

# Board Changes and \$3M Promissory Note Raising

## Highlights

- **Highly regarded Executives Jason Marinko and Tim Wise appointed to the board**
- **Binding commitments from sophisticated and professional investors to raise \$3 million**
- **Funds raised will be used to complete construction of ECT's small-scale Coldry demonstration & char plant in Bacchus Marsh as well as provide funds to enable the Company to assess complementary ESG acquisition and business development opportunities and working capital**

**3 September 2021:** Environmental Clean Technologies Limited (ASX: ECT) (**ECT or Company**) is pleased to announce that it has received firm commitments for a promissory note raising of A\$3,000,000 via the issue of promissory notes each with a face value of \$1.00 (**Promissory Note Raising**) and the appointment of highly regarded Executives Jason Marinko and Tim Wise, to the Board as Non-Executive Directors.

## Board Restructure

Mr Marinko is an experienced public company CEO, Director and Chairman, with expertise in the technology and investment banking industries and a proven track record in leading technologies to commercialisation. His experience includes being the Executive Chairman of geospatial imagery company Spookfish Limited, where he oversaw the company from its ASX listing through to its eventual sale to North American industry leader, EagleView Technologies Inc and its U.S. private equity partners.

In addition, Mr Marinko was previously CEO of Little World Beverages Limited and an Executive Director at ASX-listed logistics technology company, Yojee Limited, and is currently a Non-Executive Director of legal tech innovator, Immediation Limited. He has extensive corporate finance experience and holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors.

Mr Wise is an experienced entrepreneur and Company Director with particular expertise in the energy, industrial innovation and technology sectors has more than 20 years' experience in public companies and capital markets. He was the founder and former CEO of Kalina Power Ltd (ASX:KPO) and The Tap Doctor, and is currently an Executive Director at Phos Energy Limited and a Non-Executive Director of Tamaska Oil and Gas Limited (ASX:TMK), Graft Polymer plc and Melchor Pty Ltd. He has a Bachelor of Science from the University of Western Australia.

In conjunction with the appointment of Messrs Marinko and Wise to the board, existing Directors the Hon. Neil O'Keefe and Mr Ashley Moore will step down from the board to make way for the new directors. Mr Moore will continue as ECT's group Chief Engineer, and the Company will engage Mr O'Keefe on a consulting basis to continue to assist the Company with its government relations strategy. In connection with the board restructure, current Executive Chairman Glenn Fozard will move into the position of Managing Director. These board changes take effect immediately. To show their support for the Company, Messrs Marinko and Wise have also participated in the Promissory Note Raising (Mr Marinko as to \$50,000 and Mr Wise as to \$25,000).

Glenn Fozard and Ashley Moore are also participating in the Promissory Note Raising, with Mr Fozard subscribing for \$40,000 of Promissory Notes and Mr Moore subscribing for \$20,000 of Promissory Notes. Messrs Fozard and Moore's participation in the Promissory Note Raising will be set off against outstanding directors fees owing from the Company to Messrs Fozard and Moore. Details in respect of the Promissory Note Raising are provided below.

### **Promissory Note Raising**

The Company is also pleased to announce that it has received firm commitments for a Promissory Note Raising from a syndicate of sophisticated and professional investors (together, the **Lenders**).

Proceeds from the Promissory Note Raising will be utilised:

- a) to complete the construction of the Company's small-scale Coldry demonstration & char plant in Bacchus Marsh, Victoria;
- b) to enable the Company to assess complementary acquisition and business development opportunities; and
- c) for working capital purposes.

Settlement of the Promissory Note Raising and the issue of the Promissory Notes is set to occur in early September 2021. Refer to Schedule 1 for the material terms (including the conversion provisions which are subject to shareholder approval) of the promissory notes (**Promissory Notes**). If the Company obtains shareholder approval and all of the Promissory Notes are converted, assuming a conversion price of \$0.01 per Share, up to 300,000,000 Shares will be issued to the Lenders (which will result in a dilution to existing shareholders, based on the total issued share capital of the Company as at the date of this announcement, of approximately 19%).

Subject to the Company obtaining shareholder approval, 100 free attaching listed options in the ECTOE class of securities (Option) will also be granted for every Promissory Note subscribed for under the Promissory Note Raising. These Options have an exercise price of 3 cents and expire on 20 February 2023. An Appendix 3B accompanies this announcement.

Kaai Capital acted as Lead Manager to the Promissory Note Raising and will be paid a fee of 6% of the amount raised together with 150 million listed Options in the ECTOE class of options (**LM Options**). To enable the Company to preserve cash, Kaai has agreed to receive its 6% fee in fully paid ordinary shares (**Fee Shares**) and Options (**Fee Options**) on the same effective terms as the conversion terms of the Promissory Notes, that is at a deemed issue price of 1 cent per Fee Share together with 1 attaching Fee Option for each cent raised.

The value of the LM Options and the Fee Options based on a Black-Scholes valuation is \$0.00014 per Option. The Company has valued these options based on the following assumptions:

- Share price: \$0.01 (being the closing price of Shares on 26 August 2021, the day the Company entered into trading halt)
- Exercise price: \$0.03
- Expiry date: 23 February 2023
- Risk free rate: 0.2%
- Volatility: 50%

The value of the securities to be issued to Kaai or nominees in consideration for lead managing the Promissory Note Raising based on the last traded price of Shares on 26 August 2021 (being the day the

Company entered into a trading halt) and the Black Scholes valuation of the LM Options and the Fee Options is as follows:

	Number	Value per security	Total Value
<b>Fee Shares</b>	18,000,000	\$0.01	\$180,000
<b>Fee Options</b>	18,000,000	\$0.00014	\$2,520
<b>LM Options</b>	150,000,000	\$0.00014	\$21,000

The Fee Shares, LM Options and 15 million Fee Options will be issued under the Company's existing 15% placement capacity under ASX Listing Rule 7.1. The balance of 3 million Options will be subject to shareholder approval to be sought at the Company's 2021 Annual General Meeting. None of the fee securities to be issued to Kaai or its nominees will be subject to escrow.

The Company notes that as detailed in its 7 April 2021 ASX announcement, Kaai also acted as Lead Manager to a placement by the Company in April which raised \$1.5 million (**April Placement**), and was also engaged to lead manage any shortfall arising under the Company's share purchase plan to raise \$2 million (**SPP**). The fees paid to Kaai (or its nominees) in consideration for lead managing the April Placement were approved by shareholders at a general meeting held on 25 June 2021 (**Meeting**) and are detailed again below:

- a 6% fee of the amount raised under the April Placement of \$1.5 million, which was settled through the issue of Shares and Options on the same terms as the placement, resulting in the issue of 9 million Shares and 3 million Options; and
- 75 million Options, on the basis of 1 Option for every 2 Shares issued under the April Placement.

In addition, the Company also established an equity lending facility with nominees of Kaai under which 35 million Shares were issued. These Shares are subject to a holding lock and will not be released unless and until the subscription price of \$0.02 is paid.

As announced by the Company on 9 June 2021, approximately \$395k was raised under the SPP, and the shortfall of approximately \$1.6 million has not been placed to date as the Company's share price has generally traded below the SPP offer price of 1.6c since close of the SPP. As approved by shareholders at the Meeting, the Company has until 25 September 2021 (being 3 months after the Meeting) to place the SPP shortfall.

This announcement has been authorised for release to ASX by the Company's Board of Directors.

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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. Still, they suffer from high moisture content that must be reduced to enable upgrading and conversion to higher-value products.

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<sub>2</sub> 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.

## **Forward-Looking Statements**

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of ECT, are or may be forward-looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

## Schedule 1 – Terms of Promissory Notes

1.	<b>Face Value</b>	Each Promissory Note has a face value of \$1.00.
2.	<b>Loan Amount</b>	A\$3,000,000 ( <b>Loan Amount</b> ).
3.	<b>Interest</b>	5% per annum capitalised at the earlier of conversion or redemption
4.	<b>Security</b>	Each Promissory Note is unsecured.
5.	<b>Maturity Date</b>	24 months from the issue date ( <b>Issue Date</b> ) of the Promissory Notes ( <b>Maturity Date</b> ).
6.	<b>Conversion</b>	<p>(a) Subject to shareholder approval, a Lender may separately elect, by giving notice to the Company at any time during a Conversion Period that the Loan Amount plus any interest accrued and capitalised (<b>Outstanding Amount</b>) of the Promissory Notes be converted into fully paid ordinary shares in ECT (<b>Shares</b>) (<b>Conversion</b>).</p> <p>(b) The number of Shares to be issued pursuant to a Conversion will be calculated by dividing the Outstanding Amount for that Lender by a conversion price equal to the lower of:</p> <ul style="list-style-type: none"> <li>(i) 80% of the 5 trading day VWAP of Shares immediately prior to the relevant Conversion date; and</li> <li>(ii) \$0.01,</li> </ul> <p style="padding-left: 40px;"><b>(Conversion Price)</b>.</p> <p>(c) <b>Conversion Period</b> means each period commencing on the date the Company obtains Shareholder Approval in accordance with paragraph 6(d) below and ending on the date that is: (a) for a Lender who is someone to whom Listing Rule 10.11 applies on the date of the Shareholder Approval, 20 days after each General Meeting Date (as applicable); and (b) for all other Lenders, 80 days after each General Meeting Date (as applicable).</p> <p>(d) ECT will seek shareholder approval to enable the Lenders to convert all of the Promissory Notes as follows:</p> <ul style="list-style-type: none"> <li>(i) at the 2021 Annual General Meeting;</li> <li>(ii) on or before a date that is 6 months following the date of the 2021 Annual General Meeting (<b>Second Meeting Date</b>);</li> <li>(iii) on or before a date that is 12 months following the date of the 2021 Annual General Meeting;</li> <li>(iv) on or before a date that is 18 months following the date of the 2021 Annual General Meeting; and</li> <li>(v) on or before a date that is at least one (1) month prior to the Maturity Date (<b>Final Meeting Date</b>),</li> </ul>

		<p>(each a <b>General Meeting Date</b> and together the <b>General Meeting Dates</b>).</p> <p>(e) Unless the Promissory Notes have otherwise been converted or redeemed, subject to the Company obtaining shareholder approval at the Final Meeting Date, on the Maturity Date, all the Promissory Notes will automatically be Converted into such number of Shares as is determined by dividing the Outstanding Amount by the Conversion Price.</p> <p>(f) If shareholders do not approve the Conversion, the Outstanding Amount will be repayable in immediately available funds at the Maturity Date or earlier at a Lender's election (pursuant to paragraph 7 below).</p>
7.	<b>Redemption and Repayment</b>	<p>(a) At any time during the Redemption Period, a Lender may redeem all of the Promissory Notes by giving the Company written notice of redemption (<b>Redemption Notice</b>) and:</p> <p>(i) if the Redemption Notice is given to the Company within the one (1) month period following the 2021 Annual General Meeting or Second Meeting Date (as applicable), the Company will, within 30 days after the date of the Redemption Notice, pay an amount equivalent to the sum of the Outstanding Amount plus 10% of the Loan Amount to the Lender; or</p> <p>(ii) if the Redemption Notice is given to the Company within the one (1) month period following a General Meeting Date (other than the 2021 Annual General Meeting and Second Meeting Date), the Company will, within 30 days after the date of the Redemption Notice, pay an amount equivalent to the sum of the Outstanding Amount plus 20% of the Loan Amount to the Lender.</p> <p>(g) <b>Redemption Period</b> means each period commencing on a General Meeting Date (as applicable) at which relevant general meeting shareholder approval for Conversion is not obtained and concluding one (1) month after that date.</p> <p>(b) If the Promissory Notes have not been converted or redeemed prior to the Maturity Date and if shareholders do not approve the Conversion at the Final Meeting Date, then the Company must pay an amount equivalent to the Outstanding Amount plus 20% of the Loan Amount to the Lender to a bank account nominated by the Lender in full satisfaction of all Promissory Notes.</p>
8.	<b>Events of Default</b>	<p>(a) <b>Events of Default</b> under the Promissory Notes include:</p> <p>(i) the Company not complying with the Promissory Note conditions or repudiating the Promissory Note conditions;</p> <p>(ii) any representation or statement made or deemed to be made by the Company in the Note Conditions is or proves to have been incorrect or misleading in any material respect;</p> <p>(iii) the Company becoming insolvent;</p>

		<p>(iv) any corporate action, legal proceedings or other procedure or step is taken in relation to insolvency or creditor proceedings which is not dismissed within 20 business days; or</p> <p>(v) it is or becomes unlawful for the Company to perform any of its obligations under the Promissory Notes.</p> <p>(b) If an Event of Default occurs, a Lender may by written notice to the Company declare outstanding Promissory Notes due and payable and:</p> <p>(i) if such declaration is given to the Company in the 12 month period commencing on the Issue Date, the Company will pay an amount equivalent to the Outstanding Amount plus 10% of the Loan Amount to the Lender; or</p> <p>(ii) if such declaration is given to the Company during the period commencing on the date that is 12 months after the Issue Date and ending on the Maturity Date, the Company will pay an amount equivalent to the Outstanding Amount plus 20% of the Loan Amount to the Lender.</p>
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