

COLDry Fertiliser JV Seed Funding & Working Capital Secured

Highlights:

- **“Zero Quest” Joint Venture:**
 - Joint venture established to develop sustainable soil health solutions including the commercialisation of ECT’s net-zero COLDry fertiliser product
 - JV company established: Zero Quest Pty Ltd (www.zero-quest.com.au)
 - ESG and ECT to contribute seed funding of \$150,000 each
 - Field trials to commence immediately
- **Funding Milestones:**
 - ECT secured \$482,488 R&D Loan, including contribution for JV seed funding
 - ECT secured, subject to shareholder approval, \$647,512 in further funding
- **Project Advancements:** COLDry Fertiliser process design completed and tested; field trials to follow
- **Project Finance Progress:** Targeting completion in Q1 CY25
- **Leadership Transition:** Sam Rizzo transitions to Non-Executive Director role for ECT and Zero Quest

Environmental Clean Technologies Limited (ASX: **ECT**) (“**ECT**” or “**Company**”) is pleased to provide the following update on its joint venture project with ESG Agriculture Pty Ltd (“**ESG**”).

Joint Venture with ESG

ECT and ESG have launched **Zero Quest Pty Ltd**, a joint venture with offices in Melbourne and Adelaide, Australia, focused on delivering innovative, zero-emission solutions for sustainable agriculture. As announced on 4 April and 15 July 2024 ESG is a solution provider of soil health products and advisory services, supporting growers on their practice change journey towards reducing their carbon footprint. ESG brings to the JV leading agricultural executives with proven results in engaging with growers and developing agricultural solutions. The collaboration with ESG spearheads the COLDry Fertiliser Project, a transformative initiative to reduce emissions and boost agricultural efficiency.

Key milestones:

- **Incorporation** of Zero Quest Pty Ltd

- **Seed Funding:** The partners have contributed \$300,000
- **Field Trials Launch:** Trials to begin immediately for the COLDry Fertiliser Project.

Zero Quest will be managed jointly by ECT and ESG, with Sam Rizzo (ECT) and Mark Scanlon (ESG) serving as foundation directors. Martin Hill, ECT’s CFO, will act as Company Secretary.

Field Trials and Strategic Goals

Zero Quest is set to conduct field trials with large-scale farmers across South Australia, Victoria, New South Wales, and the Philippines, evaluating diverse crop and soil types. The trials will be funded by the initial \$300,000 contributed by the JV partners and a further \$100,000 that each of the JV partners are obliged to contribute in early 2025. Any additional capital raising (whether equity or debt) is to be contributed equally by the JV partners, unless otherwise mutually agreed. Running for up to six months, the trials will engage farmers under Memorandums of Understanding (MOUs), which are expected to transition into binding off-take agreements upon achieving the following objectives.

Field Trial Objectives:

1. **Validate** the fertiliser’s performance under real-world agricultural conditions, focusing on crop yield and soil health.
2. **Environmental Impact Assessment:** Measure reductions in carbon intensity and overall environmental footprint compared to conventional fertilisers.
3. **Off-Take Agreements:** Secure binding agreements with agricultural stakeholders based on trial success, paving the way for commercial production.

The Value of COLDry Fertiliser

The product, ‘COLDry Fertiliser’, is a blended fertiliser designed to match or surpass the performance of traditional chemical urea fertilisers, offering farmers a competitive and sustainable alternative.

The commercial proposition of COLDry Fertiliser to farmers is:

- Lower cost
- Same or better performance
- Compatibility with existing spreading equipment
- Lower emissions
- Improved soil health benefits

Sam Rizzo, Director of ECT and Zero Quest, commented:

“The establishment and funding of Zero Quest, along with the launch of field trials, mark the culmination of many months of work across the various stages of the Joint Venture between ECT and ESG. This milestone is a strong indicator of progress under our ‘race to revenue model’ and now allows us to channel our focus towards delivering the COLDry Fertiliser Project.”

Mark Scanlon, Director of ESG and Zero Quest, commented:

“The launch of field trials is a significant milestone, showcasing the real-world benefits of our innovative fertiliser. Partnering with ECT underscores our commitment to sustainable practices, and we are confident these trials will demonstrate the transformative potential of this product for both farmers and the environment.”

These developments highlight the strong synergy between ECT and ESG and their shared commitment to sustainable farming practices in Australia. The field trials mark a pivotal step toward commercialising the COLDry technology and establishing a low-emission fertiliser manufacturing facility.

The results from these trials are expected to drive broad adoption by farmers through offtake agreements. These agreements will play a critical role in securing project financing and scaling the existing COLDry demonstration facility to a production capacity of 30,000 tonnes per annum, with potential expansion to 50,000 tonnes.

COLDry Fertiliser Project Advances

The COLDry fertiliser project is central to Zero Quest’s strategic goals, and preparations are well underway to vend this project into the JV company.

Completion of this project will see Zero Quest enter the fertiliser market, providing a highly sought-after product that has yet to be manufactured at any major scale due to complex processing challenges, which COLDry solves.

ECT will act as the technology provider and project manager for the construction and commissioning of the fertiliser plant, and the team continues to meet significant milestones.

Completed Milestones:

- Production process tested successfully
- Process design and layout package complete
- Conditional Council Permit Approval received
- EPA Submission and initial review completed with no significant impediments
- JV company set up and initial seed funding received.

Upcoming Milestones:

- **Field Trial Product Preparation:** Granule production begins December 2024
- **Field Trials:** Scheduled to begin in January 2025, evaluating product effectiveness, environmental impact and commercial potential.

ECT funding arrangements

ECT has entered into an R&D Loan Agreement (“**R&D Loan**”) with its major shareholder LJ & K Thomson Pty Ltd (“**LJ&K Thomson**”). Under the terms of the Loan, LJ&K Thomson has agreed to advance a total of \$482,488 to ECT. The key terms of the Loan are as follows:

- The Loan will be secured by way of a security interest granted in favour of LJ&K Thomson against a share of the Company’s future R&D rebate to a maximum limit of \$170,000.
- The Loan will accrue interest at a rate of 11.5% per annum.
- The Loan must be repaid on or before the date that is 6 months after the date of advance.
- ECT is required to prepay a component of the interest on the R&D Loan on the advance date of the loan.

ECT has also entered into a secured \$1,130,000 convertible note deed with LJ&K Thomson (“**Note Deed**”). The principal amount of the Notes will accrue interest from the issue date at a rate of 11.5% per annum.

The Company will retire the R&D Loan at the time of the issue of convertible notes (“**Notes**”) under the Note Deed.

The Notes will be secured by way of a first ranking mortgage over the Company’s Yallourn property (**Property**). Because LJ&K Thomson is a substantial holder of the Company and the Property is a substantial asset of the Company, the grant of that security will be subject to the Company obtaining the approval of its shareholders at an Extraordinary General Meeting (“**EGM**”) to be held early in the New Year. ECT will be unable to draw down funds under the Note Deed, or issue the Notes under the Note Deed, until such shareholder approval is obtained. Pursuant to the terms of the Note Deed, ECT is required to pay an establishment fee on the date that the Note Deed is entered into, and the interest that will accrue on the principal amount of the Notes (once they are issued) on the issue date of the Notes.

It is also contemplated that the Company will, at that EGM, seek approval for the purposes of Item 6 of section 711 of the *Corporations Act 2001* (Cth) (“**Act**”) in connection with the potential acquisition by LJ&K Thomson of a relevant interest in the Company in excess of 20% which would occur if LJ&K Thomson were to convert sufficient Notes to reach that threshold.

John Tranfield, ECT’s CEO, commented:

“This funding milestone ensures we remain aligned with project timelines and commitments, advancing the COLDry Fertiliser Project toward commercialisation while maintaining organisational stability.”

The proposed funding positions ECT to achieve project finance in Q1 CY25 and complete the project by the end of 2025.

Leadership Changes to Support Growth

ECT has strategically realigned its leadership team to enhance the delivery and commercialisation of the COLDry Fertiliser Project, drawing on the deep expertise and industry experience of Sam Rizzo and John Tranfield. These leadership transitions balance strategic oversight and operational execution, reinforcing ECT’s commitment to sustainable innovation and project success.

- **Sam Rizzo’s Transition to Non-Executive Director:**

Mr Rizzo’s transition to a Non-Executive Director role allows him to focus on providing high-level strategic oversight while continuing to support ECT’s corporate objectives. His in-depth knowledge of renewable energy markets, combined with his extensive network, ensures that he remains a critical resource for guiding the commercialisation of the COLDry Fertiliser Project. As a foundation director on the board of **Zero Quest Pty Ltd**, Rizzo will contribute to steering the joint venture’s strategy and ensuring alignment with ESG Agriculture’s shared vision for sustainable agriculture.

Sam Rizzo commented:

“In my new role, I will focus on providing strategic oversight and guidance as ECT continues its journey toward transforming agriculture. I am excited to support the team as we deliver on this innovative project.”

- **John Tranfield’s Appointment as CEO of ECT:**

With over 18 years of leadership experience in engineering and operations, including pivotal roles at **Exxon Mobil** and **OCS Group**, John Tranfield has a proven track record of delivering complex

projects and driving operational efficiency. During his tenure at Exxon Mobil, Mr Tranfield managed offshore projects across the Bass Strait and Papua New Guinea, overseeing safety, cost control, and contractor management. At OCS Group, as General Manager, he led global operations in Australia, the U.S., South America, and Africa, achieving significant operational improvements and revenue growth.

Since joining ECT as Operations and Engineering Manager, Mr Tranfield has played a key role in optimising the company's processes and preparing to commercialise its technologies. His promotion to CEO marks a strategic step to leverage his operational expertise and leadership capabilities to drive the COLDry Fertiliser Project to successful completion. Under Mr Tranfield's leadership, ECT aims to achieve its ambitious project goals while maintaining its focus on innovation, sustainability, and stakeholder value.

John Tranfield added:

"Stepping into the CEO role is an honour. I am committed to working with ESG Agriculture to drive the COLDry Fertiliser Project forward, achieving our vision of sustainable agriculture while creating value for shareholders."

The Board has expressed its full confidence in this leadership structure, which ensures stability and positions the Company for success in achieving its goals. The transition for Sam Rizzo occurred 9th of December 2024.

Conclusion

ECT and ESG have demonstrated a strong, collaborative partnership to advance sustainable agricultural practices. Establishing Zero Quest Pty Ltd and completing key project milestones signifies progress toward delivering the COLDry Fertiliser Project.

With project finance arrangements targeted for completion in Q1 CY25, the companies are well-positioned to deliver significant environmental and economic benefits, reinforcing their vision of transforming the agricultural sector through sustainable solutions.

Reference Information

Convertible Note Deed disclosure

Loan Type: Convertible Note Agreement

Total Face Value: \$1,130,000

Maturity Date: 6 December 2025.

Security: Subject to shareholder approval being obtained, a first ranking mortgage interest in favour of the Lender against the Company's Yallourn property.

Interest: 11.5% per annum.

Conversion Terms:

- Convertible at the option of the holder up to the Maturity Date, with an aggregate face value of the relevant notes to be converted is equal to or greater than \$50,000 for each conversion notice.

- The company will be seeking approval from shareholders via an EGM for the convertible notes to be secured against the Company's Yallourn property and the conversion of the shares for the purposes of item 7 of section 611 of the Act.
- If the Company is required under the Act, its constitution or the ASX Listing Rules to obtain any further shareholder approvals in connection with the issue of Conversion Shares the subject of a conversion notice, then the Company must use reasonable endeavours to obtain that approval within 6 months of the date of the relevant conversion notice and if after having used reasonable endeavours to obtain that approval, the Company must immediately deem the Notes the subject of the conversion notice but only to the extent that the conversion of those notes without shareholder approval would result in a breach of the Act, its constitution or the ASX Listing Rules.

Conversion Price: \$0.00425 per Share.

Redemption: Convertible Notes not converted by the Maturity Date will be redeemed at face value.

R&D Loan Agreement disclosure

Loan type:	Interest only loan to be repaid out of issue price of Notes
Total face value:	\$482,488
Interest:	11.5% per annum
Security:	Secured by a \$170,000 share of the Company's future R&D rebate

CEO Remuneration disclosure

The Company advises the following key terms of Mr Tranfield's Executive Services Agreement:

Term of Agreement

The appointment will take place on 9 December 2024 and has no fixed term.

Salary

Total fixed remuneration is \$300,000 per annum, exclusive of superannuation.

As part of his remuneration package, the Company intends to offer Mr Tranfield 44 million Options, with an exercise price of \$0.005. These options will be subject to the following Vesting Conditions, which are designed to align the interests of the new CEO with shareholders:

- 10,000,000 Options which vest 12 months from date of grant and expire 3 years from date of grant provided that if terminated without cause within the first 12 months then this first tranche of the options package will vest immediately upon termination of employment;
- 10,000,000 Options which vest no earlier than 12 months from date of grant if the 20-day VWAP is \$0.005 or higher at any time prior to expiry, 3 years from the date of grant;
- 12,000,000 Options which vest no earlier than 12 months from date of grant if the 20-day VWAP is \$0.02 or higher at any time prior to expiry, 3 years from the date of grant; and
- 12,000,000 Options which vest no earlier than 12 months from date of grant and if the 20-day VWAP is \$0.05 or higher at any time up to expiry, 3 years from the date of grant;

The Options will be granted under an Employee Incentive Plan, which the Board has adopted.



Termination

Mr Tranfield's employment may be terminated by either himself or the Company by providing 3 months' written notice. The Company, at its absolute discretion, may elect to make payment in lieu of any period of notice.

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This announcement is authorised for release to the ASX by the Board.

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Forward-looking Statement

This announcement may contain forward-looking statements regarding future events or performance, including but not limited to projections of financial results, anticipated growth, and business strategies. These forward-looking statements are based on current expectations, assumptions, and projections that involve inherent risks and uncertainties. Actual results may differ materially from those anticipated due to various factors, including market conditions, regulatory changes, technological advancements, and economic conditions.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this announcement. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable securities laws.

Investors should carefully consider the risks and uncertainties disclosed in the Company's periodic reports filed with the Australian Securities Exchange (ASX) and other regulatory authorities. Forward-looking statements are provided as of the date of this announcement, and the Company disclaims any obligation to update them except as required by law.