

Quarterly Activity Report & Appendix 4C (Replacement)

27 July 2021: Environmental Clean Technologies Limited (ASX: ECT) (“ECT” or “Company”) recently provided (23 June 2021) the following update for the quarter ending 30 June 2021.

This replacement contains two amendments.

The Activity Report now includes the following statement (page 5):

“Payments of \$138K to related parties of the entity include payments for directors’ fees to executive and non-executive directors, and payments to executive directors for consulting fees.”

The Appendix 4C now includes the following information (item 7.6 on page 9):

“The Company’s lending facility is from RnD Funding Pty Ltd. Interest is 12% per annum, the facility is secured, matures 31 December 2022 and is fully drawn at \$1.2M.”

This announcement is authorised for release the ASX by Adam Giles, Company Secretary.

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Quarterly Activity Report & Appendix 4C

23 July 2021: Environmental Clean Technologies Limited (ASX: ECT) (“ECT” or “Company”) is pleased to provide the following update for the quarter ending 30 June 2021. During the period, the Company continued to advance construction of the Coldry Upgrade Project (“Project”) at Bacchus Marsh, Victoria.

Highlights

- Coldry Upgrade Project progresses with Phase 1 construction well advanced and on target for completion during Q1FY22
- Acquisition of rotary kiln – key component for Phase 2 char project
- Coal supply agreement executed with EnergyAustralia
- Adoption of formal Environmental, Social and Governance (“ESG”) framework
- EGM approving capital raising, amended Constitution and the consolidation of share capital on 10 to 1 basis
- \$3.5M capital raising to assist funding the Project at Bacchus Marsh and other opportunities, nearing completion
- Appointment of Euclase Capital as Corporate Advisor

Coldry Project Activity

Coldry, ECT’s core technology, is a zero-emission, cost effective lignite drying process, that significantly reduces low rank coal's moisture content creating the ideal feedstock for high-value downstream applications including char, syngas, fertiliser and hydrogen.

Construction of the small-scale, zero-emission Coldry lignite drying technology at Bacchus Marsh progressed well over the quarter with the Company completing¹:

- ✓ Installation of the hammer mill, surge hopper and supporting structures
- ✓ Genset installation to power the workshop and laboratory
- ✓ Assembly of the packed bed dryer panel box
- ✓ Fabrication of the conditioning system
- ✓ Installation of Motor Control Centre 01



Photos: Installation of 4-tonne hammer mill (above); assembled coal hopper mounted into place (far left); assembly of packed bed dryer(left).

¹ ASX announcement – 21 June 2021 – Coldry Upgrade Project - Update

The Company also announced the acquisition of a rotary kiln², a key Phase 2 component of its Coldry-enabled char project. The total cost of the acquisition (including transport) is estimated to be \$300,000, and is anticipated to deliver savings of up to \$500,000, reducing Phase 2 lead time by up to four months.

Further updates on the progress of the Project will be announced in due course.

Coal Supply Agreement with EnergyAustralia

During the quarter, ECT signed a 5-year coal supply agreement with EnergyAustralia, the owner of the Yallourn Power Station (“**Yallourn**”) in Victoria’s Latrobe Valley, for the supply of lignite for the Company’s Coldry-enabled char project. Yallourn provides 22% of Victoria’s electricity and approximately 8% of Australia’s National Electricity Market³.

The agreement, which includes the repair and recommissioning of the outfeed delivery system at Yallourn (pictured below), will enable the Company to access up to 50,000 tonnes per annum of lignite for exclusive use in ECT’s Coldry facility at Bacchus Marsh.

Successful completion of the small-scale commercial demonstration plant at Bacchus Marsh, and the repair and recommissioning of the lignite terminal at Yallourn, is part of ECT’s broader commercialisation strategy which involves the further potential scale-up of the Coldry process in Victoria’s Latrobe Valley in support of the higher value, lower emission utilisation of lignite via a range of downstream applications.

CORPORATE

Adoption of ESG Framework

The Company adopted a formal ESG reporting framework during the quarter, initially establishing the Company’s baseline measurements in areas regarding, Environment, Social and Governance⁴. The baseline ESG report is included below, and updates will be provided on an ongoing basis in alignment with the Company’s 4C quarterly reporting to the ASX.

Quarterly ESG Report for ECT Ltd

Environmental, Social, and Governance (ESG) is disclosed against the World Economic Forum universal ESG framework and reported on a quarterly basis using Socialsuite ESG Go. The June 2021 quarter ESG Go Dashboard report is included below.

² ASX announcement – 4 June 2021 – Rotary Kiln Acquisition Fast Tracks Phase 2 of Coldry Project

³ <https://www.energyaustralia.com.au/about-us/energy-generation/yallourn-power-station>

⁴ ASX announcement – 22 July 2021 – ECT Adopts Global Standard For ESG Reporting

'ESG Go' Dashboard for ECT

Baseline Report – Q2/2021

E Explanation	A Action	D Development	R Reported	V Verified	A Audited
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ESG Go Dashboard - Baseline Report



MATERIAL	PRIORITY	TIMEFRAME	DISCLOSURE	MATURITY
				A1 A2 A3 A4 A5

GOVERNANCE



GO-01-A	Setting purpose	Y	Y	Q3	2021	R	R	R	R	R
GO-02-A	Governance body composition	Y	Y	Q3	2021	D	D	D	R	R
GO-03-A	Material issues impacting stakeholders	Y	Y	Q3	2021	D	D	D	D	D
GO-04-A	Anti-corruption practices	Y	Y	Q3	2021	R	R	R	R	R
GO-04-B	Mechanisms to protect ethical behaviour	Y	Y	Q3	2021	R	R	R	R	R
GO-05-A	Integrating risk and opportunity into business process	Y	Y	Q3	2021	D	D	D	D	D

PLANET



PL-01-A	GHG emissions	Y	Y	Q3	2021	D	D	D	D	D
PL-01-B	TCFD implementation	Y	N	Q1	2022	D	D	D	D	D
PL-02-A	Land use and ecological sensitivity	Y	N	Q3	2021	D	D	D	D	D
PL-03-A	Water consumption	N	N	-	-	E	E	E	E	E

PEOPLE



PE-01-A	Diversity and inclusion	Y	Y	Q3	2021	D	D	D	D	D
PE-01-B	Pay equality	Y	Y	Q3	2021	D	D	D	D	D
PE-01-C	Wage level	Y	Y	Q3	2021	D	D	D	D	D
PE-01-D	Child, forced or compulsory labour	Y	Y	Q3	2021	D	D	D	D	D
PE-02-A	Health and safety	Y	Y	Q3	2021	D	D	D	D	D
PE-03-A	Training provided	Y	Y	Q3	2021	D	D	D	D	D

PROSPERITY



PR-01-A	Rate of employment	Y	Y	Q3	2021	D	D	D	D	D
PR-01-B	Economic contribution	Y	Y	Q3	2021	R	R	R	R	R
PR-01-C	Financial investment contribution	Y	Y	Q3	2021	R	R	R	R	R
PR-02-A	Total R&D expenses	Y	Y	Q3	2021	R	R	R	R	R
PR-03-A	Total tax paid	Y	Y	Q3	2021	R	R	R	R	R

Extraordinary General Meeting

The Company held an Extraordinary General Meeting ("EGM") on the 25 June 2021, approving (amongst other matters) an amendment of the Company Constitution as well as a 10 for 1 share consolidation of issued capital. The share consolidation was effective as of 25 June 2021, resulting in 1,183M issued shares.

Capital Management

Approximately \$1.3M (prior quarter \$732K) was spent on the Project during the quarter on eligible research and development ("R & D") expenditure that will qualify for the ATO's R & D incentive. Of this

amount, \$1.2M (prior quarter \$399K) was attributable to property, plant and equipment purchases with the remaining \$100K (prior quarter \$333K) on other R & D project expenses.

During the quarter, the Company received a further two drawdowns of the loan secured by the Company's R & D tax incentive rebate of \$900K bring total borrowings to \$1.2M.

The Company received a total of \$1.89M (prior quarter nil) from capital raising activities during the quarter. Of this amount \$1.5M was from a share placement and \$388K was from a share purchase plan.

Administration and corporate costs increased by \$379K compared to the previous quarter. This increase was spread across various expenses including legal fees, capital raising costs, share registry costs, ASX fees, consulting fees and patents. Other cash inflow and outflow categories were comparable to the previous quarter. As such, and notwithstanding the items mentioned above, the Appendix 4C is not materially different to the prior quarter.

Payments of \$138K to related parties of the entity include payments for directors' fees to executive and non-executive directors, and payments to executive directors for consulting fees.

Cash on hand at the end of the quarter was \$1,014K compared to \$233K at the end of March 2021. Cash on hand as at the date of this report is \$520K. A GST refund more than \$300K is expect in the coming week and the Company tax return will be lodged shortly which will include the R&D tax offset rebate, which after paying out the R&D loan facility in its entirety, should net the Company approximately \$700K.

In the next few weeks, the Company expects to complete the placement of the shortfall from the recent capital raising⁵. This is expected to raise up to an additional \$1.6M. The Company also expects to raise a further \$500,000 from the shares allocated to the project and held under custodian. These custodian shares already make up the existing free float on the market and will not dilute shareholders any further.

As at the date of this announcement, the Company has no undrawn loan facilities. In the coming weeks the Company will seek to enter into a new loan agreement for a facility comparable to the 2020/21 facility. This facility will be secured by the Company's R&D tax incentive credit and is expected to allow the Company to draw up to \$1.5M over the 2021/22 financial year.

Corporate Advisor

ECT appointed Euclase Capital as its Corporate Advisor ("**Euclase**"). Euclase will provide a range of services to the Company, including advice on strategic and cornerstone investors, advice on potential offtakers, assisting with the development of feasibility studies with a view to securing project finance for ECT's projects, and advising on business and corporate development opportunities.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity: Environmental Clean Technologies Limited

ABN: 28 009 120 405

Quarter ended: 30 June 2021

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	6	40
1.2	Payments for		
	(a) research and development	(107)	(841)
	(b) product manufacturing and operating costs	(46)	(75)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(75)	(261)
	(f) administration and corporate costs	(531)	(1,171)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
1.5	Interest and other costs of finance paid	0	(8)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	5	999
1.8	Other (provide details if material)	-	593
1.9	Net cash from / (used in) operating activities	(748)	(721)

2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,193)	(2,340)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,193)	(2,340)
3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,889	1,889
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	900	1,200
3.6	Repayment of borrowings	(34)	(118)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,755	2,970

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	197	1,112
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(748)	(721)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,193)	(2,340)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,755	2,970
4.5	Effect of movement in exchange rates on cash held	5	(8)
4.6	Cash and cash equivalents at end of quarter	1,014	1,014

5	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	At the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	1,014	1,014
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,014	1,014

6	Payments to related parties of the entity and their associates	Current quarter	Year to date (12 months)
		\$A'000	\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	138	535
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	-
	Amounts in item 6.1 are payments of directors' fees for all directors and payments for consulting fees to executive directors		

7	Financing facilities	Total facility amount at quarter end	Amount drawn at quarter end
	Note: the term "facility" includes all forms of financing arrangements available to the entity.	\$A'000	\$A'000
	Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (R & D lending facility- see below)	1,200	1,200
7.4	Total financing facilities	1,200	1,200

7.5	Unused financing facilities available at quarter end	-	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	The Company's lending facility is from RnD Funding Pty Ltd. Interest is 12% per annum, the facility is secured, matures 31 December 2022 and is fully drawn at \$1.2M.		

8	Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (Item 1.9)	(748)	
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,014	
8.3	Unused finance facilities available at quarter end (Item 7.5)	-	
8.4	Total available funding (Item 8.2 + Item 8.3)	1,014	
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(1.36)	
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:		
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?		

	Yes. The Company is expecting funds from capital raising activities and a substantial GST refund both of which are expected in the very near term. Cash receipts from loan drawdowns and a R & D incentive rebate are expected in the following months.
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Yes. Details of the Company's capital raising activities were previously released to the market with relevant resolutions approved at the recent EGM held on the 25th of June 2021 with results of this EGM released to the market on the same day.
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Yes. The cash flows referred to above are expected to be sufficient to continue operations.
Compliance statement	
1	This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2	This statement gives a true and fair view of the matters disclosed.
Date:	23 July 2021
Authorised by the board of directors	
Notes	
1	This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2	If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, <i>AASB 107: Statement of Cash Flows</i> apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3	Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4	If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5	If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's <i>Corporate Governance Principles and Recommendations</i> , the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.