

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**

October 3, 2012

3. **News Release**

A news release with respect to the material change referred to in this report was issued on October 3, 2012 and subsequently filed on SEDAR.

4. **Summary of Material Change**

BacTech Environmental Corporation (the "Company") announced that it had closed the first tranche of its private placement of common share units.

5. **Full Description of Material Change**

BacTech Environmental Corporation closed the first tranche of the previously announced private placement of common share units at a price of \$0.15 per Unit. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles 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 warrants can be exercised prior to the first anniversary of the date of issue provided that, after giving effect to the exercise, the holder shall not directly or indirectly own more than 19.99% of the issued and outstanding common shares of BacTech. The common shares and warrants are subject to a four month hold period.

Option Three Advisory Services Limited ("Option Three") subscribed for \$1,450,000 (9,666,666) units and intends to subscribe for an additional 333,334 units as part of the next tranche of the private placement. As part of its subscription for units, Option Three and the Corporation have also entered into an Exclusivity Agreement whereby, subject to applicable law, Option Three will be entitled to nominate a member of the Board of Directors of BacTech for so long as it directly or indirectly holds at least 10% of the issued and outstanding common shares of BacTech, and Option Three has been given exclusivity for five years with respect to the investment in future projects in certain Eastern European countries. As part of this agreement, Option Three has also agreed to not, at any time and together with its affiliates, indirectly or directly hold more than 19.99% of the issued and outstanding common shares of BacTech without the prior approval of BacTech.

BacTech will pay finder's fees totaling \$87,000 in cash to arm's length parties who introduced Option Three for the units in this first closing.

BacTech hopes to close the second tranche of \$150,000 in October.

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**

October 5, 2012