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 2014
Previous period:	For the half-year ended 31 December 2013

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	65.1%	to	572,586
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	up	67.2%	to	(1,563,917)
Loss for the half-year attributable to the owners of Environmental Clean Technologies Limited	up	67.2%	to	(1,563,917)

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 $1,563,917 (31 December 2013: $935,623).

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	(0.12)

4. Control gained over entities

Name of entities (or group of entities)	Not Applicable
Date control gained	

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Name of entities (or group of entities)	Not Applicable
Date control lost	

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	-

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:

The last date(s) for receipt of election notices for the dividend or distribution plans: 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%	50.00%	-	-
Coldry East Kalimantan Pty Ltd	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

Associates and joint ventures of the consolidated entity are not material.

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 financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Environmental Clean Technologies Limited for the half-year ended 31 December 2014 is attached.

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12. Signed

Signed ______________________________ Date: 27 February 2015

Ashley Moore
Managing Director
Melbourne

Environmental Clean Technologies Limited

ABN 28 009 120 405

Interim Report - 31 December 2014

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 2014.

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
Ashley Moore - Managing Director
Iain McEwin
David Smith (appointed 1 February 2015)
Stephen Carter (resigned 11 December 2014)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the reduction of carbon emissions and environmental damage through investing and licensing commercially practical and environmentally cleaner technologies and processes. These include:

- Demonstrating the Coldry process at commercial scale;
- Developing the Matmor process;
- Managing the development and extracting value from Intellectual Property.

Coldry process

The Coldry process is the consolidated entity's first technology proven to be commercially viable as an economic method of dewatering brown coal to produce a black coal equivalent. Once applied, the mechanically simple Coldry process produces pellets that are stable, easily stored, can be transported and are of equal or higher energy value than black coal. Essentially, the Coldry process works through the destruction of internal porous structures, allowing the expulsion of water from lignite and sub-bituminous coals. The Coldry process delivers a ‘Gateway technology’ that enables an ideal front-end feedstock solution for numerous new technology applications.

Matmor process

Matmor is a clean, low-emission, one-step process for producing high-grade primary iron using brown coal to displace the need for coking coals as used in the incumbent blast furnace process.

The Matmor process is positioned to fundamentally change primary iron making, creating a high-grade iron product from brown coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending brown coal (lignite) with iron ore or other ferrous metal bearing media to form a paste that is dewatered using the Coldry process. The pellets are then fed into the consolidated entity's simple low cost, low emission patented Matmor retort where the remaining moisture is removed, the coal volatiles are driven off and the iron oxides are reduced to metal.

Intellectual property

The consolidated entity owns both the Coldry and Matmor intellectual property. The Coldry process is covered by patents, or pending patents in all major markets with significant brown coal deposits. The sole remaining patent of interest for Coldry yet to be granted is India. This is progressing through the Indian national system. Matmor is covered by two Australian patents, 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.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $1,563,917 (31 December 2013: $935,623).

Operating expenses for the consolidated entity were 17.1% lower than the prior period at $2,136,503 (31 December 2013: $2,577,118). Excluding depreciation and amortisation, operating expenses were 24.0% lower than the prior period at $1,761,027 (31 December 2013: $2,317,092). The consolidated entity continues to seek all means to deliver on its R&D and commercialisation objectives via a lower cost base.

The increased loss for the financial first half-year was chiefly attributable to a lower R&D Tax Incentive offset of $564,886 (31 December 2013: $1,632,606). The lower figure was a result of lower expenditure on research and development during the 2013-14 reporting period, due to the completion of the Coldry Design for Tender.

Underlying payments to suppliers and employees amounted to $1,467,478 (31 December 2013: $2,308,349) a reduction of $840,871, chiefly attributable to decreases in:
- Engineering and design costs of $317,706 (71%), due to completion of the Coldry Design for Tender in the previous full year reporting period
- Employee benefit expense of $128,458 (21%), due to the full impact of the organisational restructuring undertaken in the previous full year reporting period
- Finance costs of $181,480 (24%)

Net tangible assets (NTA) per share increased by 0.17 cents from (0.12) cents to 0.05 cents due to the acquisition of the Matmor Assets increasing total assets from $7.55 million to $12.73 million.

Significant changes in the state of affairs

The overriding focus for the consolidated entity for the financial first half-year was on progression of its proposed Coldry demonstration project at Neyveli Lignite Corporation ('NLC'). The process involved the preparation of a detailed technical and commercial feasibility study for deployment at NLC's site near Tamil Nadu. The feasibility study report was submitted during the report period, with NLC's Board forming the requisite high-level review committee to assess the project in detail. NLC's high-level Board review remained in progress as at 31 December 2014.

Running parallel to the Coldry focused activity with NLC, the consolidated entity held discussions and performed raw material testing with India's National Mineral Development Corporation ('NMDC') in relation to Matmor development and successfully concluded an initial benchmarking program on several iron ore samples provided by NMDC. Lignite from Neyveli was used as the reductant. The tests confirmed the ores were suitable for reduction to metallic iron by the Matmor process. As at 31 December 2014, the consolidated entity, NLC and NMDC were in discussions around a tri-party collaboration arrangement with the objective of potentially advancing the proposed Coldry Demonstration Plant in addition to an integrated Matmor Pilot Plant, at NLC.

In relation to capital management activities, the consolidated entity issued two new Options, ESIOA and ESIOB. ESIOA Options closed, fully subscribed. ESIOB Options were a pro rata issue on a 1 for 3 basis for every ESI held at the record date. The consolidated entity concluded the Strategic Deliverable Bond in August and rolled over its Fast Finance facility in November.

The consolidated entity has continued to progress fundamental research and development of the Matmor technology with the testing of numerous lignites and iron bearing materials from both domestic and overseas sources in addition to expanding testing to ores containing Nickel, Chrome, Manganese, and Titanium.

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

Matters subsequent to the end of the financial half-year

Following the conclusion of the reporting period the consolidated entity completed the set up of its Indian corporate entity.

As previously advised to the market during the reporting period, and in support of the company's plans to advance its development objectives in India, the process to create a subsidiary company in India commenced in September 2014.

The company finalised the establishment and incorporation of its Indian entity, Environmental Clean Technologies Development and Services India Private Limited (ECT India).

The entity, a 100% ECT owned subsidiary, is the vehicle for the development and management of the company's planned Coldry and Matmor projects in India and is a required administrative step in pursuing the broader 'India Strategy'.

The company continues working with Neyveli Lignite Corporation (NLC) and the National Mineral Development Corporation of India (NMDC) to develop collaborative arrangements, and with Thermax on technology and project specific work packages. Further updates will be provided in due course.

No other matter or circumstance has arisen since 31 December 2014 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 on the following page.

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

Ashley Moore
Managing Director

27 February 2015
Melbourne

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON 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 2014, 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.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 27 February 2015

Contents

General information

The financial statements cover Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

Environmental Clean Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 712, 530 Little Collins Street
Melbourne VIC 3000

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 27 February 2015. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 31 Dec 2014 $	Consolidated 31 Dec 2013 $
Revenue	4	572,586	1,641,495
Expenses			
Corporate costs		(293,617)	(202,649)
Legal costs		(90,913)	(78,642)
Employee benefits expense		(484,655)	(613,113)
Sales and marketing		(93,213)	(104,458)
Depreciation and amortisation expense	5	(375,476)	(260,026)
Engineering and design costs		(132,045)	(449,751)
Occupancy expense		(72,156)	(90,214)
Travel and accommodation		(23,965)	(26,322)
Finance costs	5	(570,463)	(751,943)
Loss before income tax expense		(1,563,917)	(935,623)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Environmental Clean Technologies Limited		(1,563,917)	(935,623)
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		(1,563,917)	(935,623)
		Cents	Cents
Basic earnings per share	20	(0.07)	(0.05)
Diluted earnings per share	20	(0.07)	(0.05)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Assets			
Current assets			
Cash and cash equivalents	6	486,902	215,120
Trade and other receivables	7	250,794	35,849
Other		63,834	46,857
Total current assets		801,530	297,826
Non-current assets			
Investments accounted for using the equity method		2	2
Property, plant and equipment	8	4,970,099	52,280
Intangibles	9	6,960,000	7,200,000
Total non-current assets		11,930,101	7,252,282
Total assets		12,731,631	7,550,108
Liabilities			
Current liabilities			
Trade and other payables		190,893	283,441
Borrowings	10	1,283,044	1,793,333
Provisions		51,093	87,915
Other	11	2,408,440	173,416
Total current liabilities		3,933,470	2,338,105
Non-current liabilities			
Provisions	12	33,291	26,046
Other financial liabilities	13	590,137	590,137
Total non-current liabilities		623,428	616,183
Total liabilities		4,556,898	2,954,288
Net assets		8,174,733	4,595,820
Equity			
Issued capital	14	55,951,405	54,837,275
Reserves	15	4,028,700	-
Accumulated losses		(51,805,372)	(50,241,455)
Total equity		8,174,733	4,595,820

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

Environmental Clean Technologies Limited
Statement of changes in equity
For the half-year ended 31 December 2014

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2013	52,076,821	-	(47,693,342)	4,383,479
Loss after income tax expense for the half-year	-	-	(935,623)	(935,623)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(935,623)	(935,623)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 14)	2,518,212	-	-	2,518,212
Balance at 31 December 2013	54,595,033	-	(48,628,965)	5,966,068

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014	54,837,275	-	(50,241,455)	4,595,820
Loss after income tax expense for the half-year	-	-	(1,563,917)	(1,563,917)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,563,917)	(1,563,917)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 14)	1,114,130	-	-	1,114,130
Issued Options	-	4,028,700	-	4,028,700
Balance at 31 December 2014	55,951,405	4,028,700	(51,805,372)	8,174,733

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Consolidated	
	31 Dec 2014	31 Dec 2013
	$	$
Cash flows from operating activities		
Research and development offset	564,866	1,727,708
Payments to suppliers and employees	(1,467,478)	(2,308,349)
Interest received	6,421	8,468
Interest and other finance costs paid	-	(141,969)
Net cash used in operating activities	(896,191)	(714,142)
Cash flows from investing activities		
Payments for property, plant and equipment	(6,901)	-
Proceeds from sale of property, plant and equipment	400	375
Net cash from/(used in) investing activities	(6,501)	375
Cash flows from financing activities		
Proceeds from issue of options	1,122,724	-
Proceeds from borrowings	139,697	1,299,000
Repayment of borrowings	(87,947)	(223,264)
Net cash from financing activities	1,174,474	1,075,736
Net increase in cash and cash equivalents	271,782	361,969
Cash and cash equivalents at the beginning of the financial half-year	215,120	627,115
Cash and cash equivalents at the end of the financial half-year	486,902	989,084

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 2014 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 2014 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, except for the policies stated below.

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending 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.

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

Going concern

For the financial half-year ended 31 December 2014, the consolidated entity had an operating net loss of $1,563,917, net cash outflows from operating activities of $896,191, and net current liabilities at the reporting date of $3,131,940. Furthermore the consolidated entity does not have a source of revenue and is reliant on equity capital or 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:
- further drawdowns against available future R&D Rebate schemes (FAST Finance) via current and future lenders;
- facilitated exercise of listed options via mandated arrangements with Platinum Road Pty Ltd; and
- issuance of equity via ECT securities, or debt funding, to support project funding needs in India.

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

These conditions indicate 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 assets amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Note 2. Comparatives

Certain comparatives have been reclassified to align with current period presentation. There was no effect on the loss for the period, net asset position or cash flows.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity operates predominantly in the environmental and energy industry, and a single geographic segment being Australia.

At regular intervals, the CODM is provided management information at a consolidated level for the entity's cash position, the carrying values of intangible assets and a cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

Note 4. Revenue

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Interest	7,341	8,468
Research and development tax refund	564,866	1,632,606
Other revenue	379	421
Revenue	572,586	1,641,495

Note 5. Expenses

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	134,586	17,922
Fixtures and fittings	161	404
Office equipment	893	1,700
Total depreciation	135,640	20,026
Amortisation		
Intellectual property	240,000	240,000
Total depreciation and amortisation	375,640	260,026
Finance costs		
Interest and finance charges paid/payable	-	123,560
Capital raising costs	68,901	128,727
ARUP Bond finance costs	501,562	499,656
Finance costs expensed	570,463	751,943

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2014 $	30 Jun 2014 $
Cash at bank	486,902	215,120

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Other receivables	134,251	20,196
Loan to Coldry East Kalimantan	15,623	15,653
Loans to Directors	100,920	-
	250,794	35,849

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

	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Plant and equipment - at cost	5,700,307	652,405
Less: Accumulated depreciation	(733,815)	(604,787)
	4,966,492	47,618
Fixtures and fittings - at cost	5,971	5,971
Less: Accumulated depreciation	(4,466)	(4,305)
	1,505	1,666
Office equipment - at cost	52,031	53,715
Less: Accumulated depreciation	(49,929)	(50,719)
	2,102	2,996
	4,970,099	52,280

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

Consolidated	Plant and equipment $	Fixtures and fittings $	Office equipment $	Total $
Balance at 1 July 2014	47,618	1,666	2,996	52,280
Additions	5,047,902	-	-	5,047,902
Disposals	-	-	(165)	(165)
Depreciation expense	(129,028)	(161)	(729)	(129,918)
Balance at 31 December 2014	4,966,492	1,505	2,102	4,970,099

* Matmor plant and equipment of $5,041,000 was acquired during the period. It is anticipated that such assets will be consumed during the process of developing the Matmor technology within 2 years from the date of acquisition.

Note 9. Non-current assets - intangibles

	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(2,640,000)	(2,400,000)
	6,960,000	7,200,000

Note 9. Non-current assets - intangibles (continued)

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

Consolidated	Intellectual property $	Total $
Balance at 1 July 2014	7,200,000	7,200,000
Amortisation expense	(240,000)	(240,000)
Balance at 31 December 2014	6,960,000	6,960,000

Note 10. Current liabilities - borrowings

	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
FAST Finance Loan	1,283,044	1,155,555
ARUP Bond	-	637,778
	1,283,044	1,793,333

Fast Finance Loan
The Fast Finance loans were renewed during the period and expire on 21 October 2015. They are repayable in cash from the R&D tax rebate refund with an interest rate of 15% p.a. The loans are secured by first ranking charge and irrevocable pledge over all amounts of R&D tax rebate received from the Australian Tax Office.

Arup Bond
The Arup Bond was a three party arrangement between the company, Arup Pty Ltd ('Arup'), and a broking house, and has, since 30 June 2014, been concluded (August 2014). The company issued the bond to Arup, who assigned it to the broking house upon settlement of Arup invoices on behalf of the company. Under the terms of the bond, the broking house provided a guarantee to Arup with respect to payments for Arup services provided to the company, and provided such guarantee through assignments of the bond from Arup. The bond converted to shares in the company issued at a 10% discount to the lowest daily volume-weighted-average-price of the last 5 trading days. There was no interest charge associated with the bond.

Note 11. Current liabilities - other

	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Deferred Consideration - Matmor	2,408,440	-
Other current liabilities	-	173,416
	2,408,440	173,416

Other current liabilities in the comparative period is represented by premiums received for options yet to be allocated.

Note 11. Current liabilities - other (continued)

Deferred Consideration Liability - Matmor Assets
As part consideration for the acquisition of the Matmor asset, deferred consideration of $3.5m cash was incurred. The timing of paying consideration up to the cash amount of $3.5m to Matmor Steel is dependent upon if, and when, ESIOA and ESIOB series options ('ESI options') of the company are exercised and meeting various milestones. 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 ECT from exercise of ESI Options up to the cash amount of $1m
(b) a minimum of 15% of proceeds received by ECT from exercise of ESI Options thereafter
(c) $500,000 on signing of a binding contract for construction of Matmor Pilot Plant
(d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state and conversion targets
(e) $1,000,000 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

In measuring the present value of the liability, management have estimated when options will likely be exercised and when milestones will likely be achieved. A discount rate of 37.5% has been applied to derive a present value.

Perpetual Royalty Liability
In addition to the Matmor Asset Liability recognised, the company has incurred a future obligation to remit a perpetual royalty to Matmor Steel, the originator of the Matmor technology, at an amount calculated at 3% of Licensing Income received by the company after allowing for Deductions. Given the uncertainties and risks associated with developing new technologies and the current stage of development of the technology, the liability value is presently immaterial and has not been recognised.

Note 12. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2014	30 Jun 2014
	$	$
Long service leave	33,291	26,046

Note 13. Non-current liabilities - Other financial liabilities

	Consolidated	
	31 Dec 2014	30 Jun 2014
	$	$
Earn-out creditor	590,137	590,137

Earn-out provision
The earn-out provision represents deferred consideration related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is based on fifty cents per projected processed tonne of coal feedstock between 2017 and 2021. The consideration, payable in 2021, is capped at $3m.

Note 14. Equity - issued capital

	Consolidated			
	31 Dec 2014 Shares	30 Jun 2014 Shares	31 Dec 2014 $	30 Jun 2014 $
Ordinary shares - fully paid	2,409,526,361	2,186,700,273	55,951,405	54,837,275

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2014	2,186,700,273		54,837,275
Issue of shares on bond conversion	14 August 2014	222,826,088	$0.003	1,114,130
Balance	31 December 2014	2,409,526,361		55,951,405

Note 15. Equity - reserves

	Consolidated	
	31 Dec 2014 $	30 Jun 2014 $
Options reserve	4,028,700	-

Options reserve
The options reserve is used to recognise the value of options issued.

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

Consolidated	ESIOA* Options $	ESIOB** Options $	Total $
Balance at 1 July 2014	-	-	-
Issued pursuant to prospectus	1,396,140	-	1,396,140
Issued pursuant to acquisition of Matmor	-	2,632,560	2,632,560
Balance at 31 December 2014	1,396,140	2,632,560	4,028,700

* ESIOA options have an exercise price of 0.9 cents and expire on 31 July 2017. An amount of 1,396,172,364 options were issued at a price of 0.1 cents each during the period.

** ESIOB options have an exercise price of 1.5 cents and expire on 31 July 2017. An amount of 150,000,000 options were issued at a price of 0.66 cents each during the period. An amount of 724,768,416 options were issued for nil consideration to eligible holders of ESI during the period.

Note 16. Equity - dividends

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

Note 17. Contingent liabilities

In prior periods, contingent liabilities were reported upon as part of the legal agreements in place with respect to the Matmor technology agreement structures. Those arrangements have been terminated following the formal acquisition of the Matmor assets and intellectual property in December 2014.

Note 18. Related party transactions

Transactions with related parties
During the period, the company made the following loans to directors or director related entities for the purpose of funding purchases of ESIOA options pursuant to Prospectus dated 30 June 2014. Each option has an issue price of 0.1 cents and is exercisable on or before 30 July 2017. Options remain in escrow to the extent that there is any principal or interest remaining unpaid on each loan. Interest is payable on the outstanding balance at the rate of 6% p.a. calculated daily. Loans are for 12 months with interest to be paid in arrears and in quarterly installments. With respect to each director, details are as follows:

- Glenn Fozard was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $1,216. Interest repaid during the period was $756. Loan balance at 31 December 2014 is $50,420.
- Iain McEwin was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $1,216. Interest repaid during the period was $756. Loan balance at 31 December 2014 is $50,420.
- Stephen Carter was advanced $50,000 for the acquisition of 50 million options. This loan, including interest of $756, was repaid upon resignation on 11 December 2014.

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

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 Dec 2014	30 Jun 2014
	$	$
Current receivables:		
Loans to directors	100,840	-

Note 19. Events after the reporting period

Following the conclusion of the reporting period the consolidated entity completed the set up of its Indian corporate entity.

As previously advised to the market during the reporting period, and in support of the company's plans to advance its development objectives in India, the process to create a subsidiary company in India commenced in September 2014.

The company finalised the establishment and incorporation of its Indian entity, Environmental Clean Technologies Development and Services India Private Limited (ECT India).

The entity, a 100% ECT owned subsidiary, is the vehicle for the development and management of the company's planned Coldry and Matmor projects in India and is a required administrative step in pursuing the broader 'India Strategy'.

The company continues working with Neyveli Lignite Corporation (NLC) and the National Mineral Development Corporation of India (NMDC) to develop collaborative arrangements, and with Thermax on technology and project specific work packages. Further updates will be provided in due course.

No other matter or circumstance has arisen since 31 December 2014 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 2014	31 Dec 2013
	$	$
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(1,563,917)	(935,623)

Note 20. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,355,950,690	2,022,903,537
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,355,950,690	2,022,903,537

	Cents	Cents
Basic earnings per share	(0.07)	(0.05)
Diluted earnings per share	(0.07)	(0.05)

At 31 December 2014 there were 1,396,172,364 ESIOA series options and 874,768,416 ESIOB series options on issue over ordinary shares. These options were considered anti-dilutive and excluded from the calculation above.

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

Ashley Moore
Managing Director

27 February 2015
Melbourne

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Environmental Clean Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Environmental Clean Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Environmental Clean Technologies Limited, 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 Environmental Clean Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Environmental Clean Technologies Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates for the half-year ended 31 December 2014 the consolidated entity incurred an operating loss before tax of $1,563,917, net cashflows from operating activities of $896,191 and net current liabilities of $3,131,940. Furthermore, the consolidated entity is reliant on equity capital or loans from third parties to meet its operating costs. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 27 February 2015