

## 1. Company details

Name of entity:	Environmental Clean Technologies Limited
ABN:	28 009 120 405
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	96.5% to	3,070
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	87.3% to	(217,973)
Loss for the half-year attributable to the owners of Environmental Clean Technologies Limited	down	87.3% to	(217,973)

### 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 \$217,973 (31 December 2019: \$1,713,943).

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	<u>0.009</u>	<u>(0.100)</u>

Right-of-use assets have been treated as intangible assets and therefore excluded from the net tangible asset calculation.

## 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:*

Not applicable

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## **8. Details of associates and joint venture entities**

Not applicable.

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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. The review report contains a paragraph that draws attention to the use of the going concern basis for the preparation of the financial statements.

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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 2020 is attached.

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## **12. Signed**

As authorised by the Board of Directors

Signed \_\_\_\_\_



Glenn Fozard  
Executive Chairman  
Melbourne

Date: 26 February 2021

# Environmental Clean Technologies Limited

ABN 28 009 120 405

## Interim Report - 31 December 2020

**Environmental Clean Technologies Limited**  
**Directors' report**  
**31 December 2020**

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 at the end of, or during, the half-year ended 31 December 2020.

**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 - Executive Chairman  
Ashley Moore - Executive director  
James Blackburn - Non-executive director  
Neil O'Keefe - Non-executive director (appointed 9 December 2020)  
David Smith - Non-executive director (retired 15 January 2021)

**Principal activities**

During the financial period, the principal continuing activities of the consolidated entity consisted of the redevelopment and rebuild of the Bacchus Marsh plant as well as investment, research, development and commercialisation of technologies which bridge the gap between today's use of resources and tomorrow's zero-emissions future, with emphasis on the energy and resource sectors.

*Bacchus Marsh redevelopment and rebuild project*

The Company's Coldry facility rebuild and upgrade project progressed during the period after it was damaged by fire in October 2019. Comprised of capacity improvements to the former Coldry pilot plant and the addition of new plant and equipment to produce high-value energy products like char and solid fuel, the project constitutes a commercial demonstration of the Company's proprietary low rank coal drying technology aimed at delivering project objectives and monetising the Company's existing assets.

*Coldry Process*

The Coldry process is low temperature, low pressure and therefore a low-cost method of de-watering low-rank coal to produce an upgraded black coal equivalent. The process is currently poised to progress from pilot-scale to demonstration-scale allowing techno-economic validation ahead of intended broader commercial roll-out.

The Coldry process produces pellets that are stable, easily stored, can be transported, and are of equal or higher energy value than many black coals. When used in energy generation, Coldry pellets have a significantly lower CO<sub>2</sub> footprint than the low rank coal from which they are made, providing a compelling emissions abatement solution.

The Coldry process also acts as a 'gateway technology', making an ideal front-end feedstock that enables numerous higher value upgrading applications such as coal to oil, gas and iron production. When integrated with the HydroMor process, the Coldry process provides an essential and cost effective front-end drying and pelletising solution that enables the world's first and only low-rank coal based primary iron production method.

Essentially, the Coldry process combines two mechanisms to achieve efficient, cost-effective de-watering; brown coal densification; and waste heat utilisation. Brown coal densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within low-rank coal. Waste heat utilisation provides 'free' evaporative energy to remove the moisture, thereby minimising paid energy input, resulting in net energy uplift and net CO<sub>2</sub> reductions.

*HydroMOR Process*

HydroMOR is an improved version of the previously named Matmor process which is a cleaner, lower-emission, one-step process for producing high-grade primary iron, using low-rank coal to displace the need for coking coal, as used in the incumbent blast furnace process.

HydroMOR is an improvement over the previously named Matmor process, deriving further advantage from its unique raw material base, especially the hydrocarbon-rich low-rank coals used in the role of reductant. The process derives its name from the utilisation of hydrogen to enhance the reduction process used to produce metals from ore.

The HydroMOR process leverages a fundamentally different chemical pathway compared to the incumbent blast furnace process, enabling the use of alternative raw materials, providing a lower-cost primary iron making alternative.

**Environmental Clean Technologies Limited**  
**Directors' report**  
**31 December 2020**

HydroMOR creates a high-grade iron product from low-rank coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending low-rank coal with iron ore or other metal oxide bearing media to form a paste that is dewatered using the Coldry process. The 'composite' pellets are then fed into the Company's simple low cost, low emission, vertical retort where the remaining moisture is removed, the coal volatiles are harnessed and the iron oxides are reduced to metal.

The HydroMOR process operates below 1000 degrees Celsius, compared to a blast furnace which operates at around 1500 degrees Celsius. Lower temperature operation requires less energy input and results in less thermal stress on the plant, enabling lower cost materials to be used in its construction.

HydroMOR metal product is an ideal feedstock for the production of specific grades and forms of iron and steel, via secondary processes such as electric arc, induction furnace or fully integrated steel making.

The benefits the Company sees in the application of the HydroMOR process include further reductions in capital cost due to its ability to achieve the required metal reduction at a lower temperature, and operating savings in terms of raw material efficiency improvements, as well as decreased CO<sub>2</sub> intensity. With the capital cost savings being applied to carbon offsets, this brings closer the potential of carbon emissions neutral steel production.

*CDP Waste-to-Energy*

The Company purchased a catalytic de-polymerisation (CDP) technology which is capable of producing crude diesel from a range of hydrocarbon-based inputs including various waste and hydrocarbon streams such as waste timber, end-of-life plastics and low-rank coal.

This acquisition delivers significant opportunities and advantages for the ECT Group and its commercialisation program, linking existing projects and commercialisation activities to new and higher margin sectors of the energy market.

*Intellectual Property*

The consolidated entity owns both the Coldry and HydroMOR intellectual property. Aspects of the Coldry process are covered by patents in all major markets with significant brown coal deposits.

HydroMOR is the subject of a Patent Cooperation Treaty application, submitted in November 2017 following the submission of an Australian provisional patent application in November 2016. This is the next step in the intellectual property protection of the Company's new HydroMOR technology platform. The filing sets in place the timetable for the subsequent national based process for IP protection, where individual patent submissions will be made in each geography of interest.

Due to its intrinsic reliance on Coldry for feedstock preparation, it is afforded an additional degree of protection via Coldry patents. In markets where neither Coldry nor HydroMOR patents exist, the Company will employ other IP protection.

*Equity Lending Facility (ELF)*

During the period, ECT Finance Ltd ('ECTF'), a subsidiary of the Company, maintained ELF loans to investors who had held ECT options for the sole purpose of financing the exercise of those options and converting them into Fully Paid Ordinary shares of the Company.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$217,973 (31 December 2019: \$1,713,943).

Revenue for the period of \$nil (excluding interest revenue) is lower than the prior corresponding period (31 December 2019: \$86,587) due to there being no sales of product from the Bacchus Marsh facility following the fire in October 2019.

Total expenses for the six months to 31 December 2020 were considerably less compared to the same period last year as a result of three main factors:

- Following the fire referred to above, production was halted so expenditure on manufacturing related costs ceased;
- As a result of the COVID-19 pandemic, the Company implemented its business continuity plan in order to curtail expenditure and preserve cash; and
- The Company commenced the rebuild of the Bacchus Marsh facility and as such a significant amount of expenditure over the reporting period was of a capital nature and therefore not recognised as an expense. The only expense category that increased compared to the same period last year was depreciation which is as a result of the increased capital expenditure.

#### *Coldry Upgrade Project*

The Company commenced the Coldry upgrade project in June 2020 which continued during the period. Comprised of capacity improvements to the former Coldry pilot plant (minimum design capacity of 25,000 tonnes per annum) and the addition of new plant and equipment to produce high-value energy products like char and solid fuel, the project constitutes a commercial demonstration of the Company's proprietary low rank coal drying technology, aimed at delivering project objectives and monetising the Company's existing assets. Successful completion of the project objectives is expected to enable commercial outcomes via the sale of solid fuel and char product.

#### *Future Energy Exports Cooperative Research Centre (FEnEx CRC)*

The FEnEx CRC is Australia's leading hydrogen industry development program helping focus and drive hydrogen research efforts across industry and academia. During the period, the Company formalised its participation in the program through signing of a 'Supporting Participant Agreement'. The FEnEx CRC aims to execute cutting-edge, industry-led research, education and training to help sustain Australia's position as a leading LNG exporter, and enable it to become the leading global hydrogen exporter. The Company will utilise its existing technology, COHgen and Coldry, to support the Hydrogen Export and Value Chains component of the overall program. The FEnEx program will assist ECT to validate the scale up of COHgen in collaboration with industry leaders (energy producers) and end users (energy consumers) and to identify the range of performance indicators and benchmarks for the production of hydrogen from brown coal.

#### *COVID-19 impacts*

During the period, the Company continued its Coldry upgrade project operations under both stage 3 and stage 4 COVID-19 restrictions implemented in Victoria. The upgrade at Bacchus Marsh was allowed to progress under Stage 3 restrictions in that region on the basis that the operations were considered to be within the construction, mining and energy classification. All necessary health and hygiene protocols were developed and implemented, including the required permitting of workers, to protect personnel and site visitors and the upgrade to progress. Notwithstanding that COVID-19 cases have stabilised at low levels in Australia and Victoria, the Company will continue to closely monitor the situation and remain vigilant the continued risks. The head office in Melbourne was closed for a substantial part of the period as Stage 4 restrictions in operation required that staff remain at home. This did not impact the operations of the Company.

The significant impact of the pandemic in India has continued to impact the Company's ability to materially progress its desire to build a HydroMOR plant in India. Discussions are continuing in India but significant restrictions have been placed on movements within India as well as an inability for staff from Australia to travel to India.

#### *Equity Lending Facility (ELF)*

On 31 July 2020, the ELF that was established on 31 July 2017 expired. Many of the borrowers chose not to pay out the balance of their loans. The Company's subsidiary, ECTF, exercised its rights in relation to these ELFs.

**Environmental Clean Technologies Limited**  
**Directors' report**  
**31 December 2020**

*Change in officeholders*

The Company's Company Secretary, Mr Martin Hill, resigned as at 17 July 2020 and remains the Company's CFO. Mr Adam Giles was appointed as Company Secretary on 17 July 2020.

On 9 December 2020, the Hon Neil O'Keefe was appointed to the Board as a Non-Executive Director. Neil has a unique background, which includes 45 years of public and private sector experience including 17 years as a highly regarded Federal MP from 1984 until 2001. He has local, state, national and international experience in capital and finance, infrastructure, transport, trade, media, water, energy, telecommunications, agriculture and resources. Refer to the Company's announcement of 9 December 2020 for further details.

With the appointment of Mr O'Keefe, Mr David Smith retired from the Board at the Company's Annual General Meeting held on 15 January 2021.

**Matters subsequent to the end of the financial half-year**

(a) Issue of shares to key management personnel

As approved at the Company's Annual General Meeting (AGM) held on 15 January 2021, the following shares will be issued to directors of the Company in lieu of \$25,000 of directors' fees that would have been paid in cash. The shares will be held in escrow and released to directors quarterly in arrears. The shares were issued at \$0.001 each.

Director	Shares	\$
Glenn Fozard	25,000,000	25,000
Ashley Moore	25,000,000	25,000
Jim Blackburn	25,000,000	25,000
Neil O'Keefe	25,000,000	25,000
	<u>100,000,000</u>	<u>100,000</u>

(b) Insurance proceeds

On 7 January 2021, the Company received \$593,012 of insurance proceeds which was recognised as a receivable at reporting date. Such proceeds were receivable in relation to the fire at the Bacchus Marsh facility in October 2019.

(c) Establishment of new ELF arrangements

As approved at the Company's AGM, 1,300,000,000 fully paid ordinary shares and 520,000,000 ECTOE options were issued to lenders to the Company who had agreed to have their debt exchanged for equity in the Company during the 2020 financial year. Of the shares issued, 916,407,834 represent shares that were previously forfeited by ELF participants when their loans expired in July 2020. Such shares remained on issue and were retained by ECTF. A further 383,392,166 ordinary shares (in addition to the ECTOE options) have therefore been issued under new ELF arrangements. Such ELF loans will have a 2 year term, be secured by both the shares and options, and bear interest at 11.95% p.a. capitalised monthly in arrears. Such arrangements are not recognised within the financial statements of the Company for accounting purposes.

(d) Re-election of directors

At the Company's AGM for 2020 held on 15 January 2021, the appointment of Neil O'Keefe as a director was ratified and Ashley Moore was re-elected to the Board of Directors.

No other matter or circumstance has arisen since 31 December 2020 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.

**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 immediately after this directors' report.

**Environmental Clean Technologies Limited**  
**Directors' report**  
**31 December 2020**

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



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Glenn Fozard  
Executive Chairman

26 February 2021  
Melbourne



**DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED**

As lead auditor of the review of Environmental Clean Technologies Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.



Katherine Robertson  
Director

**BDO Audit Pty Ltd**

Melbourne, 26 February 2021

## Environmental Clean Technologies Limited

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31 December 2020

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### General information

The financial statements cover Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

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:

388 Punt Road  
South Yarra, Victoria, 3141  
Australia

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021. The directors have the power to amend and reissue the financial statements.

**Environmental Clean Technologies Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	3	-	86,587
Other income	4	1,103,777	1,224,681
Interest revenue calculated using the effective interest method		3,070	203
<b>Expenses</b>			
Change in fair value of financial liabilities	5	(39,171)	(9,228)
Corporate costs		(631,143)	(676,246)
Legal costs		(39,722)	(109,775)
Employee benefits expense		(124,188)	(468,292)
Sales and marketing		(86,395)	(96,456)
Depreciation and amortisation expense	5	(147,359)	(147,230)
Write off of assets		-	(108,903)
Impairment of receivables		-	(76,053)
Engineering and design costs		(162,862)	(532,917)
Occupancy expense		(39,907)	(162,858)
Travel and accommodation		(4,557)	(26,046)
Share-based payments expense		-	(120,833)
Finance costs	5	(49,516)	(490,577)
<b>Loss before income tax expense</b>		(217,973)	(1,713,943)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Environmental Clean Technologies Limited</b>		(217,973)	(1,713,943)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of Environmental Clean Technologies Limited</b>		<u>(217,973)</u>	<u>(1,713,943)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	18	(0.003)	(0.046)
Diluted loss per share	18	(0.003)	(0.046)

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 2020**

	Note	Consolidated 31 Dec 2020 \$	Consolidated 30 Jun 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		311,673	1,104,781
Trade and other receivables	6	1,114,712	966,668
Other	7	158,383	58,413
Total current assets		<u>1,584,768</u>	<u>2,129,862</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	898,356	293,370
Right-of-use assets	9	706,944	782,296
Total non-current assets		<u>1,605,300</u>	<u>1,075,666</u>
<b>Total assets</b>		<u>3,190,068</u>	<u>3,205,528</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	354,528	125,581
Borrowings		28,930	28,930
Lease liabilities		141,949	122,827
Provisions		2,027	-
Other financial liabilities	14	234	227
Total current liabilities		<u>527,668</u>	<u>277,565</u>
<b>Non-current liabilities</b>			
Borrowings		12,054	26,519
Lease liabilities		617,600	689,889
Provisions		210	210
Other financial liabilities	14	1,369,582	1,330,418
Total non-current liabilities		<u>1,999,446</u>	<u>2,047,036</u>
<b>Total liabilities</b>		<u>2,527,114</u>	<u>2,324,601</u>
<b>Net assets</b>		<u>662,954</u>	<u>880,927</u>
<b>Equity</b>			
Issued capital	11	78,899,414	78,605,405
Reserves	12	-	495,698
Accumulated losses	13	(78,236,460)	(78,220,176)
<b>Total equity</b>		<u>662,954</u>	<u>880,927</u>

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

**Environmental Clean Technologies Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total deficiency in equity</b> <b>\$</b>
Balance at 1 July 2019	73,686,351	444,005	(76,152,203)	(2,021,847)
Loss after income tax expense for the half-year	-	-	(1,713,943)	(1,713,943)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,713,943)	(1,713,943)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	120,833	-	-	120,833
Option premium received	-	27,088	-	27,088
Balance at 31 December 2019	<u>73,807,184</u>	<u>471,093</u>	<u>(77,866,146)</u>	<u>(3,587,869)</u>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	78,605,405	495,698	(78,220,176)	880,927
Loss after income tax expense for the half-year	-	-	(217,973)	(217,973)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(217,973)	(217,973)
<i>Transactions with owners in their capacity as owners:</i>				
Options exercised	294,009	(294,009)	-	-
Transfer option premium (expired options)	-	(201,689)	201,689	-
Balance at 31 December 2020	<u>78,899,414</u>	<u>-</u>	<u>(78,236,460)</u>	<u>662,954</u>

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 2020**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Research and development tax incentive	899,612	1,511,621
Receipts from customers (inclusive of GST)	9,872	124,922
Payments to suppliers and employees (inclusive of GST)	(1,028,293)	(1,825,659)
Interest received	3,070	203
Interest and other finance costs paid	(49,516)	(33,392)
Government grants received	79,000	-
	<u>(86,255)</u>	<u>(222,305)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(626,869)	(208,020)
Payments for intangibles	-	(48,369)
Insurance recoveries	-	650,000
	<u>(626,869)</u>	<u>393,611</u>
<b>Net cash from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from options	-	27,088
Proceeds from unissued share capital	-	50,000
Proceeds from borrowings	-	1,267,091
Repayment of borrowings	(14,465)	(1,645,760)
Repayment of lease liabilities	(53,167)	(37,728)
	<u>(67,632)</u>	<u>(339,309)</u>
<b>Net cash used in financing activities</b>		
Net decrease in cash and cash equivalents	(780,756)	(168,003)
Cash and cash equivalents at the beginning of the financial half-year	1,104,781	387,224
Effects of exchange rate changes on cash and cash equivalents	(12,352)	-
	<u>311,673</u>	<u>219,221</u>
<b>Cash and cash equivalents at the end of the financial half-year</b>		

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 2020 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 2020 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, unless otherwise stated.

#### **New or amended Accounting Standards and Interpretations adopted**

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

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

#### **Going concern**

For the financial half-year ended 31 December 2020, the consolidated entity incurred an operating net loss of \$217,973 (31 Dec 2019: net loss of \$1,713,943), had net cash outflows from operating activities of \$86,255 (31 Dec 2019: net cash outflows of \$222,305), net current assets at the reporting date of \$1,057,100 (30 Jun 2020: net current assets of \$1,852,297) and total net assets of \$662,954 (30 Jun 2020: \$880,927). The consolidated entity does not currently have a significant source of operating revenue and is reliant upon receipt of the R&D tax incentives, raising of equity capital, and loans from third parties to meet its operating costs.

These matters 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.

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

- use of the insurance proceeds received in January 2021 amounting to \$593,012;
- drawdowns against a loan facility with RnD Lending Pty Ltd, secured over the Company's entitlements to available future research and development tax incentive receipts for which it has an Advance Finding and Overseas Ruling in relation to Coldry;
- additional borrowings secured by unencumbered plant and equipment at the Bacchus Marsh plant;
- principal paid and interest earned from its ELF debt arrangements (treated as capital injections) - which is dependent on a significant improvement in the Company's share price; and
- issuance of the Company's securities under ASX Listing Rule 7.1.

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the consolidated entity is well positioned to meet its objectives and obligations going forward and therefore 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 asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 2. 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.

The CODM reviews operating performance of the consolidated entity based on management reports that are prepared. At regular intervals, the CODM is provided management information at a consolidated entity level for the consolidated entity's cash position and cash forecast for the next 12 months of operation. On this basis, no segment information is included in these financial statements.

*Types of products and services*

The principal products and services of each of these operating segments are as follows:

ECT (Coldry, HydroMOR and FEnEx CRC) ('ECT')	ECT represents the consolidated entity's primary activities of investment, research, development and commercialisation of technologies relating to the Coldry and HydroMOR processes and FEnEx CRC participation.
ECT Finance ('ECTF')	ECTF is a subsidiary of the group, and represents the equity lending facility activities of the consolidated group. ECTF lends to shareholders at commercial interest rates allowing them to finance the acquisition of shares in the Company through limited recourse loan arrangements.

ECT provides funding to ECTF via intersegment loan accounts allowing ECTF to then advance funds to ECT shareholders (i.e. ELF borrowers) for the purpose of exercising their ECT options and acquire shares in ECT. The shares in ECT are held as security by ECTF against the ELF borrowings until such time as principal and interest payments are made. ECTF may release partial allocations of ECT shares on receipt of repayments of ELF borrowings.

The loan made by ECT to ECFT is interest bearing giving rise to inter-segment revenue generated by ECT and inter-segment interest expense incurred by ECTF. At a consolidated level, all inter-segment loans are eliminated with the related interest revenue and expense. Furthermore, all ELF borrowings advanced to shareholders, together with the related issue of ECT shares are eliminated as, pursuant to accounting standards, such loans, which are limited recourse borrowings in nature, are deemed to represent the issue of in-substance call options by ECT to shareholders, with any receipts from ECT borrowers that do not result in the release of shares accounted for as the receipt of option premium. Only when shares are released on receipt of loan repayments is an actual issue of share capital event recognised.

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Sales of product	-	86,387
<i>Other revenue</i>		
Management fees	-	200
Revenue	<u>-</u>	<u>86,587</u>



**Environmental Clean Technologies Limited**  
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**Note 4. Other income**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
Government grants	79,000	-
Research and development tax incentive	421,893	549,681
Insurance recoveries	593,012	675,000
Other income	9,872	-
	<u>1,103,777</u>	<u>1,224,681</u>
Other income	<u>1,103,777</u>	<u>1,224,681</u>

*Government grants (COVID-19)*

The consolidated entity has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the periods in which the related employee benefits are recognised as an expense. The amount received during the period was \$16,500.

The consolidated entity also received payments from the Australian and Victorian Governments amounting to \$62,500 as part of its 'Boosting Cash Flow for Employers' scheme. These amounts have been recognised as income once there is reasonable assurance that the Company will comply with any conditions attached.

*Research and development tax incentive*

The Company has recognised a receivable related to the research and development tax incentive of \$421,893 at 31 December 2020 (30 June 2020: \$899,612) which relates to eligible expenditure (refer to note 6).

*Insurance recoveries*

The consolidated entity is entitled to insurance proceeds in the current and prior periods as a result of a fire which occurred at the Bacchus Marsh facility in October 2019. As at 31 December 2020, an insurance receivable of \$593,012 was recognised (refer note 6).

**Environmental Clean Technologies Limited**  
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**Note 5. Expenses**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	69,255	67,946
Office equipment	2,752	1,344
Buildings - right-of-use assets	75,352	77,940
	<u>147,359</u>	<u>147,230</u>
<i>Change in fair value of financial liabilities</i>		
Loss on fair value remeasurement of convertible note derivative	-	9,228
Movement in fair value of deferred consideration - Matmor assets	10,057	-
Movement in fair value of earn-out provision - Coldry IP	29,114	-
	<u>39,171</u>	<u>9,228</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	29,657	466,907
Interest and finance charges paid/payable on lease liabilities	19,859	23,670
	<u>49,516</u>	<u>490,577</u>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	12,353	-

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Other receivables	613,382	67,056
Research and development tax incentive receivable	421,893	899,612
	<u>1,035,275</u>	<u>966,668</u>
GST receivable	79,437	-
	<u><u>1,114,712</u></u>	<u><u>966,668</u></u>

*Other receivables*

Other receivables includes an amount of \$593,012 for insurance proceeds relating to the Bacchus Marsh plant fire and subsequent rebuild. Such amount was received on 7 January 2021.

**Environmental Clean Technologies Limited**  
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**Note 7. Current assets - other**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Prepayments	141,897	41,902
Other deposits	16,486	16,511
	<u>158,383</u>	<u>58,413</u>

Included in prepayment is a deposit paid of \$80,953 on plant acquisitions that are in transit at reporting date.

**Note 8. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment - at cost	6,318,473	5,651,071
Less: Accumulated depreciation	<u>(5,422,361)</u>	<u>(5,361,288)</u>
	896,112	289,783
Fixtures and fittings - at cost	12,102	12,102
Less: Accumulated depreciation	<u>(12,102)</u>	<u>(12,102)</u>
	-	-
Office equipment - at cost	42,879	41,471
Less: Accumulated depreciation	<u>(40,635)</u>	<u>(37,884)</u>
	2,244	3,587
	<u>898,356</u>	<u>293,370</u>

<b>Consolidated</b>	Plant and equipment \$	Office equipment \$	Total \$
Balance at 1 July 2020	289,783	3,587	293,370
Additions	675,584	1,409	676,993
Depreciation expense	<u>(69,255)</u>	<u>(2,752)</u>	<u>(72,007)</u>
Balance at 31 December 2020	<u>896,112</u>	<u>2,244</u>	<u>898,356</u>

**Note 9. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	937,744	937,744
Less: Accumulated depreciation	<u>(230,800)</u>	<u>(155,448)</u>
	<u>706,944</u>	<u>782,296</u>

**Environmental Clean Technologies Limited**  
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**Note 9. Non-current assets - right-of-use assets (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	Buildings \$
Balance at 1 July 2020	782,296
Depreciation expense	<u>(75,352)</u>
Balance at 31 December 2020	<u><u>706,944</u></u>

**Note 10. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	\$	\$
Trade payables	151,600	85,227
Other payables	<u>202,928</u>	<u>40,354</u>
	<u><u>354,528</u></u>	<u><u>125,581</u></u>

Included in Other payables is \$131,076 of amounts owing to suppliers of plant and equipment related to the Bacchus Marsh rebuild.

**Note 11. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	Shares	Shares	\$	\$
Ordinary shares - fully paid	7,879,624,952	7,843,920,316	78,899,414	78,605,405
Treasury shares	916,407,834	-	-	-
ELF share capital	<u>805,000,000</u>	<u>1,757,112,470</u>	<u>-</u>	<u>-</u>
	<u><u>9,601,032,786</u></u>	<u><u>9,601,032,786</u></u>	<u><u>78,899,414</u></u>	<u><u>78,605,405</u></u>

**Movements in ordinary share capital**

	<b>Date</b>	<b>No of shares</b>	<b>\$</b>
Balance	1 July 2020	7,843,920,316	78,605,405
Release of ELF shares	31 July 2020	<u>35,704,636</u>	<u>294,009</u>
Balance	31 December 2020	<u><u>7,879,624,952</u></u>	<u><u>78,899,414</u></u>

**Movements in treasury shares**

	<b>Date</b>	<b>No of shares</b>	<b>\$</b>
Transfer from ELF expired loan arrangements	31 July 2020	<u>916,407,834</u>	<u>-</u>
Balance	31 December 2020	<u><u>916,407,834</u></u>	<u><u>-</u></u>

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
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**Note 11. Equity - issued capital (continued)**

<b>Movements in ELF share capital</b>	<b>Date</b>	<b>No of shares</b>	<b>\$</b>
Balance	1 July 2020	1,757,112,470	-
Release of shares on settlement of ELF facilities	31 July 2020	(35,704,636)	-
Transfer to Treasury Shares on expiry of ELF loans	31 July 2020	(916,407,834)	-
Balance	31 December 2020	<u>805,000,000</u>	<u>-</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and any proceeds on the realisation of net assets in the event of a winding up of the Company. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

*Treasury shares*

Treasury shares are shares in the Company that are held by ECT Finance Ltd, a subsidiary of the Company, prior to their allocation to shareholders under equity loan funding (ELF) arrangements with shareholders.

*Equity lending facility (ELF) share capital*

The Company's subsidiary, ECT Finance Ltd, has entered into limited recourse loans with option-holders (Participants) allowing them to obtain finance to exercise share options issued by the Company. Shares in ECT were issued on exercise of options in accordance with the Loan and Security Agreement (the Agreement) of the Equity Lending Facility (ELF).

All shares issued pursuant to the ELF and which are financed by limited recourse loans are considered, for accounting purposes, to be options issued. As a result, neither the value of the loans receivable, nor the value of shares issued, are recognised in the financial statements. Where the company receives funds from Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the option reserve until the loan is settled. Loans expire within 2-3 years from issue and interest is charged at commercial rates of interest.

Notwithstanding any other provision of the ELF, each Participant has a legal and beneficial interest in the ELF shares issued to them except that any dealings with those ELF shares by the Participant is restricted in accordance with the Agreement. ELF shares rank equally with all existing ordinary shares of the Company from the date of issue in respect of all rights issues, bonus issues, dividends and other distributions to, or entitlements of, ordinary shareholders. On termination of the loan facility, the Participant may elect to settle the loan or default on the loan and the Company would enforce the return of the ELF shares back to the Company, subject to requirements of the Corporations Act and as outlined in the Agreement signed by each borrower.

**Note 12. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Options reserve	-	<u>495,698</u>

*Options reserve*

The balance of the options reserve recognises the value of consideration received for options issued that remain unexercised. Movements in the reserve are provided below. The following option types are on issue:

(a) ECTOE Options (issue date 17 February 2020; expiry date 17 February 2023)

ECTOE options were issued to shareholders during the 2020 financial year attached to shares issued pursuant to a non-renounceable rights issue. There were 1,920,205,487 options issued on the basis of two options for every five shares issued.

	<b>Exercise price</b>	<b>Movement</b>	<b>Balance</b>
Opening balance at 1 July 2020	\$0.003	-	1,920,205,487

**Note 12. Equity - reserves (continued)**

There was no movement in ECTOE Options during the period.

**(b) Equity Lending Facility options (ELF Options)**

The consolidated entity's subsidiary, ECT Finance Ltd ('ECTF'), entered into limited recourse loans pursuant to an Equity Lending Facility ('ELF') administered by ECTF whereby option-holders obtained finance from ECTF to exercise share options. Shares in the Company were issued on exercise of options in accordance with the Loan and Security Agreement (the Agreement) of the ELF. Receipts from participants in the form of principal and interest are treated as equity contributions to the Company and recognised in the Options reserve in the financial statements.

Loans expire 3 years from grant date and interest is charged at commercial rates. All shares issued and the respective ELF loans are considered, for accounting purposes, to be options issued ('ELF Options'). As a result, neither the value of the loans receivable nor the value of shares issued are recognised in the financial statements. Shares issued will only be recognised in equity after a participant's loan is repaid and shares are released to the holder.

The face value of limited recourse loans issued at reporting date was \$1,840,200 (30 June 2020: \$13,386,069) and interest accrued on such loans was \$132,508 (30 June 2020: \$2,745,625).

As at reporting date there are 805,000,000 (30 June 2020: 1,757,112,470) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

Notwithstanding any other provision of the ELF, each participant has a legal and beneficial interest in the ELF Shares issued to them except that any dealings with those shares by the participant is restricted in accordance with the Agreement. ELF Shares rank equally with all existing ordinary shares of the Company from the date of issue in respect of all rights issues, bonus issues, dividends and other distributions to, or entitlements of, ordinary shareholders. On termination of the loan facility, the participant may elect to settle the loan or default on the loan and ECTF would enforce their security, subject to requirements of the Corporations Act and as outlined in the Agreement signed by each borrower.

**(i) Issue date 31 July 2017; expiry date 31 July 2020**

	Exercise price	Movement	Closing balance
Opening balance at 1 July 2020	0.012	-	952,112,470
Exercised during period ended 31 December 2020	0.008	(35,704,636)	916,407,834
Expired during period ended 31 December 2020		(916,407,834)	-

During the period ended 31 December 2020, 916,407,834 ELF options expired without being exercised.

**(ii) Issue date 31 July 2018; expiry date 31 July 2021**

	Exercise price	Movement	Closing balance
Opening balance at 1 July 2020	\$0.015	-	55,000,000

There was no movement in this series of ELF Options during the period.

**(iii) Issue date 10 May 2020; expiry date 10 May 2023**

	Exercise price	Movement	Closing balance
Opening balance at 1 July 2020	\$0.001	-	750,000,000

There was no movement in this series of ELF Options during the period.

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
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**Note 12. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current financial half-year are set out below:

<b>Consolidated</b>	ELF options \$
Balance at 1 July 2020	495,698
Exercise of options *	(294,009)
Expiry of options *	(201,689)
	<hr/>
Balance at 31 December 2020	<u><u>-</u></u>

\* The option premium received on exercised ELF options has been transferred to share capital. The option premium received on expired ELF options has been transferred to retained earnings.

**Note 13. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	\$	\$
Accumulated losses at the beginning of the financial half-year	(78,220,176)	(76,152,203)
Loss after income tax expense for the half-year	(217,973)	(2,067,973)
Transfer from options reserve	201,689	-
	<hr/>	<hr/>
Accumulated losses at the end of the financial half-year	<u><u>(78,236,460)</u></u>	<u><u>(78,220,176)</u></u>

**Note 14. Fair value measurement**

The carrying values of financial assets and financial liabilities presented in these financial statements represent a reasonable approximation of fair value unless otherwise stated.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 31 Dec 2020</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Deferred consideration - Matmor Assets	-	-	354,750	354,750
Earn-out provision - Coldry IP	-	-	1,015,066	1,015,066
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	1,369,816	1,369,816
<b>Consolidated - 30 Jun 2020</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Deferred consideration - Matmor Assets	-	-	344,693	344,693
Earn-out provision - Coldry IP	-	-	985,952	985,952
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	1,330,645	1,330,645

There were no transfers between levels during the financial half-year.

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Fair value measurement (continued)**

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the forecast cash flows required to discharge the liability at the current market interest rate that is available for similar financial liabilities. Movements in the fair value of the financial liabilities are disclosed in the respective notes.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The above financial liabilities have been valued using a discounted cash flow model. Refer to the respective notes for further details.

*Level 3 liabilities*

Movements in level 3 liabilities during the current financial half-year are as follows:

<b>Consolidated</b>	Deferred consideration Matmor Assets \$	Earn-out provision Coldry \$	Total \$
Balance at 1 July 2020	344,693	985,952	1,330,645
(Gains)/losses recognised in profit or loss	10,057	29,114	39,171
Balance at 31 December 2020	<u>354,750</u>	<u>1,015,066</u>	<u>1,369,816</u>
	Deferred consideration Matmor Assets \$	Earn-out provision Coldry \$	Total \$
Balance at 31 December 2020 comprises:			
Current liabilities	-	234	234
Non-current liabilities	354,750	1,014,832	1,369,582
	<u>354,750</u>	<u>1,015,066</u>	<u>1,369,816</u>



**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 14. Fair value measurement (continued)**

The level 3 liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Potential range	Sensitivity
Coldry earn-out provision	Discount rate	21% - 31% (26% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by \$195,099 (and decreasing the loss); and -5%: increasing the carrying value of the liability by \$252,904 (and increasing the loss).
	Timing of production to discharge liability	Dec 2020 onwards	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to commence this year from small production, escalating in forward years through commercial scale up. A change in timing of the commercial scale commencement of +1 year from that currently forecast would reduce the loss and liability by \$143,474.
Matmor deferred consideration	Discount rate	22% - 32% (27% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by \$123,742 (and decreasing the loss); and -5%: increasing the carrying value of the liability by \$87,256 (and increasing the loss).
	Timing of significant trigger events	Dec 2020 to Aug 2027	Should the next major trigger event and subsequent events be delayed by +1 year from that currently forecast, that would reduce the loss and liability by \$111,170.

**Note 15. Commitments**

<b>Consolidated</b>	
<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
\$	\$

*Capital commitments*

Committed at the reporting date but not recognised as liabilities, payable:

Property, plant and equipment	<u>586,228</u>	-
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The above capital commitments relate to orders made for the rebuild of the Bacchus Marsh plant. Included in the commitments is an amount of US\$137,286 (A\$178,247) which represents the balance to be paid on arrival of certain equipment (converted at US\$0.7702).

**Note 16. Related party transactions**

*Parent entity*

Environmental Clean Technologies Limited is the parent entity.

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 16. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
Other transactions:		
Payments made to Company pursuant to Equity Lending Facility by key management personnel	-	26,926

*Receivable from and payable to related parties*

There were no trade receivables from, or trade payables to, related parties at the current and previous reporting date.

*Loans to/from related parties*

Equity Lending Facility (ELF) Loans

The following ELF loans were granted on 31 July 2017 to key management personnel of the consolidated entity. Such loans are limited recourse loans issued to finance the exercise of options. Neither the loans nor the value of the issued capital are recognised in the financial statements as such arrangements are accounted for as an in-substance issue of options. Any principal and interest received on unpaid loans prior to their settlement is recognised in the options reserve. Employees and directors of the Company receive a 2% discount to the standard commercial interest rates.

- Glenn Fozard was previously advanced \$450,000 under the ELF for the exercise of 50,000,000 options at \$0.009 each. Principal paid during the period was \$nil (year ended 30 Jun 2020: \$20,952). Interest paid during the period was \$nil (year ended 30 Jun 2020: \$nil). Interest rates payable on the outstanding balance range from 2.89% to 9.39% calculated daily. The number of shares released to Glenn Fozard during the period as a result of payments made in previous financial periods was 2,000,000 (year ended 30 Jun 2020: nil) on the same terms as ELF holders. The balance of the ELF loan at the date of expiry (31 July 2020) was \$nil.

- Ashley Moore was previously advanced \$339,249 under the ELF for the exercise of 36,073,950 options at \$0.009 each and 972,223 options at an exercise price of \$0.015 each. Principal paid during the period was \$nil (year ended 30 Jun 2020: \$nil). Interest paid during the period was \$nil (30 Jun 2020: \$nil). Interest was payable on the outstanding balance at a rate of 0.89% calculated daily. The number of shares released to Ashley Moore during the period as a result of payments made in previous financial periods was 870,740 (year ended 30 Jun 2020: nil) on the same terms as other ELF holders. The balance of the ELF loan at the date of expiry (31 July 2020) was \$nil.

**Note 17. Events after the reporting period**

(a) Issue of shares to key management personnel

As approved at the Company's Annual General Meeting (AGM) held on 15 January 2021, the following shares will be issued to directors of the Company in lieu of \$25,000 of directors' fees that would have been paid in cash. The shares will be held in escrow and released to directors quarterly in arrears. The shares were issued at \$0.001 each.

Director	Shares	\$
Glenn Fozard	25,000,000	25,000
Ashley Moore	25,000,000	25,000
Jim Blackburn	25,000,000	25,000
Neil O'Keefe	25,000,000	25,000
	<u>100,000,000</u>	<u>100,000</u>

**Environmental Clean Technologies Limited**  
**Notes to the financial statements**  
**31 December 2020**

**Note 17. Events after the reporting period (continued)**

(b) Insurance proceeds

On 7 January 2021, the Company received \$593,012 of insurance proceeds which was recognised as a receivable at reporting date. Such proceeds were receivable in relation to the fire at the Bacchus Marsh facility in October 2019.

(c) Establishment of new ELF arrangements

As approved at the Company's AGM, 1,300,000,000 fully paid ordinary shares and 520,000,000 ECTOE options were issued to lenders to the Company who had agreed to have their debt exchanged for equity in the Company during the 2020 financial year. Of the shares issued, 916,407,834 represent shares that were previously forfeited by ELF participants when their loans expired in July 2020. Such shares remained on issue and were retained by ECTF. A further 383,392,166 ordinary shares (in addition to the ECTOE options) have therefore been issued under new ELF arrangements. Such ELF loans will have a 2 year term, be secured by both the shares and options, and bear interest at 11.95% p.a. capitalised monthly in arrears. Such arrangements are not recognised within the financial statements of the Company for accounting purposes.

(d) Re-election of directors

At the Company's AGM for 2020 held on 15 January 2021, the appointment of Neil O'Keefe as a director was ratified and Ashley Moore was re-elected to the Board of Directors.

No other matter or circumstance has arisen since 31 December 2020 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 18. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	<u>(217,973)</u>	<u>(1,713,943)</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.003)	(0.046)
Diluted loss per share	(0.003)	(0.046)

As at 31 December 2020, the following anti-dilutive equity instruments were on issue and have been excluded from the calculation of diluted earnings per share:

- Loan Funded Shares (ELF Shares): 805,000,000 on issue at reporting date and held in lock-up pending release to ELF option holders.

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>7,873,803,544</u>	<u>3,752,190,155</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>7,873,803,544</u>	<u>3,752,190,155</u>

**Environmental Clean Technologies Limited**  
**Directors' declaration**  
**31 December 2020**

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the consolidated entity's financial position as at 31 December 2020 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



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Glenn Fozard  
Executive Chairman

26 February 2021  
Melbourne

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Environmental Clean Technologies Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Environmental Clean Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the 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 for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 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*.

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.

**BDO Audit Pty Ltd**

BDO

A handwritten signature in blue ink that reads 'Katherine Robertson'.

**Katherine Robertson  
Director**

Melbourne, 26 February 2021