Environmental Clean Technologies Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Environmental Clean Technologies Limited
ABN:	28 009 120 405
Reporting period:	For the half-year ended 31 December 2013
Previous period:	For the half-year ended 31 December 2012

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	25.6%	to	1,641,495
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	50.5%	to	(935,623)
Loss for the half-year attributable to the owners of Environmental Clean Technologies Limited	down	50.5%	to	(935,623)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $935,623 (31 December 2012: $1,891,705).

Refer to the 'Review of operations' within the Directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.07)	(0.01)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

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8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding: Reporting period %	Reporting entity's percentage holding: Previous period %	Contribution to profit/(loss) (where material): Reporting period $	Contribution to profit/(loss) (where material): Previous period $
Victoria Coldry Pty Ltd	50.00%	50.00%	-	-
Coldry East Kalimantan Pty Ltd	50.00%	50.00%	-	-
ECT China Ltd	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Environmental Clean Technologies Limited for the half-year ended 31 December 2013 is attached.

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12. Signed

Signed Ashley Moore ________________________ Date: 25 February 2014

Ashley Moore
Managing Director
Melbourne

Environmental Clean Technologies Limited

ABN 28 009 120 405

Interim Report - 31 December 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Environmental Clean Technologies Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013.

Directors

The following persons were directors of Environmental Clean Technologies Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Glenn Fozard - Chairman (appointed non-executive director on 15 July 2013 and Chairman on 26 November 2013)
Ashley Moore
Stephen Carter
Iain McEwin
Lloyd Thomson (appointed non-execuitive director on 22 August 2013)
Michael Davies (retired on 19 August 2013)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the reduction of carbon emissions and environmental damage through investing and licensing commercially practical and environmentally cleaner technologies and processes. These include:

- Coldry process
- Matmor process
- Intellectual property

Coldry process
The Coldry process is the consolidated entity's first technology proven to be commercially viable as an economic method of dewatering brown coal to produce a black coal equivalent. Once applied, the mechanically simple Coldry process produces pellets that are stable, easily stored, can be transported and are of equal or higher energy value than black coal. Essentially, the Coldry process works through the destruction of internal porous structures, allowing the expulsion of water from lignite and sub-bituminous coals. The Coldry process delivers a ‘Gateway technology’ that enables an ideal front-end feedstock solution for numerous new technology applications.

Matmor process
Matmor is a clean, low-emission, one-step process for producing high-grade primary iron using brown coal to displace the need for coking coals as used in the incumbent blast furnace process. The Matmor process is positioned to fundamentally change primary iron making, creating a high-grade iron product from brown coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending brown coal (lignite) with iron ore or other ferrous metal bearing media to form a paste that is dewatered using the Coldry process. The pellets are then fed into the consolidated entity's simple low cost, low emission patented Matmor retort where the remaining moisture is removed, the coal volatiles are driven off and the iron oxides are reduced to metal.

Intellectual property
The consolidated entity has an exclusive right under a participation agreement with Calleja Group enabling it to licence the Matmor technology and ultimately purchase the Coldry intellectual property. The Coldry process is covered by patents, or pending patents in all major markets with significant brown coal deposits. The sole remaining patent of interest for Coldry yet to be granted is India. This is progressing through the Indian national system.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $935,623 (31 December 2012: $1,891,705).

The reduced loss for the financial half-year was chiefly attributable to the 26.4% increase in research and development tax refund of $1.63 million received from the Australian Taxation Office on 11 October 2013, in addition to the reduced engineering and design costs. The reduced loss occurred despite a much higher spend on the Design For Tender program compared with the previous period and expenses associated with the initial development of coal exploration licence EL5119 and the costs involved in the preparation and application for the Advanced Lignite Demonstration Program ('ALDP') funding.

Significant changes in the state of affairs

The financial half-year has been eventful and in a difficult environment the consolidated entity has progressed toward the key objective of Coldry demonstration by completing the detailed design for the Coldry demonstration plant and advancing project development opportunities and commencing Coldry equipment sourcing initiatives in India.

This is important as the Victorian Government notified the consolidated entity on 2 January 2014, that it would not receive an offer under the ALDP. Whilst disappointing, much of the effort involved in applying under the ALDP dovetailed with the consolidated entity's engineering and development programs, are underpinning the project development opportunities now under way in India.

That the consolidated entity has not received a grant under the ALDP should not be confused with a negative assessment of the Coldry technology by government. Indeed the reality is quite the opposite and the degree to which the consolidated entity advanced through such a rigorous program should be noted:

• Coldry technology was one of around 30 initial applications at the Expression of Interest ('EOI') stage;
• Coldry was assessed as suitably developed to then progress through the detailed examination phase (Request for Proposal ('RFP')); and
• The consolidated entity was further short listed, joining a select field of applicants that underwent more detailed assessment involving technical and financial sub-panels and lastly an interview with the Independent Assessment panel.

Coldry technology remains a solid technical and commercial proposition. Its application is not just for thermal coal export, but also as a pre-drying solution for a wide range of advanced processes that use, upgrade and transform high moisture coals to electrical energy, gases, transportation fuels, chemicals and other outcomes, as well as unlocking the potential within the consolidated entity's Matmor technology.

In addition to its technical and commercial advantages, the Coldry process is unique among drying solutions in that it features a zero CO_2 footprint, and decreases water demand in the processes it integrates with. These features are highly valuable and improve Coldry’s overall worth to its end customers.

On 20 August 2013, the consolidated entity announced that it had concluded its nearly two-year engineering efforts, resulting in a detailed design for Coldry technology deployment. It is this highly developed engineering package that provides the consolidated entity the ability to proceed to construction in Victoria, but – now more importantly – move to develop Indian project opportunities and access lower cost equipment in India itself.

Prior to the end of the financial period, the consolidated entity began a significant activity to develop suitable Coldry plant and equipment providers, as well as construction contractors for Indian deployed Coldry facilities as part of its India strategy. An initial screening of suitable Indian firms, capable of equipment manufacture, sourcing of other items, engineering customisation, as well as construction, led to a short listing of eight firms. These firms then received a partial yet comprehensive engineering information package, allowing their responses with capital cost estimations for a fully constructed facility in India, as well as being able to offer further value-engineering concepts to lower the cost to deliver a functioning Coldry plant. These responses are expected in March 2014, which will then provide the consolidated entity several key outcomes:

• A firm set of as-built capital estimates for Indian deployment, allowing deeper engagement with the consolidated entity's Indian project deployment targets;
• Further ideas regarding improvement to Coldry capital cost; and
• Identify the lead candidates for long term plant, equipment and construction relationships which will carry the consolidated entity forward in India, as well as support deployment in other locations.

On 31 October 2013, the company issued a shareholder update on capital management advising a further round of funding had been delivered via the ‘FAST Finance’ model as an advance against expected research and development tax incentive rebates of $1.2 million expected by November 2014.

The consolidated entity entered a strategic relationship with YES BANK, India’s 4th largest private sector bank, to provide in-country corporate advisory services in support of the consolidated entity’s strategy to develop Coldry and Matmor projects and leverage the cost effective fabrication capabilities available in India’s manufacturing and engineering sectors.

On 24 December 2013, the consolidated entity announced the signing of a non-binding Term Sheet with The Lind Partners LLC, Manager of The Australian Special Opportunity Fund, LP and Australian Investment house Peloton Capital that covers the following:

• The proposed full underwriting of the planned new issue of listed options, as approved by shareholders at the company's annual general meeting on 29 November 2013; and
• A $20 million line of trade finance, for the specific use of supporting the consolidated entity's planned Coldry Commercial-scale Demonstration Plant ('CDP') projects.

The consolidated entity has continued to progress fundamental research and development of the Matmor technology with the testing of numerous lignites and iron bearing materials from both domestic and overseas sources in addition to expanding testing to ores containing Nickel, Chrome, Manganese, and Titanium.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Ashley Moore

____
Ashley Moore
Managing Director

25 February 2014
Melbourne

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DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor for the review of Environmental Clean Technologies Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Environmental Clean Technologies Limited and the entities it controlled during the period.

Alex Swansson

Partner

BDO East Coast Partnership

Melbourne, 25 February 2014

Contents

General information

The financial report covers Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Environmental Clean Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 712, 530 Little Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 25 February 2014. The directors have the power to amend and reissue the financial report.

Environmental Clean Technologies Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Consolidated 31/12//2013 $	31/12/2012 $
Revenue	4	1,641,495	1,306,913
Expenses			
Corporate costs		(202,649)	(213,158)
Legal costs		(78,642)	(59,723)
Employee benefits expense		(613,113)	(750,229)
Sales and marketing		(104,458)	(179,664)
Depreciation and amortisation expense	5	(260,026)	(269,956)
Engineering and design costs		(400,314)	(1,229,156)
Occupancy expense		(90,214)	(89,189)
Travel and accommodation		(26,322)	(72,866)
Other expenses		(49,437)	(50,000)
Finance costs	5	(751,943)	(284,677)
Loss before income tax expense		(935,623)	(1,891,705)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Environmental Clean Technologies Limited		(935,623)	(1,891,705)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Environmental Clean Technologies Limited		(935,623)	(1,891,705)
		Cents	**Cents**
Basic earnings per share	12	(0.05)	(0.12)
Diluted earnings per share	12	(0.05)	(0.12)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Environmental Clean Technologies Limited
Statement of financial position
As at 31 December 2013

	Note	Consolidated 31/12/2013 $	Consolidated 30/06/2013 $
Assets			
Current assets			
Cash and cash equivalents	6	989,084	627,115
Trade and other receivables		55,546	150,227
Other		84,649	99,234
Total current assets		1,129,279	876,576
Non-current assets			
Investments accounted for using the equity method		2	2
Property, plant and equipment		99,490	120,328
Intangibles		7,440,000	7,680,000
Total non-current assets		7,539,492	7,800,330
Total assets		8,668,771	8,676,906
Liabilities			
Current liabilities			
Trade and other payables		228,779	1,044,425
Borrowings	7	1,946,111	2,754,612
Employee benefits		89,986	62,602
Total current liabilities		2,264,876	3,861,639
Non-current liabilities			
Employee benefits		20,769	14,730
Other financial liabilities		417,058	417,058
Total non-current liabilities		437,827	431,788
Total liabilities		2,702,703	4,293,427
Net assets		5,966,068	4,383,479
Equity			
Issued capital	8	54,595,033	52,076,821
Accumulated losses		(48,628,965)	(47,693,342)
Total equity		5,966,068	4,383,479

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	**Issued capital $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2012	49,518,412	(42,249,157)	7,269,255
Loss after income tax expense for the half-year	-	(1,891,705)	(1,891,705)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(1,891,705)	(1,891,705)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	606,500	-	606,500
Balance at 31 December 2012	50,124,912	(44,140,862)	5,984,050

Consolidated	**Issued capital $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2013	52,076,821	(47,693,342)	4,383,479
Loss after income tax expense for the half-year	-	(935,623)	(935,623)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(935,623)	(935,623)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 8)	2,518,212	-	2,518,212
Balance at 31 December 2013	54,595,033	(48,628,965)	5,966,068

The above statement of changes in equity should be read in conjunction with the accompanying notes

Environmental Clean Technologies Limited
Statement of cash flows
For the half-year ended 31 December 2013

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

	Consolidated	
	31/12//2013	31/12/2012
	$	$
Cash flows from operating activities		
Research and development offset	1,727,708	1,292,083
Payments to suppliers and employees	(2,308,349)	(1,836,590)
Interest received	8,468	14,830
Interest and other finance costs paid	(141,969)	-
Net cash used in operating activities	(714,142)	(529,677)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(1,636)
Proceeds from sale of property, plant and equipment	375	-
Net cash from/(used in) investing activities	375	(1,636)
Cash flows from financing activities		
Proceeds from borrowings	1,299,000	1,300,000
Repayment of borrowings	(223,264)	-
Net cash from financing activities	1,075,736	1,300,000
Net increase in cash and cash equivalents	361,969	768,687
Cash and cash equivalents at the beginning of the financial half-year	627,115	285,872
Cash and cash equivalents at the end of the financial half-year	989,084	1,054,559

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value.

Note 1. Significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 1012-2 from 1 July 2013, which enhanced the disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') to provide information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Going concern
For the financial half-year ended 31 December 2013, the consolidated entity had an operating net loss of $935,623, net cash outflows from operating activities of $714,142, and net current liabilities at the reporting date of $1,135,597. Furthermore the consolidated entity does not have a source of revenue and is reliant on equity capital or loans from third parties to meet its operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

Note 1. Significant accounting policies (continued)

To this end, the consolidated entity is expecting to fund ongoing obligations as follows:

- The consolidated entity is planning to convene a general meeting of shareholders in April 2014 to seek approval of placements and other issues of securities that had not been already approved by shareholders. At the same meeting shareholder approval will be sought for the consolidated entity to issue a new series of Options and/or Equities. The Options series is similar to that approved in the AGM in November 2013, though with adjustments to pricing. If shareholders approve the resolutions put to the proposed meeting planned for in April 2014, the directors, on behalf of the consolidated entity, will have authority to raise substantial funds by way of placements to meet its business objectives;
- The consolidated entity retains access to residual amounts within the Arup Strategic Deliverable Bond to the amount of $350,000, subject to the continued mutual agreement of the Bond broker and the consolidated entity;
- The consolidated entity has conditional offers of trade financing, subject to certain conditions, to support Commercial Demonstration Plant projects. Formal execution of these would require shareholder approval; and
- The consolidated entity continues to receive assurances and written guidance from Monash Capital Group Pty Ltd that they are making progress on their capital raising with respect to the planned equity placement.

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Note 2. Comparatives

Certain comparatives have been reclassified to align with current period presentation. There was no effect on the loss for the period, net asset position or cash flows.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity operates predominantly in the environmental and energy industry, and a single geographic segment being Australia.

At regular intervals, the CODM is provided management information at a consolidated level for the entity's cash position, the carrying values of intangible assets and a cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

Note 4. Revenue

	Consolidated	
	31/12//2013	**31/12/2012**
	$	**$**
Interest	8,468	10,991
Research and development tax refund	1,632,606	1,292,083
Other revenue	421	3,839
Revenue	1,641,495	1,306,913

Note 5. Expenses

	Consolidated	
	31/12//2013	31/12/2012
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	17,922	29,956
Fixtures and fittings	404	-
Office equipment	1,700	-
Total depreciation	20,026	29,956
Amortisation		
Intellectual property	240,000	240,000
Total depreciation and amortisation	260,026	269,956
Finance costs		
Interest and finance charges paid/payable	123,560	10,333
Capital raising costs	128,727	274,344
ARUP Bond finance costs	499,656	-
Finance costs expensed	751,943	284,677

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Cash at bank	989,084	627,115

Note 7. Current liabilities - borrowings

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Fast Finance Loan	1,475,000	1,587,945
ARUP Bond	471,111	1,166,667
	1,946,111	2,754,612

Note 8. Equity - issued capital

	Consolidated			
	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	Shares	Shares	$	$
Ordinary shares - fully paid	2,112,551,197	1,824,318,131	54,595,033	52,076,821

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	1,824,318,131		52,076,821
Issuance of shares on bond conversion	11 July 2013	13,888,889	$0.007	111,111
Issuance of shares on bond conversion	17 July 2013	21,681,186	$0.007	173,449
Issuance of shares on acquisition of exploration sub-license	17 July 2013	3,000,000	$0.009	24,000
Issuance of shares on bond conversion	22 July 2013	21,681,186	$0.007	195,131
Issuance of shares on bond conversion	16 August 2013	24,554,967	$0.006	171,885
Issuance of shares on bond conversion	20 August 2013	47,470,000	$0.006	427,230
Issuance of shares on bond conversion	21 August 2013	40,191,266	$0.006	321,530
Issuance of shares on bond conversion	21 August 2013	11,018,001	$0.007	88,648
Issuance of shares on bond conversion	12 September 2013	62,500,000	$0.007	625,000
Issuance of shares on bond conversion	28 October 2013	42,247,571	$0.000	380,228
Balance	31 December 2013	2,112,551,197		54,595,033

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Contingent liabilities

As previously reported, the company's subsidiary Asia Pacific Coal and Steel Pty Ltd ('APCS') has entered into an agreement, and subsequent deed of variation, with Maddingley Associates ('Maddingley'). Should the agreement be terminated by any reason other than breach or default on the part of Maddingley, then APCS will grant to Maddingley an option to buy the following for $1:

- The benefits of all contracts, licenses and sub-licenses entered into in relation to the Licensed Technology;
- All right, title and interest of APCS relating to the Matmor Licensed Technology;
- All right, title and interest of APCS in any improvements at JBD Industrial Park including any modifications or upgrades to the Coldry Pilot Plant; and
- All the leasehold or other interest of APCS to JBD Industrial Park or any part thereof.

As part of the fulfilment of the agreement is dependent on the completion of future events noted above there is a potential loss to the consolidated entity if the consolidated entity fails to meet the obligations and Maddingley exercise the option to purchase the Coldry Pilot Plant upgrades for $1. At 31 December 2013 the upgrades had a net book value of $92,651 (30 June 2013: $110,574).

Note 11. Events after the reporting period

On 3 January 2014, the consolidated entity advised it had not attracted a grant under the Advanced Lignite Demonstration Program.

On 17 January 2014, the consolidated entity advised the postponement of the new options series pending review of pricing and structure by the Board.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31/12//2013	**31/12/2012**
	$	**$**
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(935,623)	(1,891,705)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,022,903,537	1,606,625,325
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,022,903,537	1,606,625,325
	Cents	**Cents**
Basic earnings per share	(0.05)	(0.12)
Diluted earnings per share	(0.05)	(0.12)

At 31 December 2013 there were 20,000,000 unlisted ordinary options and 871,885,303 quoted options ('ESIO') over ordinary shares. These options were considered anti-dilutive and excluded from the calculation above.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ashley Moore

Ashley Moore
Managing Director

25 February 2014
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Environmental Clean Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Environmental Clean Technologies Limited which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Environmental Clean Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Environmental Clean Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Environmental Clean Technologies Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates for the half-year ended 31 December 2013 the consolidated entity incurred an operating loss before tax of $935,623, net cashflows from operating activities of $714,142 and net current liabilities of $1,135,597. Furthermore, the consolidated entity is reliant on equity capital or loans from third parties to meet its operating costs. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 25 February 2014