

FORM 51-102F3

**MATERIAL CHANGE REPORT
UNDER NATIONAL INSTRUMENT 51-102**

1. **Name and Address of Company**

BacTech Environmental Corporation
50 Richmond Street East, Suite 300
Toronto, Ontario M5C 1N7

2. **Date of Material Change**

August 27, 2012

3. **News Release**

A news release with respect to the material change referred to in this report was issued on August 27, 2012 and subsequently filed on SEDAR.

4. **Summary of Material Change**

BacTech Environmental Corporation (the "Company") released the results of the Preliminary Economic Assessment for its proposed reclamation project of the Arsenopyrite Residue Stockpile in Snow Lake, Manitoba. The Company has entered into an agreement with the Manitoba Government to implement its Proprietary Bioleaching Technology to eliminate further leaching of arsenic generated within the ARS into the surrounding watershed.

The Company also announced that it intends to raise up to \$1,650,000 by way of a private placement of common share units.

5. **Full Description of Material Change**

The study, prepared by Micon International Limited ("Micon"), demonstrates an economic project to remediate the ARS at current market conditions. A summary of the study will soon be found on the Company's website after it has been reviewed and approved by Micon.

The Bioleach Process will generate two (2) streams; one (1) being a stable ferric arsenate precipitate preventing any further leaching of arsenic into the environment; and two (2) will be a gold residue concentrate. The Company is presently negotiating with the Town of Snow Lake to acquire a property for the bioleach plant that sits adjacent to the ARS. This will provide for relatively easy access to and from the plant and keep noise and dust at a minimum. Approximately 1.4 km from the proposed plant site are several clay pits that were recently excavated to source clay for projects in the local area. It is The Company's intention to pipe and safely dispose of the stable ferric arsenate to one of the nearby pits for storage, water recycling, and subsequent clay capping at the end of the project. Concurrent with the PEA, the Company has engaged Golder & Assoc. to provide baseline environmental studies for the proposed plant site and the clay

impoundment pits, as well as formal submission of environmental operating permits and closure plan to Manitoba Conservation.

Preliminary Economic Assessment

The proposed Snow Lake bioleach plant is designed to treat 109 tonnes of concentrate per day from the ARS. This provides for a project life of approximately 7 years to remediate the ARS safely and benefit from an annual gold production of 10,400 oz/y. At a base case gold price of US\$1,396/oz and 88.6% gold recovery (the 3 year trailing average gold price), the direct operating cost is \$671/oz gold. Royalties and the cost for gold recovery through offsite toll treatment add \$302/oz, bringing the total cash cost to \$973/oz. CAPEX, including a 10% contingency for the project, is estimated to be Cdn\$21.4M. The Company continues to identify and evaluate additional feeds that potentially can add to the operational life of the plant.

Below is a chart with the highlights of the study, as well as price sensitivities for the project using 12- and 24-month average gold prices alongside the 36-month average base case price.

PRELIMINARY ECONOMIC STUDY HIGHLIGHTS (EXTERNAL TOLL TREATMENT, 88.6% GOLD RECOVERIES, PRE-TAX)			
GOLD PRICE (US\$/oz)	\$1,396 3-yr avg. (Base Case)	\$1, 538 (2-yr avg.)	\$1,674 (1-yr avg.)
Cumulative cash flow (Cdn\$M)	\$13.3	\$22.6	\$34.2
NPV @ 5%(Cdn\$M)	\$6.2	\$13.6	\$22.9
NPV @ 7% (Cdn\$M)	\$3.9	\$10.8	\$19.3
IRR	11.1%	17.8%	25.3%
Payback (undiscounted pre-tax)	4.9	3.9	3.1
Total cash cost (US\$/oz)	\$972.72	\$990.54	\$989.62

The PEA is preliminary and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The PEA is an analysis of mineral resources that are not mineral reserves and do not have demonstrated economic viability.

In 2011, the Company engaged the services of Ralph Newson, M.Sc., P.Eng., P.Geo., to prepare an independent NI 43-101 report on the ARS. The following chart summarizes the report. Investors should refer to the full report filed on SEDAR at www.sedar.com.

	Tonnes	Gold g/t	Ounces	Silver g/t	Ounces
Measured Resource	265,000	9.7	82,643	2.17	18,488
Indicated Resource	9,300	9.2	2,750	2.15	642
Inferred Resource	28,000	7.0	6,300	2.4	2,160

The release of the PEA triggers the onset of a 90 day period of exclusivity for Newalta Corporation ("Newalta") to review the project's economics and negotiate their

participation in the Snow Lake project with the Company. Newalta provided \$300,000 towards the cost of the PEA in exchange for the exclusivity period.

Private Placement

The Company also announced that it intends to raise up to \$1,650,000 by way of a private placement of common share units. The Company will issue up to 11,000,000 units at \$0.15 per unit. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.17 for a period of 360 days from the first anniversary of the date of issue. The common shares and warrants will be subject to a four month hold period.

In connection with the private placement, finder's fees of 6% cash may be paid to arm's length parties who introduce subscribers for the units. Securities Research Associates Ltd. has identified a possible purchaser for \$1,500,000. The proceeds of the private placement will be used for the Snow Lake project in Manitoba, general working capital, and ongoing test work.

Quality Control

David J. Salari, P.Eng., the Chief Operating Officer for the Company, is the Qualified Person as defined under National Instrument 43-101 responsible for the scientific and technical work on the program.

Norman Ralph Newson, M.Sc., P.Eng., P.Geo., is the Qualified Person who has verified the geological data, including sampling, analytical and test data underlying the information or opinions related to the Mineral Resource Estimate section of this PEA report, details of which can be found in the 2011 NI 43-101 report filed on SEDAR at www.sedar.com.

Micon has prepared the PEA technical report based on Mr. Newson's resource estimate and its review of metallurgical testwork, and the estimated operating and capital costs for the Snow Lake project. Bogdan Damjanović, P.Eng., B.Sc., Christopher Jacobs, C.Eng., MIMMM, are the Qualified Persons as defined under National Instrument 43-101 responsible for the preparation of these sections of the PEA report.

6. **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

7. **Omitted Information**

Not applicable.

8. **Executive Officer**

For further information, contact Ross Orr, President and Chief Executive Officer of BacTech Environmental Corporation at (416) 813-0303.

9. **Date of Report**

August 30, 2012