

Environmental Clean Technologies Limited

ABN 28 009 120 405

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

TO BE HELD AT:

Deloitte Touche Tohmatsu
Level 14, 180 Lonsdale Street, Melbourne, Victoria
At 6pm on Tuesday, 18th November 2008

TO BE VALID, THE PROXY FORM ENCLOSED FOR USE AT THE MEETING MUST BE COMPLETED AND RETURNED NO LATER THAN 6 PM ON SUNDAY 16TH NOVEMBER 2008

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.

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A proxy form is enclosed separately

Environmental Clean Technologies Limited

Chairman's Letter

15 October 2008

Dear Shareholder

This Year's AGM will be held at Deloitte Touche Tohmatsu, Level 14, 180 Lonsdale Street, Melbourne, Victoria at 6pm on Tuesday, 18th November 2008. The directors look forward to the opportunity to provide shareholders with an update on the Company's progress at the AGM.

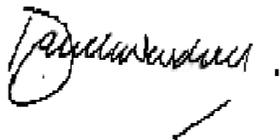
By way of an update on funding arrangements, Environmental Clean Technologies is currently negotiating the formal documents to establish the equity financing arrangement with Pacific Capital Value Fund and its manager Pacific Capital Management Limited (**Pacific Capital**) and expects to have these documents in place by the time the AGM is held. The arrangements with Pacific Capital are expected to result in a total capital raising of \$10m exclusive of the costs and fees payable to Pacific Capital, its legal advisors and the Company's advisors.

Some of the Notes expected to be issued to Pacific Capital were approved at the EGM on 10 September, and further Notes issues will be considered for approval at the AGM.

The Meeting will also consider the approval of other share issues that have been made to provide operational expenses whilst the Company awaits completion of the formalities surrounding the proposed Convertible Notes and the re-appointment of independent non-executive director Mr John Hutchinson who stands down by rotation and offers himself for re-election.

I encourage you to read the Explanatory Memorandum in full and look forward to seeing you at the Annual General Meeting on 18 November 2008.

Yours sincerely



Dave Woodall
Chairman

Environmental Clean Technologies Limited

Notice of Annual General Meeting

The Annual General Meeting of Environmental Clean Technologies Limited (ACN 009 120 405) will be held at Deloitte Touche Tohmatsu, Level 14, 180 Lonsdale Street, Melbourne, Victoria, on 18 November 2008 at 6 pm, Melbourne time.

AGENDA

ORDINARY BUSINESS

The business of the Meeting is to consider and, if thought fit, pass the following resolutions:

1. Accounts

To receive and consider the financial report of the Company for the year ended 30 June 2008 and the related Directors' Report, Directors' Declaration and Auditor's Report.

2. Resolution 1 - Remuneration Report

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

"That the remuneration report, contained in the section of the Director's Report entitled Remuneration of Directors and Officers, be adopted".

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

3. Resolution 2 - Issue of Convertible Notes

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 4 Tranches of convertible notes to Pacific Capital Value Fund (with a value per Tranche of \$500,000) and the issue of fully paid ordinary shares in the Company upon the conversion of those convertible notes (as determined under the terms of the convertible notes) on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting."

4. Resolution 3 - 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 Rules 7.1 and 7.4 and for all other purposes, shareholders approve the issue of 6,012,451 shares and 1,503,113 options as described in the Explanatory Memorandum accompanying this Notice of Meeting."

5. Resolution 4 - Re-election of Mr John Hutchinson

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

"That for the purposes of clause 13.4 of the Constitution Mr John Hutchinson be re-elected as a Director."

6. Other Business

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

Environmental Clean Technologies Limited

Voting exclusion statement

As required by the ASX Listing Rules, the Company will disregard the votes cast on Resolution 3 by Mr John Hutchinson. However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

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 in the Explanatory Memorandum

By order of the Board



Kos Galtos
Chief Executive Officer
15 October 2008

Environmental Clean Technologies Limited

NOTES REGARDING PROXIES AND VOTING

Appointing a proxy

A shareholder who is entitled to attend and vote can appoint a proxy to attend and vote at the Meeting on their behalf. A proxy need not be a shareholder.

A shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If proportions or numbers are not specified, each proxy may exercise half the available votes.

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 6pm on Sunday, 16 November 2008.

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 Environmental Clean Technologies Limited as follows:

Environmental Clean Technologies Limited
Level 13, 222 Kingsway,
South Melbourne, Victoria 3205

Facsimile: (03) 9696 7811
Email: info@ectltd.com.au

Corporate shareholders

Corporate shareholders wishing to appoint a representative to attend the Meeting on their behalf must provide that person with a properly executed letter confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this Meeting only or for all meetings of Environmental Clean Technologies.

Eligibility to vote at the Meeting

For the purpose of Regulation 7.11.37 of the Corporations Regulations 2001, Environmental Clean Technologies has determined, for the purposes of voting entitlements at the Meeting, that Environmental Clean Technologies' shares are taken to be held by those shareholders registered at 4pm Melbourne time on Friday, 14 November 2008. Accordingly, only those persons will be entitled to attend and vote at the Meeting.

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.

How undirected proxies held by the Chairman of the Meeting will be voted

The Chairman of Environmental Clean Technologies will chair the Meeting and will vote undirected proxies in favour of each Resolution. Environmental Clean Technologies encourages all shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

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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 Deloitte Touche Tohmatsu, Level 14, 180 Lonsdale Street, Melbourne, Victoria on Tuesday, 18th November 2008 at 6pm, Melbourne time.

1. Accounts

The *Corporations Act 2001* (Cth) ('**Corporations Act**') requires the Financial Report, Directors' Report and Auditor's Report to be laid before the meeting. There is no requirement in the Corporations Act or the Company's Constitution for shareholders to vote on, approve or adopt these Reports. Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these Reports and on the business, operations and management of the Company.

The Auditor of the Company is required to attend the meeting and will be available to take shareholders' questions and comments about the conduct of the audit, and the preparation and content of the Auditor's Report.

Members may forward written questions to the Auditor on these matters for response at the meeting. These should be emailed to info@ectltd.com.au or mailed to the Company Secretary, Level 13, 222 Kingsway, South Melbourne, Victoria, 3205 and may be submitted up to 5 business days before the meeting.

The Company is required by law to forward all questions to the Auditor and the Auditor is required to prepare a list of questions that the Auditor considers are relevant to the conduct of the audit and the content of the Auditor's Report. The Auditor may omit questions that are the same in substance to other questions and questions that are not received in a timely manner. At the meeting the Chairman will give the Auditor a reasonable opportunity to answer the questions on the question list. 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 Auditor of the Company will also be available to take shareholders' questions at the meeting regarding accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the Auditor in relation to the conduct of the audit.

2. Resolution 1 - Remuneration Report

The Remuneration Report of the Company for the financial year ended 30 June 2008 is set out in the Directors' Report in the section entitled 'Remuneration of Directors and Officers' ('**Remuneration Report**'). The Remuneration Report sets out the Company's remuneration arrangements 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.

Where appropriate the Board has taken advice from independent remuneration consultants to ensure remuneration to Directors and management is in line with the market and similar sized operations.

Following amendments to the Corporations Act, a resolution in relation to the Remuneration Report is required to be included in the business of the Annual General 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 the resolution is advisory only and does not bind the Directors of the Company.

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3. Resolution 2 - Issue of Convertible Notes

Environmental Clean Technologies is currently negotiating an equity financing arrangement with Pacific Capital Value Fund and its manager Pacific Capital Management Limited (**Pacific Capital**). Under the proposed arrangement, Environmental Clean Technologies will issue Convertible Notes to Pacific Capital.

The number of Convertible Notes proposed to be issued may exceed the 15% limit in Listing Rule 7.1 of the ASX Listing Rules. This limit does not apply to an issue approved by shareholders, and accordingly the Company is seeking shareholder approval for the issue of the Convertible Notes and the Shares to be issued on conversion of the Convertible Notes.

The proposed arrangements with Pacific Capital are expected to result in a total capital raising over a maximum 36 month period of \$10m exclusive of costs and fees payable to Pacific Capital and the Company's corporate advisers.

The Convertible Notes will be issued in Tranches of \$500,000 each. Resolution 2 is to approve the issue of up to 4 Tranches of Convertible Notes. As foreshadowed in the General Meeting on 10 September 2008, the Directors are seeking shareholder approval for additional issues of Convertible notes over the next three months. Shareholder approval is only required for the issue of Convertible Notes if the issue crosses the 15% threshold in ASX Listing Rule 7.1 (see below). Accordingly, a number of Tranches may be issued without further shareholder approval.

The funds raised by the issue of the Convertible Notes will be used for:

- (1) further commercialisation of the Coldry technology, including ongoing feasibility studies and design work for the proposed 150,000 tonne demonstration plant;
- (2) preparation for a further capital raising to fund the acquisition of the Coldry technology and construction of the demonstration plant;
- (3) further development of the Matmor technology; and
- (4) increasing the Company's human resources particularly by recruiting a Product Manager, a Business Development Manager and specialised sales support staff. The new staff will be devoted primarily to the commercialisation of the Coldry technology.

ASX Listing Rule 7.1

Subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of 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 the Convertible Notes under ASX Listing Rule 7.1 if the issue of the Convertible Notes or Shares on the conversion of the Convertible Notes will exceed this limit.

If shareholder approval is obtained under Resolution 1:

- the issue of up to 4 Tranches of Convertible Notes and Shares issued on their conversion will be excluded from the calculation of the 15% limit under ASX Listing Rule 7.1; and
- all of the Convertible Notes referred to above may be converted into Shares without further approval from shareholders.

Information required for shareholder approval

In accordance with ASX Listing Rules 7.1 and 7.3, the following information is provided for shareholders:

1. The number of Convertible Notes that will be issued with shareholder approval under Resolution 1 will be up to 4 Tranches of \$500,000.

The Company proposes to issue a maximum of A\$10 million of Convertible Notes to Pacific Capital, via a total of 20 Tranches, each with a denomination of A\$500,000 over a period of 36 months. The maximum number of Shares that the Company will issue on conversion of the Convertible Notes is 666,666,667 Shares, based on the minimum conversion price of the Convertible Notes of A\$0.015.

The conversion price is at the discretion of Pacific Capital either:

- (1) 125% of 30 day VWAP (broadly, at the time of issue of the Notes); or
- (2) 90% of the VWAP per share on any 5 consecutive trading days (selected by Pacific Capital) during the 30 days immediately preceding conversion, with a 1.5 cent minimum conversion price.

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2. All of the Convertible Notes approved under Resolution 2 will be issued within 3 months of the date of the meeting (i.e. no later than 18 February 2009).
3. The issue price of the Convertible Notes is A\$500,000 per Tranche.
4. The allottee of the Convertible Notes is Pacific Capital Value Fund or a related body corporate of Pacific Capital Value Fund.
5. The terms of the Convertible Notes are described below.
6. The funds raised by the issue of the Convertible Notes will be used for:
 - (1) further commercialisation of the Coldry technology, including ongoing feasibility studies and design work for the proposed 150,000 tonne demonstration plant;
 - (2) preparation for a further capital raising to fund the acquisition of the Coldry technology and construction of the demonstration plant;
 - (3) further development of the Matmor technology; and
 - (4) increasing the Company's human resources particularly by recruiting a Product Manager, a Business Development Manager and specialised sales support staff. The new staff will be devoted primarily to the commercialisation of the Coldry technology.

Terms of the Convertible Notes

The Convertible Notes are convertible redeemable debt securities with no coupon (i.e. no interest is payable on them). On conversion Pacific Capital is to be issued with Shares which are to be listed on ASX. Convertible Notes which are not converted must be redeemed by the Company at 100% of their principal amount on the Final Maturity Date, which is 36 months after the Tranche 1 issue date.

The Convertible Notes may be converted into Shares any time before the Final Maturity Date. There are several variables applicable to the conversion price (discussed above).

Pacific Capital and shareholders of the Company will enter into a Share Lending Agreement for 3 years with respect to 10,000,000 shares in the Company, to be placed with a custodian nominated by Pacific Capital. Shareholders will be invited to express interest in participating in these arrangements. The Company will issue shareholders who lend their shares further shares totalling 5% of the number they lend per annum (so a lender of 100,000 shares will receive them back at the end of the 3 year period and will also receive 5000 shares each year by way of a facilitation payment).

A further summary of the terms of the Convertible Notes is contained in the Annexure. The full terms and conditions of the Convertible Notes will be able to be obtained from the Environmental Clean Technologies website at www.ectltd.com.au or the ASX website at www.asx.com.au. Shares issued on conversion of the Convertible Notes will have the same terms and rank equally with existing issued Shares and will be quoted by the ASX.

4. Resolution 3 – Approval of other share issues

ASX Listing Rule 7.1 also allows shareholders of a listed company to approve prior issues of shares to restore the 15% limit.

In the general meeting on 10 October 2007 shareholders approved a \$15,000,000 equity line of credit provided by Fortrend Securities Pty Ltd (**Fortrend**) via a Standby Subscription Agreement. The amount of capital raised and the equity consideration are unknown at the time of each draw down as a formula based on the Volume Weighted Average Prices applies. This resolution approves the issues of shares and options that have been made under the Fortrend equity line of credit since the General Meeting on 10 September 2008, enabling restoration of the 15% limit in ASX Listing Rule 7.1.

The Company has made two draw downs under the Standby Subscription Agreement with Fortrend since the General Meeting on 10 September 2008 and issued a total of 6,012,451 shares and 1,503,113 options to associated entities of Fortrend. These issues enabled the Company to raise \$234,718 for operational expenses. The equity issued was reflected in Appendix 3Bs lodged with the ASX on 25 September 2008 and 8 October 2008.

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In accordance with ASX Listing Rules 7.1, 7.4 and 7.5, the following information is provided for shareholders with respect to the 25 September 2008 issue:

1. The number of securities allotted was 2,833,226 shares and 708,306 options.
2. The price for the securities was \$129,709.08 for the shares and \$0 for the options.
3. The terms of the securities issued were that the shares were ordinary shares and the options are exercisable for ordinary shares at 5.59c per share and expire 25 September 2011.
4. The name of the allottee was HSBC Custody Nominees (Australia) Limited.
5. The funds were raised to fund the operations of the Company.

In accordance with ASX Listing Rules 7.1, 7.4 and 7.5, the following information is provided for shareholders with respect to the 6 October 2008 issue:

1. The number of securities allotted was 3,179,225 shares and 794,806 options.
2. The price for the securities was \$105,009 for the shares and \$0 for the options.
3. The terms of the securities issued were that the shares were ordinary shares and the options are exercisable for ordinary shares at 4.04 per share and expire 8 October 2011.
4. The name of the allottee was HSBC Custody Nominees (Australia) Limited.
5. The funds were raised to fund the operations of the Company.

5. [Resolution 4 - Re-election of Mr John Hutchinson AOM, RFD, ED, FIEAust, CPEng - Non-Executive Director](#)

This Item deals with the re-election of a Director. Under the Company's Constitution and the ASX Listing Rules, a Director must not hold office without re-election after the third Annual General Meeting following the Director's appointment or three years, whichever is longer. Further, under the Constitution, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office at each Annual General Meeting. Mr Hutchinson is retiring from the board under this rotation rule and, being eligible, offers himself for re-election.

John Hutchinson is a very experienced engineer in the coal and utilities field. Formerly in a senior position with the State Electricity Commission (SEC. Vic), John was responsible for \$12B electricity generating, coal production and Latrobe Valley SEC assets and their performance. He also held positions with Coal Corporation of Victoria (General Manager) and Energy Brix Australia (CEO). Mr Hutchinson is a board member of Gippsland Regional Economy and Ecology Network Inc.

John was awarded a Medal of the Order of Australia in the 2008 Australia Day Awards in recognition of his services to the community in the Gippsland regions, for services to tertiary education and for services to the energy industry.

Recommendation

The Board unanimously recommends that shareholders vote in favour of the Resolutions.

Environmental Clean Technologies Limited

Glossary

In this Notice and Explanatory Memorandum:

Annual General Meeting and **Meeting** mean the annual general meeting of the Company to be held at 6pm on Tuesday, 10th November 2008;

ASX means ASX Limited ACN 008 624 691;

ASX Listing Rules means the listing rules of the ASX;

Board means the board of Directors;

Convertible Notes means the convertible notes proposed to be issued by the Company to Pacific Capital;

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

Final Maturity Date means that date that is 36 months from Pacific Capital's subscription for the first Tranche of Convertible Notes;

Pacific Capital means Pacific Capital Value Fund, and its manager Pacific Capital Investment Management Limited Company No. 05836809 of 39 James Street, London, UK SW1 A1JD;

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

Shares means fully paid ordinary shares in the capital of the Company; and

VWAP means the volume weighted average price of Shares traded on the securities market operated by ASX.

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Annexure

Summary of the Convertible Notes' Terms and Conditions

This is a summary only of the key principle features of the Convertible Notes. A full copy of the terms of the Convertible Notes will be able to be obtained from the Environmental Clean Technologies website at www.ectltd.com.au or the ASX website, www.asx.com.au.

Issuer	Environmental Clean Technologies Limited
The Convertible Notes	0.00% convertible notes due 2011.
Interest Rate	0.00% per annum
Conversion Right	Pacific Capital has the absolute discretion at anytime from the respective Closing Dates of the Tranches up to the close of business on the day one week prior to the Final Maturity Date to decide on the dates to convert the Convertible Notes.
Conversion Price	Conversion Price is subject to variation at discretion of the Purchaser: (1) 125% of 30 day VWAP (broadly, at the time of issue of the Convertible Notes); or (2) 90% of 5 /30 day VWAP on conversion, with a 1.5 cent minimum conversion price.
Maturity Date	The Final Maturity Date is 36 months from the date of issue of the Tranche 1 Convertible Notes (expected to be September 2008)
Mandatory Redemption by the Company	Convertible Notes which are not converted by Pacific Capital must be redeemed by the Issuer at 100% of their principal amount on the Final Maturity Date
Use of Proceeds	Further commercialisation of the Coldry technology, including ongoing feasibility studies and design work for the proposed 150,000 tonne demonstration plant. Preparation for a further capital raising to fund the acquisition of the Coldry technology and construction of the demonstration plant. Further development of the Matmor technology. Increasing the Company's human resources particularly by recruiting a Product Manager, a Business Development Manager and specialised sales support staff. The new staff will be devoted primarily to the commercialisation of the Coldry technology.