility	80%
Risk free interest rate	2%
Dividend yield	0%

ELF Shares 350,000,000 x $0.0075 = $262,500

Additional notes:

Under the ELF loan:

- Interest of 11.5% pa (or 5.95% pa if no event of default is subsisting) shall capitalise and be paid on the repayment date; and
- A management fee of 2% of the amount outstanding calculated every 6 months from draw down (unless LSR is less than 85% on that date) shall capitalise and be paid on the repayment date.

These fees would reduce the valuation and have not been included in the above calculation.