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 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	2.2%	to	32,622
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	14.6%	to	(2,336,821)
Loss for the half-year attributable to the owners of Environmental Clean Technologies Limited	down	14.6%	to	(2,336,821)

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 $2,336,821 (31 December 2017: $2,735,577).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.05)	(0.02)

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

8. Details of associates and joint venture entities

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

* Deregistered during period.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The interim financial statements were subject to a review by the auditors and the review report, which contains an Emphasis of Matter section relating to going concern, is attached thereto.

11. Attachments

Details of attachments (if any):

The Interim Report of Environmental Clean Technologies Limited for the half-year ended 31 December 2018 is attached.

12. Signed

Signed ______________________________ Date: 28 February 2019

Glenn Fozard
Executive Chairman
Melbourne

Environmental Clean Technologies Limited

ABN 28 009 120 405

Interim Report - 31 December 2018

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 2018.

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

Glenn Fozard - Chairman
Barry Richards
David Smith

Principal activities
During the financial period, the principal continuing activities of the consolidated entity consisted of 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. These included:

- development of a large-scale demonstration project for the Coldry process;
- advancement of the Matmor process toward pilot scale; and;
- managing the development of, and extracting value from, the consolidated entity's intellectual property.

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_2 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 Matmor 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_2 reductions.

Matmor Process

Matmor 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.

The Matmor 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.

Matmor 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, patented Matmor retort where the remaining moisture is removed, the coal volatiles are harnessed and the iron oxides are reduced to metal.

The Matmor 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.

Matmor 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.

Intellectual Property

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

Matmor is covered by an Australian patent, and due to its intrinsic reliance on Coldry for feedstock preparation, is afforded an additional degree of protection via Coldry patents. In markets where neither Coldry nor Matmor patents exist, the Company will employ other IP protection strategies.

In November 2017, the Company submitted its Patent Cooperation Treaty application following the submission of the Australian provisional patent application in November 2016. This is the next step in the IP 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. HydroMOR is an improvement over the existing 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 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_2 intensity. With the capital cost savings being applied to carbon offsets, this brings closer the potential of carbon emissions neutral steel production.

Equity Lending Facility (ELF)

During the period, ECT Finance Ltd ('ECTF'), a subsidiary of the Company, offered ELF loans to holders of 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 $2,336,821 (31 December 2017: $2,735,577).

Revenue for the period of $32,622 is consistent to the prior corresponding period (31 December 2017: $33,330). All expenses reduced compared to the same period last year with the exception of legal and travel costs which increased due to work being undertaken to finalise our negotiations in India for the construction of a pilot plant.

Matters subsequent to the end of the financial half-year

On the 3rd and 17th of January 2019, ECTF drew down the remaining $500,000 of the $1 million debt facility obtained from Challenge Bricks & Roofing Pty Ltd and which is secured by granting a security interest over the ELF loans.

On 13 February 2019 the Company announced its strategy with regard to a $3.5M bond which is required for the project in India to construct a pilot plant. The bond will be surety for the Company's delivery of services and project-specific operational funding essential to the completion of the pilot plant through to commissioning.

On 18 February 2019 the Company announced an incentive to raise up to $3.5M in loan repayments from borrowers who have participated in the Equity Lending Facility. The incentive offers a 30% discount off one third of the loan balance if repayment is made by 1 March 2019. The discount reduces to 17% for repayments made between 2 March and 15 March 2019. More information can be obtained from the Company's ASX announcement.

No other matter or circumstance has arisen since 31 December 2018 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

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Glenn Fozard
Executive Chairman

28 February 2019
Melbourne

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DECLARATION OF INDEPENDENCE BY WAI AW 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 2018, 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.

Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 28 February 2019

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 28 February 2019. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 31 Dec 2018 $	31 Dec 2017 $
Revenue	2	32,026	33,330
Other income	3	826,988	924,827
Interest revenue calculated using the effective interest method		596	25
Expenses			
Corporate costs		(707,840)	(771,829)
Legal costs		(218,162)	(49,324)
Employee benefits expense		(596,144)	(698,701)
Sales and marketing		(31,078)	(51,546)
Depreciation and amortisation expense	4	(406,910)	(429,519)
Engineering and design costs		(944,345)	(1,105,295)
Occupancy expense		(71,457)	(103,599)
Travel and accommodation		(135,014)	(72,139)
Finance costs	4	(85,481)	(411,807)
Loss before income tax expense		(2,336,821)	(2,735,577)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Environmental Clean Technologies Limited		(2,336,821)	(2,735,577)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Environmental Clean Technologies Limited		(2,336,821)	(2,735,577)
		Cents	**Cents**
Basic earnings per share	20	(0.05)	(0.08)
Diluted earnings per share	20	(0.05)	(0.08)

Environmental Clean Technologies Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		31,368	611,751
Trade and other receivables	5	876,796	1,801,759
Other		56,780	75,811
Total current assets		964,944	2,489,321
Non-current assets			
Investments accounted for using the equity method		-	1
Property, plant and equipment	6	167,892	238,790
Intangibles	7	5,040,000	5,280,000
Total non-current assets		5,207,892	5,518,791
Total assets		6,172,836	8,008,112
Liabilities			
Current liabilities			
Trade and other payables	8	598,597	454,041
Borrowings	9	824,040	1,245,713
Provisions	10	145,800	152,948
Other	11	493,611	491,573
Total current liabilities		2,062,048	2,344,275
Non-current liabilities			
Borrowings		69,914	84,379
Provisions		3,157	1,480
Other financial liabilities	12	1,253,156	1,249,318
Total non-current liabilities		1,326,227	1,335,177
Total liabilities		3,388,275	3,679,452
Net assets		2,784,561	4,328,660
Equity			
Issued capital	13	72,053,536	70,244,766
Reserves	14	317,033	1,333,081
Accumulated losses	15	(69,586,008)	(67,249,187)
Total equity		2,784,561	4,328,660

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	63,371,602	3,876,010	(62,552,980)	4,694,632
Loss after income tax expense for the half-year	-	-	(2,735,577)	(2,735,577)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,735,577)	(2,735,577)
Transactions with owners in their capacity as owners:				
Share-based payments	53,199	-	-	53,199
Shares issued on exercise of options	4,125,002	-	-	4,125,002
Transfer option premiums on exercised options net of adjustments	2,302,512	(2,302,512)	-	-
Option premium received	-	90,914	-	90,914
Transfer option premium (expired options)	-	(437,478)	437,478	-
Balance at 31 December 2017	69,852,315	1,226,934	(64,851,079)	6,228,170

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	70,244,766	1,333,081	(67,249,187)	4,328,660
Loss after income tax expense for the half-year	-	-	(2,336,821)	(2,336,821)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,336,821)	(2,336,821)
Transactions with owners in their capacity as owners:				
Share-based payments	53,609	-	-	53,609
Shares issued on exercise of options	619,141	-	-	619,141
Transfer option premiums on exercised options net of adjustments	1,136,020	(1,136,020)	-	-
Option premium received	-	119,972	-	119,972
Balance at 31 December 2018	72,053,536	317,033	(69,586,008)	2,784,561

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Cash flows from operating activities		
Research and development tax incentive	1,647,208	-
Receipts from customers (inclusive of GST)	190,614	239,686
	1,837,822	239,686
Payments to suppliers and employees	(2,563,614)	(3,516,172)
Interest received	596	25
Interest and other finance costs paid	(11,669)	(113,971)
Net cash used in operating activities	(736,865)	(3,390,432)
Cash flows from investing activities		
Payments for property, plant and equipment	(96,012)	(150,696)
Payments for intangibles	-	(55,505)
Proceeds from disposal of property, plant and equipment	-	25,000
Net cash used in investing activities	(96,012)	(181,201)
Cash flows from financing activities		
Proceeds from issue of shares	452,298	4,088,672
Proceeds from options	119,972	90,914
Proceeds from borrowings	-	1,421,262
Repayment of borrowings	(319,776)	(1,369,413)
Net cash from financing activities	252,494	4,231,435
Net increase/(decrease) in cash and cash equivalents	(580,383)	659,802
Cash and cash equivalents at the beginning of the financial half-year	611,751	588,682
Cash and cash equivalents at the end of the financial half-year	31,368	1,248,484

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 2018 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 2018 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. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the consolidated entity during the half-year ended 31 December 2018 and are not expected to have any significant impact for the full financial year ended 30 June 2019.

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

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

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Note 1. Significant accounting policies (continued)

Going concern
For the financial half-year ended 31 December 2018, the consolidated entity had an operating net loss of $2,336,821 (31 Dec 2017: net loss of $2,735,577), net cash outflows from operating activities of $736,865 (31 Dec 2017: net cash outflows of $3,390,432), and net current liabilities at the reporting date of $1,097,104 (30 Jun 2018: net current assets of $145,046). The consolidated entity does not currently have a significant source of operating revenue and is reliant upon receipt of the R&D Tax Incentive, raising of equity capital, and loans from third parties to meet its operating costs.

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:
- sale of solid fuels produced in the course of execution of the Company's research and development plan;
- principal paid and interest earned from its ELF debt arrangements (treated as capital injections);
- drawdowns against the loan facility per the agreement with Brevet Capital of New York, 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 the Coldry component of its project in India;
- incentivisation of early ELF loan repayments; 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.

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. 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.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Note 1. Significant accounting policies (continued)

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Revenue

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Sales of product	32,026	33,330

Note 3. Other income

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Net gain on disposal of property, plant and equipment	-	25,000
Research and development tax incentive	826,988	816,983
Other income	-	82,844
Other income	826,988	924,827

Note 4. Expenses

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	166,910	181,019
Fixtures and fittings	-	2,048
Office equipment	-	6,452
Total depreciation	166,910	189,519
Amortisation		
Intellectual property	240,000	240,000
Total depreciation and amortisation	406,910	429,519
Finance costs		
Interest and finance charges paid/payable	79,606	113,971
Unwinding of the discount related to earn-out provision - Coldry	5,359	153,242
Unwinding of the discount on deferred cash consideration - Matmor	516	144,594
Finance costs expensed	85,481	411,807

Note 5. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Trade receivables	5,887	24,099
Other receivables	749	141,124
Research and development tax incentive receivable	790,480	1,636,536
	791,229	1,777,660
GST receivable	79,680	-
	876,796	1,801,759

Research and development receivable
The research and development tax incentive receivable as at 30 June 2018 was subsequently received in October 2018.

Note 6. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Plant and equipment - at cost	6,965,274	6,877,285
Less: Accumulated depreciation	(6,797,382)	(6,638,495)
	167,892	238,790
Fixtures and fittings - at cost	19,885	19,885
Less: Accumulated depreciation	(19,885)	(19,885)
	-	-
Office equipment - at cost	84,996	76,973
Less: Accumulated depreciation	(84,996)	(76,973)
	-	-
	167,892	238,790

Consolidated	Plant and equipment $	Fixtures and fittings $	Total $
Balance at 1 July 2018	238,790	-	238,790
Additions	87,989	8,023	96,012
Depreciation expense	(158,887)	(8,023)	(166,910)
Balance at 31 December 2018	167,892	-	167,892

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(4,560,000)	(4,320,000)
	5,040,000	5,280,000

Consolidated	Intellectual property $	Total $
Balance at 1 July 2018	5,280,000	5,280,000
Amortisation expense	(240,000)	(240,000)
Balance at 31 December 2018	5,040,000	5,040,000

The intellectual property represents the patented technology related to Coldry acquired by the consolidated entity in 2009.

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Trade payables	423,681	272,138
Other payables	174,916	181,903
	598,597	454,041

Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Innovation Structured Finance Co. (Brevet Capital)	446,953	1,179,283
Securitised loan payable	333,157	-
Equipment finance	43,930	66,430
	824,040	1,245,713

The Brevet Loan balance relates to a facility agreement that provides for tranches of up to $4.0 million in value to be drawn by the Company. Each drawdown is made in line with the terms of the facility and is based on the accrued value of the anticipated AusIndustry Tax Incentive program for the respective financial year.

During the period, ECT Finance Ltd (ECTF) obtained a debt facility of $1 million from Challenge Bricks & Roofing Pty Ltd secured by granting a security interest over the ELF loans which are in the legal form of limited-recourse loans in the accounts of ECTF. An amount of $500,000 was drawn down as at reporting date. Interest amounting to $166,843 was prepaid during the period and settled through the extinguishment of the ELF loan that was owed by the debt provider. The prepaid interest has been deducted from the amount carrying amount at reporting date to present an amortised cost balance.

A further $500,000 was drawn down in January 2019. The loan has a term of 12 months and incurs interest at the rate of 16.6% p.a.

Note 10. Current liabilities - provisions

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Annual leave	61,804	86,559
Long service leave	83,996	66,389
	145,800	152,948

Note 11. Current liabilities - other

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Earn-out provision - Coldry	1,576	1,315
Deferred consideration - Matmor	492,035	490,258
	493,611	491,573

Note 12. Non-current liabilities - other financial liabilities

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Earn-out creditor	619,300	614,201
Deferred consideration - Matmor	633,856	635,117
	1,253,156	1,249,318

Deferred consideration - Matmor

As part consideration for the acquisition of the Matmor asset, deferred consideration of $3.5 million of cash was incurred. The timing of paying consideration up to the cash amount of $3.5 million to Matmor Steel is dependent upon if, and when, issued options of the Company are exercised as well as the various milestones being met. The consideration will become payable through combination of any of the following triggers, and at the amounts attributed to each trigger, until the liability has been satisfied:

(a) 50% of proceeds received by the Company from exercise of ECT Options up to a cash amount of $1 million
(b) a minimum of 15% of proceeds received by the Company from exercise of ECT Options thereafter
(c) $500,000 on signing a binding contract for construction of the Matmor Pilot Plant
(d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state as well as conversion targets
(e) $1 million on signing of a binding contract for construction of a commercial scale Matmor plant
(f) first collection of revenue in any form from commercialisation of Matmor technology

At reporting date, a total of $2,000,215 has been repaid under triggers (a) and (b) which are now satisfied. In measuring the value of the liability, management have estimated when the remaining milestones will likely be achieved. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost. The discount rate used is 12% (30 Jun 2018: 12%). The movement in the discount rate includes the estimated reduction in risk implicit in future cash flows.

Earn-out provision - Coldry

The earn-out provision represents deferred consideration related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of Coldry pellets and is discounted at a rate of 34.0% (30 Jun 2018: 34.0%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Note 13. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares - fully paid	3,556,932,123	3,445,932,123	71,606,329	69,851,168
Deferred share capital	25,000,000	25,000,000	447,207	393,598
ELF share capital	1,218,584,270	1,159,584,270	-	-
	4,800,516,393	4,630,516,393	72,053,536	70,244,766

Note 13. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	$
Balance	1 July 2018	3,445,932,123	69,851,168
Transferred premium from options reserve on exercise of unlisted options	11 October 2018	-	1,136,020
Release of shares on settlement of ELF facilities (b)	6 December 2018	16,000,000	166,843
Release of shares on settlement of ELF facilities (a)	31 December 2018	95,000,000	452,298
Balance	31 December 2018	3,556,932,123	71,606,329

Movements in deferred share capital

Details	Date	No of shares	$
Balance	1 July 2018	25,000,000	393,598
Share based payment allocation	period to 31 December 2018	-	53,609
Balance	31 December 2018	25,000,000	447,207

Movements in ELF share capital

Details	Date	No of shares
Balance	1 July 2018	1,159,584,270
Issue of ELF shares (a)	10 July 2018	170,000,000
Release of shares on settlement of ELF facilities (b)	6 December 2018	(16,000,000)
Release of shares on settlement of ELF facilities (a)	31 December 2018	(95,000,000)
Balance	31 December 2018	1,218,584,270

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 in proportion having regard to the number of shares held and amounts paid thereon. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Deferred share capital
The account is used to recognise partly paid equity issued to employees that are subject to escrow and a deferred settlement arrangement.

Equity Lending Facility (ELF) Share capital
The consolidated entity'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).

Note 13. Equity - issued capital (continued)

All shares issued pursuant to the ELF and 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 in 3 years and interest is charged at commercial rates.

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.

Notes

(a) During the period, 170 million unlisted options were exercised pursuant to the ELF program. Of this amount, as a result of settlement of ELF loans, 95 million shares were released from a trading lock. An amount of 75 million shares, of the 170 million shares issued during the period, remain held within the ELF program whereby shareholders do not have unrestricted access until ELF loan accounts are settled.

(b) There were 16 million shares released from a trading lock following settlement of an ELF loan. These shares were released as part of an arrangement with a debt provider (Challenge Bricks & Roofing Pty Ltd) who has provided a $1m debt facility to the consolidated entity, $500,000 of which was drawn down at period end.

Note 14. Equity - reserves

	Consolidated	
	31 Dec 2018 **$**	**30 Jun 2018** **$**
Options reserve	317,033	1,333,081

Share-based payments reserve
The reserve is used to recognise the value of unvested equity benefits provided to employees and directors as part of their remuneration. At reporting date, it has a $nil balance. Movements in the reserve are provided at the end of this note.

Options reserve
The options reserve is used to recognise the value of options issued. The following options were on issue at reporting date:
- There were 846,088,751 (30 June 2018: 846,088,751) ECTOC options on issue during the period. These were issued for $nil value.
- ELF options: refer below

Note 14. Equity - reserves (continued)

Equity Lending Facility options (ELF Options)
The consolidated entity's subsidiary, ECT Finance Ltd, entered into limited recourse loans with option-holders during the period allowing them to obtain finance to exercise unlisted share options. Shares were issued on exercise of options in accordance with the Loan and Security Agreement (the Agreement) of the ELF. Receipts from participants (principal and interest) are treated as equity contributions. Loans expire 3 years from grant date and interest is charged at commercial rates.

All shares issued pursuant to the ELF and financed by limited recourse 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 the loan is repaid and shares released to the holder. The face value of limited recourse loans issued at reporting date was $17,114,694 and interest accrued on such loans is $36,474.

As at reporting date there are 1,218,584,270 shares held as security against these loans (ELF Shares) which equates to in-substance options (ELF Options) outstanding at reporting date of the same amount. 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. Once the accumulated premium received from a participant equates to the extinguishment of the participant's ELF loan balance, the ELF Option is effectively exercised and shares are released to the participant.

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

Consolidated	Share-based payments $	ELF options $	Unlisted options $	Total $
Balance at 1 July 2018	-	197,061	1,136,020	1,333,081
Exercise of options	-	-	(1,136,020)	(1,136,020)
Receipt of premium	-	119,972	-	119,972
Share based payments expense	53,609	-	-	53,609
Transfer to partly paid share capital	(53,609)	-	-	(53,609)
Balance at 31 December 2018	-	317,033	-	317,033

Note 15. Equity - accumulated losses

	Consolidated **31 Dec 2018** **$**	 **30 Jun 2018** **$**
Accumulated losses at the beginning of the financial half-year	(67,249,187)	(62,552,980)
Loss after income tax expense for the half-year	(2,336,821)	(5,133,685)
Transfer from options reserve	-	437,478
Accumulated losses at the end of the financial half-year	(69,586,008)	(67,249,187)

Note 16. Equity - dividends

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

Note 17. 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

Consolidated - 31 Dec 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - current - Matmor Assets	-	-	492,035	492,035
Deferred consideration - non-current - Matmor Assets	-	-	633,856	633,856
Earn-out provision - current - Coldry IP	-	-	1,576	1,576
Earn-out provision - non-current - Coldry IP	-	-	619,300	619,300
Total liabilities	-	-	1,746,767	1,746,767

Consolidated - 30 Jun 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - current - Matmor Assets	-	-	490,258	490,258
Deferred consideration - non-current - Matmor Assets	-	-	635,117	635,117
Earn-out provision - current - Coldry IP	-	-	1,315	1,315
Earn-out provision - non-current - Coldry IP	-	-	614,201	614,201
Total liabilities	-	-	1,740,891	1,740,891

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

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.

Note 17. Fair value measurement (continued)

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

Consolidated	Deferred consideration Matmor assets $	Earn-out provision Coldry $	Total $
Balance at 1 July 2018	1,125,375	615,516	1,740,891
(Gains)/losses recognised in profit or loss	516	5,360	5,876
Balance at 31 December 2018	1,125,891	620,876	1,746,767

Note 18. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2018 $	**31 Dec 2017 $**
Purchase of goods and services:		
Acquisition of services from other related party *	44,176	169,873
Other transactions:		
Payments made to Company pursuant to Equity Lending Facility by key management personnel	34,713	10,733
Share based payments expense - key management personnel	53,596	53,199

* During the period, the Company acquired engineering support services from Mecrus, an entity associated with Barry Richards. Such transactions were on commercial terms.

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.

Note 18. Related party transactions (continued)

Loans to/from related parties
Equity Lending Facility (ELF) Loans

The following ELF loans were granted 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 2018: $72,000). Interest paid during the period was $nil (year ended 30 Jun 2018: $nil). Movements in the loan balance during the period consisted of interest incurred and capitalised to the loan. 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 was nil (year ended 30 Jun 2018: 8,000,000). The balance of the ELF loan at 31 December 2018 was $425,676.

- 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 2018: $nil). Interest paid during the period was $34,213 (year ended 30 Jun 2018: $nil). Movements in the loan balance during the period consisted of interest incurred and interest repaid. Interest was payable on the outstanding balance at a rate of 6.39% calculated daily. The number of shares released to Ashley Moore during the period as a result of payments made was nil (year ended 30 Jun 2018: nil).The balance of the ELF loan at 31 December 2018 was $339,249.

Note 19. Events after the reporting period

On the 3rd and 17th of January 2019, ECTF drew down the remaining $500,000 of the $1 million debt facility obtained from Challenge Bricks & Roofing Pty Ltd and which is secured by granting a security interest over the ELF loans.

On 13 February 2019 the Company announced its strategy with regard to a $3.5M bond which is required for the project in India to construct a pilot plant. The bond will be surety for the Company's delivery of services and project-specific operational funding essential to the completion of the pilot plant through to commissioning.

On 18 February 2019 the Company announced an incentive to raise up to $3.5M in loan repayments from borrowers who have participated in the Equity Lending Facility. The incentive offers a 30% discount off one third of the loan balance if repayment is made by 1 March 2019. The discount reduces to 17% for repayments made between 2 March and 15 March 2019. More information can be obtained from the Company's ASX announcement.

No other matter or circumstance has arisen since 31 December 2018 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 20. Earnings per share

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(2,336,821)	(2,735,577)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	4,650,114,219	3,376,821,600
Weighted average number of ordinary shares used in calculating diluted earnings per share	4,650,114,219	3,376,821,600

Note 20. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.05)	(0.08)
Diluted earnings per share	(0.05)	(0.08)

At 31 December 2018, the following anti-dilutive equity instruments were on issue and have been excluded from the calculation of diluted earnings per share :
- ECTOC options: 846,088,751 on issue at reporting date (exercise price $0.045 and expiry 31 July 2019)
- Loan Funded Shares: 1,218,584,270 on issue at reporting date and held in lock-up pending release to ELF option holder.

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 2018 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

Glenn Fozard
Executive Chairman

28 February 2019
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Environmental Clean Technologies Limited

Report on the Half-Year Financial Report

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 2018, 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 then ended, notes comprising a statement of 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 half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 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 *Corporations Regulations 2001*.

Emphasis of matter – 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.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 28 February 2019