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 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	30%	to	11,011
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	14%	to	(2,230,790)
Loss for the half-year attributable to the owners of Environmental Clean Technologies Limited	down	14%	to	(2,230,790)

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 $2,230,790 (31 December 2022: $2,596,459).

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

3. Net tangible assets

	31 Dec 2023 Cents	31 Dec 2022 Cents
Net tangible assets per ordinary security	0.161	0.313

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

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

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 Financial 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 Financial Report of Environmental Clean Technologies Limited for the half-year ended 31 December 2023 is attached.

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12. Signed

As authorised by the Board of Directors

Jason Marinko
Chairman

27 February 2024
Perth

Environmental Clean Technologies Limited

(ABN 28 009 120 405)

Interim Financial Report - 31 December 2023

Environmental Clean Technologies Limited
Directors' report
31 December 2023

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 2023.

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:

Non-Executive Directors:
Jason Marinko - Chairman
James Blackburn
Tim Wise (resigned 15 August 2023)

Executive Directors:
Sam Rizzo - Managing Director (appointed 15 August 2023)
Glenn Fozard - Managing Director (resigned 15 August 2023) *

* Glenn Fozard was appointed Chief Operating Officer on 15 August 2023

Review of operations and results

The Company appointed Mr. Sam Rizzo as Managing Director and updated its development strategy to capitalise on near-term revenue opportunities while conducting feasibility studies on longer-term projects. The revised strategy for the Bacchus Marsh COLDry project comprises:

- Race to revenue target of Q4 CY2024;
- COLDry project scope expansion, targeting a doubling of throughput capacity to 120,000 tonnes, producing 57,000 tonnes of COLDry for sale or pyrolysis; and
- Syngas Pilot Project, to assess the quality, quantity and consistency of syngas derived from the pyrolysis of biomass-blended lignite to produce methanol, hydrogen, and other net-zero products, contributing to industry decarbonisation.

The Company undertook an organisational restructure creating dedicated roles and responsibilities aligned with the revised development strategy based on achieving the most efficient path to project delivery and commercialisation.

The outcomes from this project will inform and drive the development of the Company's large-scale project proposed for deployment adjacent to the Yallourn lignite mine in Victoria's Latrobe Valley on land owned by the Company.

The R&D objectives of the project include:

- The expansion of the current COLDry demonstration plant;
- Integration with waste energy application (e.g., the char kiln and data centre) to provide drying energy for the COLDry process;
- The utilisation of syngas produced from the char kiln;
- Production of solid fuel COLDry pellets, to target specification; and
- Production of char from solid fuel COLDry pellets, to target specification.

The loss for the consolidated entity after providing for income tax amounted to $2,230,790 (31 December 2022: $2,596,459).

Major Highlights:

<u>Environmental Clean Technologies Limited</u>

(i) Receipt of research and development tax incentive

In December 2023, the Company received the full amount of the research and development tax incentive receivable recognised in the financial statements at 30 June 2023.

(ii) COLDry Demonstration Project (Bacchus Marsh)

Phase 1 COLDry Commercialisation Project

I. Building on R&D success:
Following the successful wet commissioning in December 2022, the Company embarked on process trials aimed at validating the performance envelope of the conditioning system and exploring an innovative waste heat source. These trials were essential to ensure the effectiveness and efficiency of the processes involved in the COLDry Commercialisation Project and to inform advancement to the next stage of development.

II. R&D Yields Advances in Efficiency Gains:
Through rigorous testing and analysis during the trials, the Company identified significant efficiency gains. These findings indicated the potential for substantial savings in both capital expenditure (capex) and operational expenditure (opex) for the Bacchus Marsh Project. Such gains are pivotal for maximising the project's profitability.

III. Strategic Review – Transitioning from R&D toward commercialisation:
Under the leadership of newly appointed Managing Director Sam Rizzo, a comprehensive strategic review was conducted in August 2023. This review aimed to reassess the Company's development strategy, placing a renewed emphasis on project delivery and commercialisation. Key outcomes included setting a "race to revenue" target for Q4 CY2024 and aligning the Bacchus Marsh project's commercialisation with the revised strategy in terms of scope, cost, and schedules.

IV. Project Scope Completion:
The completion of the project scope for COLDry marked a significant milestone. With a focus on doubling the throughput capacity to 120,000 tonnes per annum, the project aims to produce 57,000 tonnes of saleable COLDry or further value-added products through pyrolysis (Phase 2). This expanded scope reflects the Company's commitment to maximising the project's potential and delivering tangible results.

V. Bacchus Marsh Project Development Progress:
Progress continues to be made in the development of the Bacchus Marsh Project. Efforts are concentrated on refining the design, cost, and optimisation, with front-end engineering design (FEED) documentation targeted for completion in early Q2 CY2024. Additionally, defining the environmental approvals pathway and advancing draft agreements for supply and offtake are crucial steps in advancing the project towards commercialisation.

VI. Approvals Process:
Receiving approval from the Environmental Protection Agency (EPA) for the COLDry commercialisation project to proceed under the Pilot Pathway approvals process is a significant achievement. This streamlined regulatory approach ensures a more efficient process, reducing delays and facilitating timely progress towards project milestones.

VII. Syngas Pilot Project (Phase 2):
Initiating planning for the syngas pilot project at Bacchus Marsh signifies the Company's commitment to exploring new avenues for revenue generation and technological innovation. This element of the project aims to leverage biomass-blended lignite pyrolysis to produce syngas, offering potential solutions to meet evolving market demands for decarbonised products and sustainability goals.

VIII. Partnerships and Commercial Opportunities:
Forming strategic partnerships and agreements with potential partners underscores the Company's proactive approach to leveraging synergies and exploring commercial opportunities. These collaborations aim to maximise the project's benefits, enhance offtake arrangements, and unlock additional value for stakeholders.

IX. Environmental Beneficiation Potential:
The project's estimated potential to divert 35,000 tonnes annually of plastic-contaminated waste biomass from landfill underscores its environmental significance. By addressing waste management challenges and promoting sustainability, the project contributes to broader environmental goals and societal well-being.

<u>ECT Finance Limited</u>

(iii) Equity Lending Facility (ELF)

In 2020, ECT Finance Limited advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which was initially secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options (being pre the July 2021 share consolidation). This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue made by the Company during that year.

Since then, these shares and options have been mostly used for transfer to creditors in satisfaction of amounts payable and for transfer to vendors of the property at Yallourn which was purchased on 22 February 2022.

During the half year ended 31 December 2023 the last of these shares were used to pay creditors and directors' fees in lieu of cash (refer to note 16) and the ELF was closed.

At the end of the reporting period there were 858,759,997 shares that are used as security for other ELFs and are therefore escrowed (refer to note 9).

Financial results:

	31 Dec 2023 $	31 Dec 2022 $	Change $	Change %
Other income (excluding interest)	578,216	281,621	296,595	105%
Remeasurement of financial liabilities	(204,854)	86,717	(291,571)	(336%)
Share-based payments expense	(119,771)	(650,196)	530,425	(82%)
Other operating costs (excluding net interest, depreciation and amortisation, share based-payments, impairment)	(1,872,247)	(1,621,398)	(250,849)	15%
Impairment of receivables	-	(132,000)	132,000	(100%)
Adjusted EBITDA	(1,618,656)	(2,035,256)	416,600	
Depreciation and amortisation	(573,632)	(531,336)	(42,296)	8%
Finance costs	(49,513)	(45,596)	(3,917)	9%
Interest revenue	11,011	15,729	(4,718)	(30%)
Net (loss) for year	(2,230,790)	(2,596,459)	365,669	

There were no sales of products from the consolidated entity's research and development activities during the period as a result of the ongoing construction of a new facility.

The 'Other Income' category of $578,216 (31 Dec 2022: $281,621) predominantly includes AusIndustry research and development tax incentive income of $549,397 (31 Dec 2022: $280,616).

Total operating costs (excluding impairment and write-off expense, depreciation and amortisation, remeasurement of financial liabilities, share-based payments expense and finance costs) increased by $250,849 mainly due to increased costs associated with additional staff.

Depreciation and amortisation increased by $42,296 due to the impact of commissioning additional plant and equipment during the 2023 financial year at Bacchus Marsh. Depreciation and amortisation are non-cash expense items.

There was a reduction in share-based payments expense for the current period compared to the prior period of $530,425 due largely to the expensing of director incentive options issued in the latter half of the 2022 calendar year. Share-based payments expense for the period was $119,771.

Finally, the change in the fair value remeasurement of financial liabilities between period-ends represents the combination of an increase in the COLDry earn-out creditor (representing the present value of future commitments associated with the purchase of the COLDry intellectual property in 2009) and the reduction in the HydroMOR deferred consideration. The HydroMOR deferred consideration financial liability had an insignificant value in the Company’s financial statements at the end of the 2023 financial year due to a temporary pause being made to the development of this technology while shorter term efforts are directed to the COLDry technology. The expense for the current period is therefore entirely attributable to an increase in the COLDry liability. Overall, there was a net increase in expense when compared to the December 2022 half year accounts.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 22 January 2024, the Company announced the appointment of Mr. John Tranfield as Operations and Engineering Manager. The Company announced the issuing of 22,500,000 options to Mr. Tranfield on 31 January 2024, exercisable at $0.03, expiry after 3 years from grant date, in the following tranches and with the following terms:

(i) 7,500,000 options which vest 12 months from date of grant provided that, if Mr.Tranfield is terminated without cause within the first 12 months, this first tranche of options will vest immediately upon termination of employment;
(ii) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.05 or higher at any time prior to expiry;
(iii) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.07 or higher at any time prior to expiry; and
(iv) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.10 or higher at any time up to expiry.

No other matter or circumstance has arisen since 31 December 2023 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.

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

Jason Marinko
Chairman

27 February 2024
Perth

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Australia

DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON 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 2023, 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, 27 February 2024

Environmental Clean Technologies Limited
Contents
31 December 2023

	Note	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Other income			
Other income	4	578,216	281,621
Interest revenue calculated using the effective interest method		11,011	15,729
Total revenue and other income		589,227	297,350
Expenses			
Corporate costs		(819,164)	(1,002,373)
Share-based payments expense	16	(119,771)	(650,196)
Depreciation and amortisation expense		(573,632)	(531,336)
Engineering and design costs		(151,068)	(212,783)
Sales and marketing		(130,607)	(143,258)
Impairment of receivables		-	(132,000)
Employee benefits expense		(620,908)	(91,978)
Occupancy expense		(87,593)	(81,240)
Legal costs		(23,111)	(59,566)
Finance costs		(49,513)	(45,596)
Travel and accommodation		(39,796)	(30,200)
Change in fair value of financial liabilities	11	(204,854)	86,717
Total expenses		(2,820,017)	(2,893,809)
Loss before income tax expense		(2,230,790)	(2,596,459)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Environmental Clean Technologies Limited		(2,230,790)	(2,596,459)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Environmental Clean Technologies Limited		(2,230,790)	(2,596,459)
		Cents	**Cents**
Basic loss per share	15	(0.119)	(0.163)
Diluted loss per share	15	(0.119)	(0.163)

Environmental Clean Technologies Limited
Statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Assets			
Current assets			
Cash and cash equivalents		1,400,899	1,286,235
Trade and other receivables	5	616,466	1,665,401
Other assets		40,950	56,769
Total current assets		2,058,315	3,008,405
Non-current assets			
Property, plant and equipment	6	4,494,491	4,636,921
Right-of-use assets		329,543	384,312
Intangibles		126,986	152,550
Total non-current assets		4,951,020	5,173,783
Total assets		7,009,335	8,182,188
Liabilities			
Current liabilities			
Trade and other payables		480,418	692,510
Borrowings	7	984,000	1,968,000
Lease liabilities		141,419	138,097
Provisions		11,885	19,877
Total current liabilities		1,617,722	2,818,484
Non-current liabilities			
Lease liabilities		217,035	273,354
Provisions		8,305	18,412
Other financial liabilities	8	1,843,743	1,638,889
Total non-current liabilities		2,069,083	1,930,655
Total liabilities		3,686,805	4,749,139
Net assets		3,322,530	3,433,049
Equity			
Issued capital	9	91,139,364	88,961,632
Reserves	10	2,216,220	2,273,681
Accumulated losses		(90,033,054)	(87,802,264)
Total equity		3,322,530	3,433,049

Environmental Clean Technologies Limited
Statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	88,943,874	3,176,866	(85,067,045)	7,053,695
Loss after income tax expense for the half-year	-	-	(2,596,459)	(2,596,459)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,596,459)	(2,596,459)
Transactions with owners in their capacity as owners:				
Share-based payments	-	650,196	-	650,196
Balance at 31 December 2022	88,943,874	3,827,062	(87,663,504)	5,107,432

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	88,961,632	2,273,681	(87,802,264)	3,433,049
Loss after income tax expense for the half-year	-	-	(2,230,790)	(2,230,790)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,230,790)	(2,230,790)
Transactions with owners in their capacity as owners:				
Share-based payments (note 16)	-	119,771	-	119,771
Net settlement of share-based payment with shares	177,732	(177,732)	-	-
Share placement (note 9)	2,000,000	-	-	2,000,000
Option premium received	-	500	-	500
Balance at 31 December 2023	91,139,364	2,216,220	(90,033,054)	3,322,530

Environmental Clean Technologies Limited
Statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	31 Dec 2023 $	31 Dec 2022 $
Cash flows from operating activities		
Research and development tax incentive	1,286,990	1,797,289
Receipts from customers (inclusive of GST)	300,216	88,922
Payments to suppliers and employees (inclusive of GST)	(2,167,054)	(2,361,405)
Interest received	11,011	15,160
Interest and other finance costs paid	(36,271)	(45,596)
Government grants received	20,000	-
Net cash used in operating activities	(585,108)	(505,630)
Cash flows from investing activities		
Payments for property, plant and equipment	(236,170)	(557,949)
Net cash used in investing activities	(236,170)	(557,949)
Cash flows from financing activities		
Proceeds from issue of shares	2,000,000	-
Proceeds from options issued	500	-
Repayment of borrowings	(984,000)	-
Repayment of lease liabilities	(80,558)	(77,740)
Net cash from/(used in) financing activities	935,942	(77,740)
Net increase/(decrease) in cash and cash equivalents	114,664	(1,141,319)
Cash and cash equivalents at the beginning of the financial half-year	1,286,235	4,403,198
Cash and cash equivalents at the end of the financial half-year	1,400,899	3,261,879

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

Note 1. General information

The financial statements are those of 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:

Suite 37, 209 Toorak Road
South Yarra, Victoria, 3141
Australia

A review of the consolidated entity's operations is 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 27 February 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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.

The 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 2023, the consolidated entity incurred an operating net loss of $2,230,790 (31 Dec 2022: net loss of $2,596,459), had net cash outflows from operating activities of $585,108 (31 Dec 2022: net cash outflows of $505,630), net current assets at the reporting date of $440,593 (30 June 2023: net current assets of $189,921) and total net assets of $3,322,530 (30 June 2023: $3,433,049). The consolidated entity does not currently have a significant source of operating revenue and is reliant upon the receipt of research and development tax incentives, ELF loan repayments, equity capital or loans from third parties to meet its operating costs.

The ability to continue as a going concern is dependent upon several factors, one being the continuation and availability of funds. The reliance on future funding described above indicates a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. The financial statements have been prepared on the basis that the consolidated entity is a going concern which contemplates the continuity of its business, the realisation of assets and the settlement of liabilities in the normal course of business.

Note 2. Material accounting policy information (continued)

To this end, the consolidated entity is expecting to fund ongoing obligations as follows:
- utilisation of its current cash resources;
- principal paid and interest earned from current ELF debt arrangements (treated as capital injections);
- issuance of the Company's securities under ASX Listing Rule 7.1; and
- the sale of product from the Company’s test facility in Bacchus Marsh.

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.

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 Maker ('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. 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 are as follows:

(i) ECT (COLDry, HydroMOR and FEnEx CRC):

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.

(ii) 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 acquiring 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 along 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 recognised.

Note 4. Other income

	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Government grants	20,000	-
Research and development tax incentive	549,397	280,616
Other income	8,819	1,005
Other income	578,216	281,621

Research and development tax incentive
The Company has recognised a receivable related to the research and development tax incentive of $560,287 at 31 December 2023 (30 June 2023: $1,294,899) which relates to eligible expenditure (refer to note 5).

Note 5. Trade and other receivables

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Current assets		
Other receivables	-	291,397
Research and development tax incentive receivable	560,287	1,294,899
	560,287	1,586,296
GST receivable	56,179	79,105
	616,466	1,665,401

Research and development receivable
The research and development tax incentive receivable as at 30 June 2023 was subsequently received in December 2023. After adjustments, the total amount received was $1,286,990.

Note 6. Property, plant and equipment

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Non-current assets		
Land and buildings - at cost	1,148,235	1,143,235
Less: Accumulated depreciation	(35,765)	(25,402)
	1,112,470	1,117,833
Leasehold improvements - at cost	91,984	86,608
Less: Accumulated depreciation	(41,091)	(25,201)
	50,893	61,407
Plant and equipment - at cost	8,736,784	8,599,506
Less: Accumulated depreciation	(5,413,639)	(5,151,930)
	3,323,145	3,447,576
Fixtures and fittings - at cost	4,467	4,467
Less: Accumulated depreciation	(4,467)	(4,467)
	-	-
Office equipment - at cost	30,062	30,324
Less: Accumulated depreciation	(22,079)	(20,219)
	7,983	10,105
	4,494,491	4,636,921

Consolidated	Land and buildings $	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2023	1,117,833	61,407	3,447,576	10,105	4,636,921
Additions	5,000	5,375	331,631	2,363	344,369
Disposals	-	-	-	(967)	(967)
Write off of assets	-	-	(6,853)	-	(6,853)
Depreciation expense	(10,363)	(15,889)	(449,209)	(3,518)	(478,979)
Balance at 31 December 2023	1,112,470	50,893	3,323,145	7,983	4,494,491

Note 7. Borrowings

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Current liabilities		
Invest Victoria R&D funding loan	984,000	1,968,000

Note 7. Borrowings (continued)

Invest Victoria R&D funding loan
This loan relates to a facility agreement that provides for funding based on the value of the anticipated receipt of the AusIndustry Tax Incentive for the respective financial year and is secured by the tax incentive payable to the Company under the research and development tax incentive program.

The initial loan was for $1,968,000 and a repayment was made on 4 December 2023 of $984,000, reducing the loan balance to $984,000. The loan is currently repayable on 30 April 2024 however discussions are underway with Invest Victoria to extend the repayment date. The Company expects that the balance of the loan will not be repayable until the next financial year. The interest rate for this loan is 4.515% and interest is payable monthly.

Note 8. Other financial liabilities

	Consolidated	
	31 Dec 2023 $	30 Jun 2023 $
Non-current liabilities		
Earn-out provision COLDry	1,843,743	1,638,889

	Earn-out creditor COLDry $
Opening balance as at 1 July 2023	1,638,889
Remeasurement to fair value (charge to profit or loss)	204,854
	1,843,743

Refer to note 11 for information relating to the fair value measurement of other financial liabilities.

Note 9. Issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $	30 Jun 2023 $
Ordinary shares - fully paid	2,005,550,382	1,598,085,144	91,139,364	88,961,632
Treasury shares	-	4,500,000	-	-
ELF share capital	858,759,997	874,025,425	-	-
	2,864,310,379	2,476,610,569	91,139,364	88,961,632

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.

Note 9. Issued capital (continued)

Movements in ordinary share capital	Date	No of shares	Issue price	$
Balance	1 July 2023	1,598,085,144		88,961,632
Share-based payments	July 2023	2,275,522	$0.0080	18,204
Share capital placements	August 2023	349,126,363	$0.0055	1,920,195
Cost of capital placement (i)	August 2023	21,818,182		-
Share-based payments	October 2023	16,164,150	$0.0080	133,101
Share capital placements	December 2023	14,510,000	$0.0055	79,805
Share-based payments	December 2023	3,571,021	$0.0074	26,427
Balance	31 December 2023	2,005,550,382		91,139,364

Notes:

(i) Shares to the value of $120,000 were issued to Kaai Capital as manager of the capital raising. As the cost of the placement offsets the value of the shares issued, no amount has been recognised.

Treasury shares

Treasury shares were shares in the Company that were originally held by ECT Finance Ltd, a subsidiary of the Company, as security for an equity lending facility (ELF). The shares were subsequently returned to the Company as part of the settlement for the sale of the Wood247 business.

Movements in treasury shares	Date	No of shares
Balance	1 July 2023	4,500,000
Issued for share-based payments	October 2023	(4,500,000)
		-

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 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.

Movements in ELF share capital	Date	No of shares
Balance	1 July 2023	874,025,425
Issued for share-based payments	July 2023	(2,275,522)
Issued for share-based payments	October 2023	(11,664,150)
Issued for share-based payments	December 2023	(1,325,756)
		858,759,997

Note 9. Issued capital (continued)

Options on issue (ASX: ECTOE)
There were 1,920,206,487 ECTOE options on issue at the start of the year which had an exercise price of $0.03. There was no movement in ECTOE options during the period. All options expired on 17 February 2023. The Company announced that ECTF offered ELFs to those options holders who held at least 333,334 options. ELF were issued which resulted in 760,358,891 options being exercised and the same number of fully paid ordinary shares were issued which are now held as security for these ELFs. The remaining 1,159,847,596 options lapsed without being exercised.

Note 10. Reserves

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Share-based payments reserve	63,720	121,681
Options reserve	2,152,500	2,152,000
	2,216,220	2,273,681

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Options reserve
The balance of the options reserve recognises the value of consideration received for options issued that remain unexercised and value of options issued on settlement of convertible promissory notes. Such options may include those issued as vested share-based payments and receipt of principal and interest on ELF loan repayments which are treated as receipt of option premium for accounting purposes. Movements in the reserve are provided below.

	Share-based payments reserve	Options reserve	Total
Balance at 1 July 2023	121,681	2,152,000	2,273,681
Issue of options	-	500	500
Share-based payments for the period	119,771	-	119,771
Transfer to share capital	(177,732)	-	(177,732)
Balance as at 31 December 2023	63,720	2,152,500	2,216,220

Note 11. 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 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.

Note 11. Fair value measurement (continued)

The following tables detail the consolidated entity's 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

Consolidated - 31 Dec 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Earn-out provision - COLDry IP	-	-	1,843,743	1,843,743
Total liabilities	-	-	1,843,743	1,843,743

Consolidated - 30 Jun 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Earn-out provision - COLDry IP	-	-	1,638,889	1,638,889
Total liabilities	-	-	1,638,889	1,638,889

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

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.

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

Consolidated	**Earn-out provision COLDry**
Balance at 1 July 2023	1,638,889
Remeasurement to fair value (charged to profit or loss)	204,854
Balance at 31 December 2023	1,843,743

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

Description	Unobservable inputs	Potential range	Sensitivity
COLDry earn-out provision	Discount rate	5% - 15% (10% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $486,343 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $706,156 (and increasing the loss).
	Timing of production to discharge liability	Dec 2023 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. A change in timing of the commercial scale commencement of +1 year from that currently forecast would reduce the loss and liability by $103,078.

Note 11. Fair value measurement (continued)

HydroMOR technology

The consolidated entity also has a contingent liability relating to deferred consideration in respect to HydroMOR intellectual property. There is currently significant uncertainty with regard to the timing of recommencing the development of the HydroMOR technology with the consolidated entity not currently expected to commercialise such technology until beyond 2027. The value of deferred consideration is immaterial based on the valuation model and therefore no liability has been recognised in the financial statements. Any change in timing of such commercialisation or to discount rates used to reasonably possible alternative inputs in the valuation model would not have a significant change on fair value measurement.

Note 12. Commitments

	Consolidated	
	31 Dec 2023	**30 Jun 2023**
	$	**$**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	33,998
Patents *	41,424	41,424
	41,424	75,422

* Patent commitments represent maintenance payments pursuant to the registered patents of both COLDry and HydroMOR.

Royalty commitments

The Company has entered into agreements that require it to pay certain royalties on the production of its COLDry and HydroMOR technologies. These royalties arise pursuant to the:

- COLDry Equity Sale Deed (2009); and
- Matmor Royalty Payment Deed (2014).

The Company is committed to making certain royalty payments in the event that commercial value is derived from the application of the technologies as follows:

- from production utilising the COLDry technology of COLDry pellets, a royalty rate of $0.50 per tonne which is increased by CPI each anniversary of the agreement. This royalty is payable for a period of twenty years following the commencement of payments; and
- from revenue achieved through commercialisation and deployment of HydroMOR technology, less valid deductions as required under any technology licence, the Company is to pay 3%. This royalty is payable in perpetuity.

Coal supply agreement with EnergyAustralia

On 28 May 2021, the Company signed a coal supply agreement with EnergyAustralia for the supply of lignite from EnergyAustralia's Yallourn mine (refer ASX announcement dated 3 June 2021). The agreement requires that EnergyAustralia supply at least 50,000 tonnes (or other agreed amounts) to the Company for the next 5 years to support the Company's COLDry activities. There is no minimum purchase commitment incurred by the Company.

Note 13. Related party transactions

Parent entity

Environmental Clean Technologies Limited is the parent entity.

Disclosures relating to share-based payments to key management personnel are set out in note 16. Refer also to 'other transactions with related parties' below.

Other transactions with related parties

The following other transactions occurred with related parties:

	Consolidated	
	31 Dec 2023 $	31 Dec 2022 $
Payment of forklift rent to key management personnel (i)	-	4,500
Payment in lieu of the issue of options (ii)	50,000	-

Notes:

(i) The Company rented a forklift from Glenn Fozard at a cost of $750 per month (plus GST). The arrangement was initially for a 12-month period and was extended on a month-to-month basis until terminated in April 2023.
(ii) The Company included a resolution in its notice of meeting for the annual general meeting held in November 2023 that related to the issue of incentive-based options to Glenn Fozard. As part of the agreement with Mr. Fozard, if the options were not issued, a cash payment of $50,000 was to be made. The resolution was withdrawn prior to the AGM. A creditor for this amount was recognised in these financial statements and was subsequently paid out in cash in January 2024.

There were no other transactions with related parties during the current and previous financial half-year.

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

There were no loans to or from related parties at the current and previous reporting date.

Note 14. Events after the reporting period

On 22 January 2024, the Company announced the appointment of Mr. John Tranfield as Operations and Engineering Manager. The Company announced the issuing of 22,500,000 options to Mr. Tranfield on 31 January 2024, exercisable at $0.03, expiry after 3 years from grant date, in the following tranches and with the following terms:

(i) 7,500,000 options which vest 12 months from date of grant provided that, if Mr. Tranfield is terminated without cause within the first 12 months, this first tranche of options will vest immediately upon termination of employment;
(ii) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.05 or higher at any time prior to expiry;
(iii) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.07 or higher at any time prior to expiry; and
(iv) 5,000,000 options which vest no earlier than 12 months from date of grant and only if the 20-day VWAP is $0.10 or higher at any time up to expiry.

No other matter or circumstance has arisen since 31 December 2023 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 15. Earnings per share

	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(2,230,790)	(2,596,459)
	Cents	**Cents**
Basic loss per share	(0.119)	(0.163)
Diluted loss per share	(0.119)	(0.163)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,870,857,586	1,595,597,090
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,870,857,586	1,595,597,090

Note 16. Share-based payments

	Consolidated 31 Dec 2023 $
Share-based payments were issued in satisfaction of the following expenses incurred during the period:	
Corporate expenses	113,771
Marketing expenses	6,000
Total share-based payments expense for the period	119,771

	Consolidated 31 Dec 2023 $
Total share-based payments expense for the period has been reflected in equity as:	
Share-based payments reserve (director incentive options)	49,108
Share capital (issued)	70,663
	119,771

In addition to the above, $120,000 of share placement costs payable to Kaai Pty Ltd (trading as Kaai Capital) were settled through the issue of share capital to the same value. The costs were posted against the value of the share capital issued, hence the net value recognised in share capital was $nil.

Note 16. Share-based payments (continued)

Included in share-based payments were the following made to key management personnel (KMP)	Consolidated Dec 2023 $
Directors' fees in the form of incentive options (see details below)	49,108
Directors' fees settled through issue of share capital	51,299
Total share-based payments made to KMP for directors' fees incurred during the period ending 31 Dec 2023	100,407
Shares issued to KMP in satisfaction of share-based payments incurred for year ended 30 June 2023	
Transfers from share-based payments reserve	92,364
Value of total shares issued to KMP in satisfaction of share-based payments during period to 31 December 2023	**192,771**

	No. of shares issued	Issue price	Value $
Shares issued in satisfaction of share-based payments to KMP were as follows:			
Sam Rizzo (director incentive options - see below)			43,272
James Blackburn (director incentive options - see below)			5,836
Jason Marinko (ordinary shares)	3,060,906	0.008	23,864
Tim Wise (ordinary shares)	1,507,161	0.008	12,436
James Blackburn (ordinary shares)	3,060,906	0.008	23,863
Glenn Fozard (ordinary shares)	9,339,828	0.008	80,000
Martin Hill (ordinary shares)	437,500	0.008	3,500
	17,406,301		192,771

Of the total value above, $92,364 was expensed during the year ended 30 June 2023.

Issue of unlisted director incentive options

The following director incentive options were issued to directors as part of an incentive scheme and which formed part of their remuneration for the period ending 31 December 2023.

Note 16. Share-based payments (continued)

Name	Grant date	Option Type[i]	Number of options issued	Fair value per option $	Expiry Date	Exercise price $	Total remuneration to 31 Dec 2023 $
Sam Rizzo	27 Nov 2023	Tranche A	20,000,000	0.0045	15 Aug 2026	0.030	34,180
	27 Nov 2023	Tranche B	20,000,000	0.0012	15 Aug 2026	0.030	3,128
	27 Nov 2023	Tranche C	20,000,000	0.0010	15 Aug 2026	0.030	2,420
	27 Nov 2023	Tranche D	20,000,000	0.0008	15 Aug 2026	0.030	2,020
	27 Nov 2023	Tranche E	20,000,000	0.0008	15 Aug 2026	0.030	1,524
			100,000,000				43,272
James Blackburn	24 Jun 2022	Tranche B	10,000,000	0.0014	27 Mar 2025	0.050	2,385
	24 Jun 2022	Tranche C	10,000,000	0.0011	27 Mar 2025	0.050	1,892
	24 Jun 2022	Tranche D	10,000,000	0.0009	27 Mar 2025	0.050	1,559
			30,000,000				5,836
Total			130,000,000				49,108

Notes
(i) All options vest from 12 months after agreement date and provided that applicable 20-day VWAP targets are met at any time after that date. The VWAP targets associated with each Tranche of option are as specified below in the valuation methodology.

Option valuation methodology

The fair value of options on grant date was determined using a Black Scholes option valuation model adjusted, as applicable, for the probability of the share price reaching specified 20-day VWAP targets as determined at grant date. The inputs to the valuation model therefore include, agreement date, grant date (being date of issue and measurement), expiry date and exercise price as specified in the table above, as well as the following inputs:

<u>Sam Rizzo options</u>
Share price at grant date: $0.0065
Share price volatility: 150%
Risk-free rate: 4.19%

Tranche A - no VWAP targets applicable - vest over 12 months
Tranche B - VWAP target $0.030 (probability of reaching VWAP target 27.4%)
Tranche C - VWAP target $0.050 (probability of reaching VWAP target 21.2%)
Tranche D - VWAP target $0.070 (probability of reaching VWAP target 17.7%)

<u>James Blackburn options</u>
Share price at grant date: $0.016
Share price volatility: 100%
Risk-free rate: 2.93%

Tranche A - no VWAP targets applicable
Tranche B - VWAP target $0.06 (probability of reaching VWAP target 22%)
Tranche C - VWAP target $0.08 (probability of reaching VWAP target 18%)
Tranche D - VWAP target $0.10 (probability of reaching VWAP target 15%)

Environmental Clean Technologies Limited
Directors' declaration
31 December 2023

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 2023 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

Jason Marinko
Chairman

27 February 2024
Perth

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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 2023, 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 2023 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 2 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 Group's financial position as at 31 December 2023 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
Katherine Robertson

Katherine Robertson
Director

Melbourne, 27 February 2024