



## Quarterly Activity Report, Quarterly ESG Report and Appendix 4C

### Highlights

- Coldry commercial demonstration facility construction in Bacchus Marsh (“the Project”) continued to advance, despite delays due to COVID restrictions, and is estimated for completion in Q1 CY22
- The Company accepted an invitation to join the Gippsland Regional Hydrogen Cluster (“GRHC”) as a member of the advisory committee
- Board restructured with experienced Non-Executive directors, Mr Jason Marinko and Mr Tim Wise joining the Board
- Strategic review undertaken by new Board to position the Company to capitalise on growing interest in net zero emission technologies
- Launched feasibility work on Net Zero Emission Hydrogen Refinery Project being incorporated into Hydrogen Hub Grant program due for submission in November 2021.
- Launched “Wood247” a retail business selling complementary high-end eco-friendly products
- \$3m Promissory Note funding round completed to fund construction of Coldry demonstration facility

**27 October 2021:** Environmental Clean Technologies Limited (ASX: ECT) (ECT or Company) is pleased to provide the following update and Appendix 4C for the quarter ending 30 September 2021.

### Activities Report

Despite the impact of COVID-19 restrictions in Victoria during the quarter, ECT was able to advance construction activities at its Bacchus Marsh and is now scheduled to complete its 25,000 tonne Coldry demonstration facility in early 2022. The Company’s Coldry technology has the potential to play an important role in achieving the transition to net zero emission energy sector and the pending completion of this facility will enable the Company to demonstrate its unique, low cost, zero emission Coldry lignite drying technology at a commercial scale to major downstream partners.

In July, ECT was also pleased to be invited to become an advisory committee member for the Gippsland Regional Hydrogen Cluster (“GRHC”). The GRHC was formed by the Committee for Gippsland and National Energy Resources Australia (NERA) with the stated purpose to ‘build a competitive clean hydrogen industry in Gippsland that will create jobs, secure investment, generate export income and help lower emissions.

The broad, bipartisan support from state and federal governments to develop Australia’s domestic and export hydrogen capability continues to gain momentum with a range of initiatives intended to position Australia as a future leader in hydrogen exports. ECT’s participation in the GRHC as well as its membership of the Heavy Industry Low-carbon Transition Cooperative Research Centre (HILT-CRC) and the Future Energy Exports Cooperative Research Centre (FEnEx-CRC) increases industry and government awareness of the Company’s net zero emission technologies and has the potential to open numerous downstream opportunities for ECT.

The Company continues to investigate opportunities to access government support and industry partnerships and during the quarter launched feasibility work on a Net Zero Emission Hydrogen Refinery

Project being incorporated into the Federal Government Hydrogen Hub Grant program for submission next quarter.

This quarter also saw the successful launch of ECT's complementary Wood247 business which commenced selling its high-end eco-friendly wood briquettes in Greater Melbourne. The Board will continue to monitor its progress and review its options to create value for the Company.

## **Corporate Update**

During the quarter, the Company undertook a Board restructure and was fortunate to appointment experienced Non-Executive directors, Mr Jason Marinko and Mr Tim Wise to the Board to increase the Board's public company experience and assist the Company on its path to commercialisation of its net zero emission technology.

The new Board then undertook a strategic review with the aim of capitalising on the increasing government and industry interest in net zero emission technologies and subsequent to the end of the quarter announced a renewed focus on formalising project partner relationships. As part of the review, the Board also decided to pause works on Phase Two of the Project to enable ECT to better direct capital towards the accelerated and large-scale commercialisation of its proprietary technology suite and maximise shareholder value in this fast-evolving sector.

The Company was also pleased to have completed a Promissory Note Raising from a syndicate of sophisticated and professional investors during the quarter. Proceeds from the Promissory Note Raising are being utilised to complete the construction of the Company's small-scale Coldry demonstration plant in Bacchus Marsh, Victoria, to enable the Company to assess complementary acquisition and business development opportunities, and for working capital purposes.

## **Capital Management**

Approximately \$943K (prior quarter \$1.2M) was spent on the Project during the quarter on property plant and equipment purchases as the Company nears the completion of Phase 1 of Coldry demonstration facility.

Research and development costs were up quarter on quarter as the Company secured coal supply and infrastructure upgrades from Energy Australia at the Yallourn coal mine following the announcement of a 5-year supply agreement in June 2021.

The Company has lodged its 2020/21 income tax return but is yet to receive the R & D tax incentive rebate. Once received, and after paying out the R & D loan facility, the Company will receive approximately \$650K in net funds.

Payments of \$122K 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.

As at the date of this announcement, the Company has no undrawn loan facilities. The Company will seek to enter into a new loan agreement in due course for a facility secured by the R & D tax incentive which is expected to be comparable to the 2020/21 facility.

## **ESG Report**

ECT has previously adopted a formal ESG reporting framework created by the World Economic Forum ("WEF")<sup>1</sup>. While the Company's suite of low emission technologies is inherently environmentally positive, the adoption of the WEF framework will assist the Company in tracking and reporting these initiatives into

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<sup>1</sup> See ASX announcement dated 22 July 2021

the future to ensure that our business remains an ‘impact investment’ for shareholders and local communities.

The ESG report below provides an update of the progress from the Company’s ‘baseline’ position to the end of the quarter ended 30 September 2021.

ESG Go

Environmental Clean Technologies (ASX:ECT)

		Baseline, 24/06/21					Period 1, Jul-Sep 2021						
		DISCLOSURE	MATURITY					DISCLOSURE	MATURITY				
			A1	A2	A3	A4	A5		A1	A2	A3	A4	A5
<b>ESG Go Dashboard</b>													
<b>Governance</b>													
GO-01-A	Setting purpose	R	R	R	R	R	R	V	V	V	V	V	V
GO-02-A	Governance body composition	D	D	D	R	R	R	D	D	D	R	R	R
GO-03-A	Material issues impacting stakeholders	D	D	D	D	D	D	D	D	D	D	D	D
GO-04-A	Anti-corruption practices	R	R	R	R			R	R	R	R		
GO-04-B	Mechanisms to protect ethical behaviour	R	R	R				R	R	R			
GO-05-A	Integrating risk and opportunity into business process	D	D	D	D	D	D	D	D	D	D	D	D
<b>Planet</b>													
PL-01-A	GHG emissions	D	D	D	D			D	D	D	D		
PL-01-B	TCFD implementation	D	D					D	D				
PL-02-A	Land use and ecological sensitivity	D	D					D	D				
PL-03-A	Water consumption	E	E					E	E				
<b>People</b>													
PE-01-A	Diversity and inclusion	D	D	D	D	D	D	D	D	D	D	D	D
PE-01-B	Pay equality	D	D	D	D	D		D	D	D	D	D	
PE-01-C	Wage level	D	D	D				D	D	D			
PE-01-D	Child, forced or compulsory labour	D	D					D	D				
PE-02-A	Health and safety	D	D	D				D	D	D			
PE-03-A	Training provided	D	D					D	D				
<b>Prosperity</b>													
PR-01-A	Rate of employment	D	D	D				D	D	D			
PR-01-B	Economic contribution	R	R					V	V	V			
PR-01-C	Financial investment contribution	R	R	R				V	V	V			
PR-02-A	Total R&D expenses	R	R					V	V				
PR-03-A	Total tax paid	R	R					V	V				

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Environmental Clean Technologies Limited

**ABN**

28 009 12 405

**Quarter ended ("current quarter")**

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	219	219
1.2 Payments for		
(a) research and development	(610)	(610)
(b) product manufacturing and operating costs	(93)	(93)
(c) advertising and marketing	(95)	(95)
(d) leased assets		
(e) staff costs	(92)	(92)
(f) administration and corporate costs	(500)	(500)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	2	2
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,172)</b>	<b>(1,172)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(944)	(944)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(944)</b>	<b>(944)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	2,905	2,905
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(13)	(13)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(34)	(34)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,858</b>	<b>2,858</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,014	1,014
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,172)	(1,172)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(944)	(944)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,858	2,858
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,756</b>	<b>1,756</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,756	1,014
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,756</b>	<b>1,014</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	122
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (R & D lending facility (see below))	1,200	1,200
<b>7.4 Total financing facilities</b>	<b>1,200</b>	<b>1,200</b>
<b>7.5 Unused financing facilities available at quarter end</b>		
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 does not have any unused loan facilities. The current facility is fully drawn, is secured by the 2020/21 AusIndustry Tax Incentive, is provided by RnD Funding Pty Ltd, incurs interest at 12% per annum and matures 31 December 2022. Any proposed facilities would be on comparable terms to the existing facility.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,172)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,756
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,756
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.50</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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?	
Answer: Yes. The Company is expecting approximately \$650K once the refund from the 2020/21 tax return is received. During the quarter ended 31 December 2021 the Company also expect to enter into a new loan facility secured by the 2021/22 AusIndustry Tax incentive refund on terms comparable to the 2020/21 facility.	
8.6.2 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?	
Answer: Refer 8.6.1 above. The Company is not planning to raise funds via a capital raising.	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes. The cash flows referred to above are expected to be sufficient to continue operations.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## 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: 27 October 2021

Authorised by: Board of Directors  
(Name of body or officer authorising release – see note 4)

## 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, *AASB 107: Statement of Cash Flows* 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 – eg 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 *Corporate Governance Principles and Recommendations*, 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.