Half Year Financial Report

31 December 2009

Environmental Clean Technologies Limited is in the business of commercialising and selling disruptive technologies that have game-changing potential within the energy and resources sector capable of delivering significant environmental and commercial benefits.

ECT's core portfolio includes Coldry, our flagship coal drying and water recovery technology that produces a black coal equivalent from low rank coal resources that supports the growing demand for energy at lower CO2 emissions than would be otherwise possible; and Matmor is a unique method for producing high-quality iron from inexpensive, abundant brown coal and iron oxide bearing material such as mill scale, nickel tailings and, of course, high or low grade iron ore.

Highlights:

- **Net loss after applicable income tax expense of $2,021,072 (2008 H1 loss: $1,046,824).**

  This reflects the scale up of activity to secure the company's financial position and drive forward as rapidly as possible the commercialisation of Coldry, our flagship coal drying and water recovery technology.

- **Cash position boosted to $2,223,025 (2008: $47,444).**

  ECT raised $2.64 million (before costs and expenses) via a Placement of new shares and options to institutional, experienced and sophisticated investors. In addition, conversion of options during the reporting period raised a further $682,206.

- **Convertible Note redemption deferred to November 2011.**

  ECT completed an arrangement with its convertible noteholders to defer the Company's obligation to redeem $2million worth of convertible notes from early 2010 to November 2011.

- **Key appointments**

  Business Manager, Ashley Moore, appointed for the commercialisation of Coldry technology in October 2009 and new company secretary, John Osborne, appointed August 2009.

- **Multiple flagship projects for Coldry extend the footprint of the technology in key target markets**

  1. In the Latrobe Valley, Victoria in conjunction with Vietnamese financial partner, Tincom and agreement with great Energy Alliance Corporation Pty Ltd (GEAC) for coal supply and site of the proposed COLDRY production facility at GEAC's Loy Yang power facility.
  2. In East Kalamantan, Indonesia in conjunction with Alexis Minerals International Pty Ltd (AMI) to construct a plant for the production of 10M tonnes per annum of Coldry over the next 30 years.
  3. A third flagship project in Eastern Europe was announced post the reporting date.

- **Advancement of the Matmor technology**

  ECT strengthened its security over the technology and its global right to commercially exploit Matmor and has developed a roadmap for the next stages of development.

Interim Financial Results Summary (Dec Half)

(All in A$m)	2009	2008
Revenue	267,889	265,542
Earnings before tax	(2,021,072)	(1,046,824)
Net loss attributable to owners	(2,021,072)	(1,046,824)
Basic earnings per share	-0.28	-0.33
Diluted earnings per share	-0.28	-0.33
Total assets	12,503,105	11,010,773
Total equity	10,408,916	7,609,007
Net operating cashflow	(1,820,549)	(657,980)

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

"We can look forward to an exciting year ahead as we firmly focus on meeting the growing energy needs of emerging markets"

Chairman's Message

Dear Shareholders,

In the first half of the financial year we have successfully negotiated the critical steps needed to secure your Company's future.

Through your support, we have the funding to pursue the multiple commercial opportunities for Coldry in which we are engaged with confidence and we have developed a robust business model that includes a detailed step-by-step engagement process for prospective Coldry licensees/plant developers. In addition, we have implemented a roadmap for the next stages of development of the Matmor process for iron making.

CEO, Kos Galtos, has embraced our go-to-market strategy for Coldry with unflagging enthusiasm and the Board has every confidence that he and his team will continue to successfully drive the commercialisation of Coldry in our target markets. We can look forward to an exciting year ahead as we firmly focus on meeting the growing energy needs of emerging markets by creating long-term supplies of Coldry, Black Coal Equivalent (BCE), pellets for use in more efficient power generation plants, together with significant volumes of water for industrial use.

Dave Woodall
Chairman

"...funds have been earmarked to support a more aggressive Coldry sales approach and for advancement of the Matmor technology."

Chief Executive's Report

Financial Results Overview

The net result of operations after applicable income tax expense was a loss of $2,021,072, almost double that of the previous corresponding period. This reflects the scale up of activity to secure the company's financial position and drive forward as rapidly as possible the commercialisation of Coldry, our flagship coal drying and water recovery technology. A substantial contributor to the period expenses were non-cash related and as a result the accounting loss was greater than the corresponding net cash outflow from operating and investing activities. The loss increase was chiefly attributable to costs associated with consultant services relating to corporate financing; settlement of the convertible note and amortisation of the Coldry Intellectual Property acquired in June 2009; expansion of the management team with its associated costs and employee entitlements such as annual leave; as well as more international travel to advance relationships and agreements with high calibre partners for Coldry in target markets.

The Company's cash position was strengthened to $2,223,025 at 31 December 2009, primarily from a capital raising of $2.64 million (before costs and expenses) via a Placement of new shares and options to institutional, experienced and sophisticated investors. In addition, conversion of options during the reporting period raised a further $682,206. These funds have been earmarked to support a more aggressive Coldry sales approach and for advancement of the Matmor technology.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Coldry Progress

Progress on the first Coldry venture in the Latrobe Valley, Victoria during the period included confirmation that ECT's Vietnamese partner, Tincom had secured its foreign investment license from the Vietnamese Government to allow it to invest in the production of Coldry pellets in Australia. ECT then secured the site and coal supply for the brown coal conversion project when it signed a Memorandum of Understanding with Great Energy Alliance Corporation Pty Ltd (GEAC) to participate in the upcoming feasibility study for ECT's first scaled up Coldry production facility at GEAC's Loy Yang power facility. A Special Purpose Vehicle (SPV) for the project has since been formed. Under the terms of the Coordination Agreement (announced 22 June 2009) ECT will receive a $5 per tonne royalty, for 50 years, and a 10% free carry equity stake in the project vehicle.

"A third flagship project in Eastern Europe was announced post the reporting date."

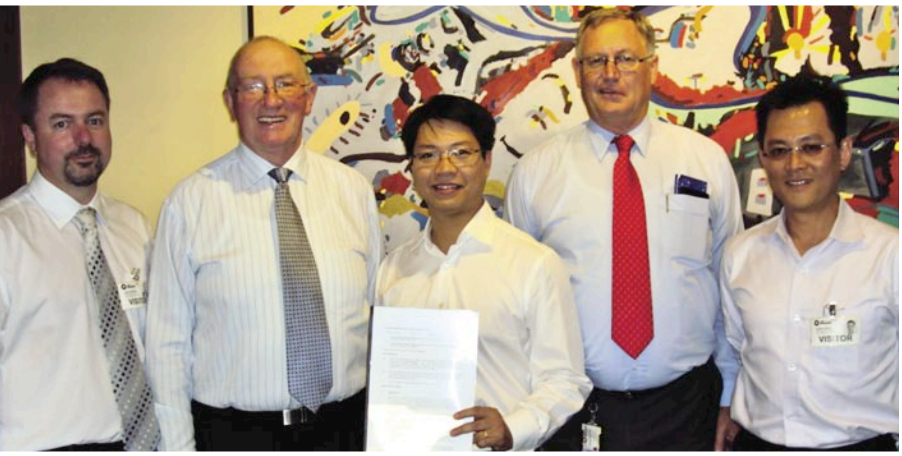
A second Coldry plant prospect for ECT to access large Indonesian coal resource of 3Bn metric tonnes was announced in November 2009. ECT signed a Heads of Agreement with Alexis Minerals International Pty Ltd (AMI) to construct a plant for the production of 10M tonnes per annum of Coldry over the next 30 years. Subsequently on 2 December 2009, ECT reported on the formation of a SPV, Coldry East Kalimantan Pty Ltd, for the establishment of a Coldry production plant in East Kalimantan, Indonesia.

A third flagship project in Eastern Europe was announced post the reporting date. In January 2010, ECT reported it had signed a Memorandum of Understanding with ELBIS Sp.z o.o, a wholly owned subsidiary of the State-controlled power utility Polska Grupa Energetyczna S.A, to co-develop a localised business case for a Coldry plant in Poland.

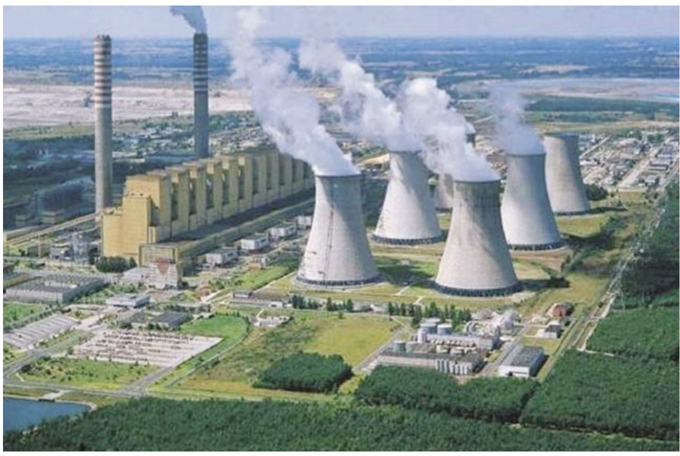
Matmor Progress

ECT strengthened its security over the technology and its global right to exploit Matmor through agreement with the current controller of the Matmor technology (the Maddingley Group) to extend the milestones for the development and construction of the first Matmor plant to the end of 2014.

Subsequently, a review and assessment of the commercial development of the Matmor process for iron making was undertaken by Hatch, a globally recognised leader in metallurgical process technologies and advanced furnace design. The Hatch report has resulted in the development of a roadmap the next stages of development.



Victorian Project: ECT signs MoU with GEAC (LoyYang). **L to R** Ashley Moore – Coldry Business Manager, John Hutchinson – ECT Deputy Chairman, Linh Vu Dac – TinCom Project Manager, Ian Nethercote – CEO Loy Yang, – TinCom representative



Belchatow, Poland - A third flagship project

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Next steps for Coldry

TinCom – Loy Yang Venture:

- Project – specific Feasibility Study (duration 3-6 months, commencement H1 2010)
- Revised project capital cost and production cost estimate (duration 1 month)
- Project structuring (3 – 12 months) including Coldry licensing agreement, regulatory approvals, supply and off-take agreements

AMI – East KalamantanVenture:

- Prepare Information Memorandum to attract investment to fund a formal feasibility study (duration 3-6 months)
- Project –specific Feasibility Study (duration 6 months)

Eastern European Venture:

- Joint development of an Internal Business Case for a Coldry plant with an initial production output capacity of three hundred thousand tonnes per year located within the 4400MW Belchatow power plant complex, the largest lignite power station in Europe (duration 6 months)

New projects:

- Identification of prospective licensees in target markets such as India, China and other emerging markets (underway)
- Project conceptualisation and technology licence structuring (6-12 months)

Next steps for Matmor

- Market analysis to inform aspects of Gap Closure campaign and identify strategic markets and partners (underway, due April)
- Gap Closure Campaign – implement Hatch recommendations and test plan to inform detailed design for pilot plant (duration 6-8 months, commence H2 2010)
- Quotation for feasibility study and detailed design of pilot plant
- Prepare Information Memorandum to attract partner or investor for pilot plant advancement

Kos Galtos
Chief Executive

Matmor retort in action

Pouring iron at the Matmor test plant

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Half Year Financial Report

31 December 2009

Level 8, 530 Little Collins Street, Melbourne Vic, 3000 Australia | Phone +613 9684 0888 | www.ectltd.com.au | ABN 28 009 120 405
Listed on the Australian Stock Exchange (ASX:ESI)

Contents

Company Details

Directors

Dave Woodall	Non-Executive Chairman
Dennis Brockenshire	Non-Executive Director
John Hutchinson	Non Executive Director
Stephen Carter	Non Executive Director

Secretary

John Osborne

Chief Executive

Kosmas Galtos

Principal Registered Office in Australia

Level 8

530 Little Collins St

Melbourne Vic 3000

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross Perth 6153

Auditors

PKF Chartered Accountants

Level 14

140 William Street

Melbourne Victoria 3000

Bankers

National Australia Bank Limited

3/330 Collins Street

Melbourne Victoria 3000

Stock Exchange

ASX

Level 45, South Tower

525 Collins Street

Melbourne Victoria 3000

A third flagship project in Eastern Europe was announced post the reporting date on 18 January 2010 stating that ECT has signed a Memorandum of Understanding with ELBIS Sp.z.o.o, a wholly owned subsidiary of the State-controlled power utility, Polska Grupa Energetyczna S.A, to co-develop a localised business case for a Coldry plant in Poland.

- **Advancement of the Matmor technology**

  ECT strengthened its security over the technology and its global right to exploit Matmor through agreement with the current controller of the Matmor technology (the Maddingley Group) to extend the milestones for the development and construction of the first Matmor plant to the end of 2014.

  Subsequently, a review and assessment of the commercial development of the Matmor process for iron making was undertaken by Hatch, a globally recognised leader in metallurgical process technologies and advanced furnace design. The Hatch report has resulted in the development of a roadmap the next stages of development.

Dividends

No dividends were declared by the directors of ECT in relation to the half year period ended 31 December 2009.

Matters Subsequent to the End of the Financial Half Year

ECT Enters Eastern European Lignite Market: On 18 January 2010 ECT announced that it has signed a Memorandum of Understanding (MoU) with ELBIS Sp.z o.o (ELBIS), a wholly owned subsidiary of the State-controlled power utility Polska Grupa Energetyczna S.A. (PGE), to co-develop a localised business case for a Coldry plant in Poland. The MoU provides for the scoping and detailed assessment of a Coldry plant with an initial production output capacity of three hundred thousand tonnes per year within the Bełchatów station complex (the largest lignite power station in Europe).

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the company, during the year.

Future Developments

At the date of this report, there are no likely developments in the operations of this company required to be reported in accordance with sub-section 299(1)(e) of the Corporations Act 2001.

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 page 6.

This report is made in accordance with a resolution of the directors.

Mr J Hutchinson

Director

Melbourne, 26 February 2010

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Environmental Clean Technologies Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) 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 half year.

D J Garvey
Partner
PKF

25 February 2010
Melbourne

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Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
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PKF

Chartered Accountants
& Business Advisers

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 statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Environmental Clean Technologies Limited and the entities it controlled as at 31 December 2009 or from the time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 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*.

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 2009 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*.

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Chartered Accountants
& Business Advisers

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that the consolidated entity has incurred a net loss attributable to members of $1,784,429 during the half-year ended 31 December 2009 (31 December 2008 loss $1,046,824) and had negative cash flows from operating activities of $1,820.549 (31 December 2008 $657,980). These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does 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 necessary should the entity does not continue as a going concern.

PKF

PKF

D J Garvey
Partner

25 February 2010
Melbourne

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Directors' Declaration

The directors declare that in the opinion of the directors the financial statements and notes set out on pages 10 to 18:

a) comply with AASB 134 Interim financial Reporting and the Corporations Regulations 2001;

b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

c) there are reasonable grounds to believe that Environmental Clean Technologies Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors.

Mr J Hutchinson

Director

Melbourne, 26 February 2010.

Consolidated Statement of Comprehensive Income

	Note	2009	2008
		$	$
Revenue from Continuing Operations	3(a)	33,573	32,917
Other Revenue	2	486,643	232,625
		520,216	265,542
Materials and subcontractor expenses		11,052	114,072
Employee benefits expense		423,806	190,653
Depreciation and amortisation expenses		296,625	71,044
Travel and accommodation expenses		114,284	55,947
Occupancy expenses		24,576	11,688
Corporate expenses		440,252	364,230
Consultant expenses		537,352	191,369
Interest	3(b)	275,624	194,369
Patent fees		14,281	7,783
Other expenses from ordinary activities		166,793	111,211
Loss before Income Tax Expense		(1,784,429)	(1,046,824)
Income Tax Expense		-	-
Loss for the period attributable to owners of the parent		**(1,784,429)**	**(1,046,824)**
Other Comprehensive Income			
Share-based payments		-	-
Total comprehensive income for the period attributable to owners of the parent		**(1,784,429)**	**(1,046,824)**
		Cents	**Cents**
Basic earnings per share		(0.25)	(0.33)
Diluted earnings per share		(0.25)	(0.33)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Consolidated Statement Of Financial Position

	Note	31 Dec 2009	30 June 2009
		$	$
Current Assets			
Cash and cash equivalents	4	2,223,025	886,581
Trade and other receivables	6	499,019	207,727
Total Current Assets		2,722,044	1,094,308
Non-Current Assets			
Property, plant and equipment		279,980	316,465
Intangible Assets		9,360,000	9,600,000
Total Non-Current Assets		9,639,980	9,916,465
Total Assets		12,362,024	11,010,773
Current Liabilities			
Trade and other payables		406,361	1,063,017
Interest bearing liabilities		-	1,677,749
Total Current Liabilities		406,361	2,740,766
Non-Current Liabilities			
Interest bearing liabilities		1,109,448	-
Other financial liabilities		661,000	661,000
Total Non-Current Liabilities	7	1,770,448	661,000
Total Liabilities		2,176,809	3,401,766
Net Assets		10,185,215	7,609,007
Equity			
Issued capital	5	42,077,123	37,716,486
Reserves		1,195,346	1,195,346
Retained profits		(33,087,254)	(31,302,825)
Total Equity		10,185,215	7,609,007

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Consolidated Statement Of Changes In Equity

	Issued Capital	Reserves	Retained Earnings	Total Equity
	$	$	$	$
Balance at 1 July 2008	**28,700,683**	**1,195,346**	**(30,823,893)**	**(927,864)**
Loss for the Period	-	-	(1,046,824)	(1,046,824)
Total comprehensive income for the period	**-**	**-**	**(1,046,824)**	**(1,046,824)**
Issue of shares by the Group	432,762	-	-	432,762
Equity component of convertible notes issue	-	265,724	-	265,724
Balance 31 December 2008	**29,133,445**	**1,461,070**	**(31,870,717)**	**(1,276,202)**
Balance at 1 July 2009	**37,716,486**	**1,195,346**	**(31,302,825)**	**7,609,007**
Loss for the Period	**-**	**-**	(1,784,429)	(1,784,429)
Total comprehensive income for the period	**-**	**-**	**(1,784,429)**	**(1,784,429)**
Issue of shares by the Group	4,360,637	-	-	4,360,637
Balance 31 December 2009	**42,077,123**	**1,195,346**	**(33,087,254)**	**10,185,215**

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Consolidated Statement Of Cash Flows

	2009	2008
	$	$
Cash Flows from Operating Activities		
Receipts from customers	-	-
Payments to suppliers and employees	(1,756,108)	(660,970)
Interest received	10,217	2,990
Interest paid	(74,658)	-
Net Cash Outflow from Operating Activities	(1,820,549)	(657,980)
Cash Flows from Investing Activities		
Payments for property, plant & equipment	(20,140)	(1,960)
Net Cash Outflow from Investing Activities	(20,140)	(1,960)
Cash Flows From Financing Activities		
(Repayment)/Proceeds of borrowings	-	-
Receipts from issue of equity	3,177,133	382,951
Net Cash Inflow from Financing Activities	3,177,133	382,951
Net Increase (Decrease) in Cash Held	1,336,444	(276,989)
Cash at the beginning of the reporting period	886,581	324,433
Cash at the End of the Reporting Period	2,223,025	47,444

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

Notes To And Forming Part Of The Financial Statements

1. Basis Of Preparation Of Half-Year Report

This general purpose financial report for the interim half year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Environmental Clean Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1(a) Intangible Assets

Patents trademarks and licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses

Licences comprise intellectual property and registered trademarks and patents. Amortisation is calculated using the straight line method, over the estimated useful lives of 20 years

1(b) Changes in Accounting Policy

The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are now mandatory to apply to the current interim period.

(i) Presentation of financial statements

The company has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 July 2009. The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(ii) Segment reporting

The company has applied AASB 8 Operating Segments with effect from 1 July 2009. Previously operating segments were reported in accordance with AASB 114 Segment reporting. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the company to allocate resources and assess performance.

The adoption of AASB 8 has not resulted in any change in the company's operating segment reporting with the company only having one operating segment.

1(c) Going Concern

For the half year ended 31 December 2009 the consolidated entity had an operating loss before tax of $1,784,429 (31 December 2008 loss $1,046,824), and negative cash flow from operating activities of $1,820,549 (31 December 2008 outflow $657,980). Furthermore, the consolidated entity does not have a source of income and is reliant on equity capital or loans from third parties to meet its operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity 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 normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

To this end, the company and consolidated entity are expecting to fund ongoing obligations as follows:

i. A capital raising through the placement of new fully paid ordinary shares and listed options was completed on 3 December 2009, raising a total $2.64 million. The issue price of the new shares under the placement to institutional, experienced and sophisticated investors was $0.044 per share. One listed option was issued for each 2 new shares subscribed for under the placement

ii. As at 31 December 2009 the company has on issue as part of the Share Purchase Plan and other placements, 493,764,535 options that can be converted by option holders to ordinary shares in the company at an exercise price of two cents per share. Should all options be converted into shares, the company will raise $9.87 million. Subsequent to 30 June 2009 the company's share price on the ASX has traded in excess of the option exercise price and 34,110,317 options have been converted (at $0.02 per share) to ordinary shares, raising additional capital of $682,206.

iii. On 17 November 2009, ECT negotiated the redemption and re-issue on more favourable terms of all convertible notes on issue. The new convertible notes with a face value of $2,000,000 and a maturity date of 17 November 2011 have a conversion rate based on a 20% discount to the company's share price and result in more debt being converted into equity on the balance sheet. Since 17 November 2009 $850,000 of convertible notes has been converted into shares.

iv. Access to a $15 million equity line of credit facility for three years (executed in September 2007 and expiring in September 2010) with Fortrend Securities Pty Ltd. ECT has successfully utilised this equity line of credit previously in October 2008, November 2008 and December 2008 and have raised over $250,000.

v. ECT signed a Coordination Agreement with Thang Long Investment and Commercial Joint Stock Company (TinCom) in June 2009, which formalised the establishment of a Special Purpose Vehicle (SPV) to invest funds into a feasibility study for the construction of Coldry plant licensed to produce up to 100 million tonnes per annum of Coldry over the next five decades. This Agreement demonstrates that the company's intellectual property is attractive to potential investors and is moving toward commercialisation.

Cash flow forecasts prepared by management demonstrate that the Company has sufficient cash flows to meet its commitments over the next twelve months, after allowing for expected capital raised from option conversion.

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 report does 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.

Based on the above capital raising activities 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.

2. Other Revenue

Other revenue totals $486,643 of which $234,316 represents the 2007 Research and Development Offset. This claim was reported and lodged with the Australian Taxation Office in December 2009 and was subsequently received in January 2010. The remaining $252,327 represents a gain on settlement of the Convertible Note on 17th November 2009 at a discount to its carrying value of $1,852,327.

3. Interest Revenue and Expense

		31 Dec 2009	31 Dec 2008
		$	$
Operating profit before income tax is arrived at after:			
a.	crediting interest as revenue	33,573	32,917
b.	charging interest as an expense		
	- finance charges	74,658	75,000
	- unwinding present value of convertible note	200,966	119,369
		275,624	194,369

The unwinding present value of convertible note represents the reversal of the discount of the convertible notes face value and its fair value based on a 28.75% discount to 17/11/2009 and 23.7% thereafter.

4. Cash And Cash Equivalents

	31 Dec 2009	31 Dec 2008
	$	$
Cash at bank and in hand	2,223,025	47,444
	2,223,025	47,444

(a) The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flow as follows:

Balances as above	2,223,025	47,444
Balances per statement of cash flows	2,223,025	47,444

5. Issuances, Repurchases And Repayments Of Securities

During the half-year reporting period, Environmental Clean Technologies Ltd undertook the following transactions with shareholders:

1. The company issued 34,110,317 ordinary shares for $682,206 cash consideration by way of exercising options
2. The company issued 18,574,123 ordinary shares upon conversion of convertible notes.
3. The company issued 12,500,000 ordinary shares in consideration of extension of the milestones in relation to development and construction of the first Matmor plant.
4. The company issued 597,015 ordinary shares in consideration for the appointment of Intersuisse Limited to provide an option conversion facility and an analyst's report.
5. The company issued 60,000,000 ordinary shares for $2,506,000.

6. Receivables

	31 Dec 2009	30 June 2009
	$	$
Loans	46,171	27,750
2007 Research & Development Offset	234,316	-
Accrued interest from 2007 Research & Development Offset	23,356	-
Deposits Paid	18,689	18,489
Prepayments	40,813	41,193
Other	49,337	44,663
Goods & Services Tax (GST) Receivable	86,337	75,632
	499,019	207,727

7. Non-Current Liabilities

	31 Dec 2009	30 June 2009
	$	$
Convertible Notes	1,109,448	-
Earn Out creditor	661,000	661,000
	1,770,448	661,000

The debt portion of the convertible note has been calculated at its fair value in accordance with AASB 139 – Financial Instruments: Recognition and Measurement.

On 17 November 2009, ECT negotiated the redemption of convertible notes with a face value of $2,000,000 due for redemption in June 2010 by the issuance of replacement convertible notes with a face value of $2,000,000 and a maturity date of 17 November 2011. The terms of these replacement convertible notes include interest payable at 10% per annum and the entitlement of the note holders to convert their notes at a 20% discount to the company's VWAP for the 10 trading days up to and including the conversion date.

Following the issue of the new notes there have been conversions of the notes as follows; $370,000 were converted on 25 November 2009 and $280,000 were converted on 26 November 2009.

In calculating the fair value of the debt portion of the financial instruments, the directors have discounted the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments which the directors have assessed to be 23.71%.

8. Financial Reporting By Segments

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The company operates predominantly in the environmental and energy industry, and a single geographic segment being Australia. The board of directors assess the operating performance of the group based on management reports that are prepared on this basis.

9. Events Occurring After Reporting Date

ECT Enters Eastern European Lignite Market: On 18 January 2010 ECT announced that it has signed a Memorandum of Understanding (MoU) with ELBIS Sp.z o.o (ELBIS), a wholly owned subsidiary of the State-controlled power utility Polska Grupa Energetyczna S.A. (PGE), to co-develop a localised business case for a Coldry plant in Poland. The MoU provides for the scoping and detailed assessment of a Coldry plant with an initial production output capacity of three hundred thousand tonnes per year within the Bełchatów station complex (the largest lignite power station in Europe).

10. Commitments And Contingent Liabilities

There were no material commitments or contingencies as at 31 December 2009.

Environmental Clean Technologies Limited
ASX Half Year report - 31 December 2009

Lodged with the ASX under Listing Rule 4.2A

Contents

Environmental Clean Technologies Limited
Year ended 31 December 2009

Results for Announcement to the Market

		%		$
Revenue from ordinary activities	Up	1.99	to	33,573
Loss from ordinary activities after tax attributable to members	Up	70.46	to	(1,784,429)
Net Loss for the period attributable to members	Up	70.46	to	(1,784,429)

Dividends/distributions	Amount per security	Franked amount per security
Interim dividend (31 December 2008)	-	-
Final dividend (30 June 2009)	-	-
Interim dividend (31 December 2009)	-	-

Record date for determining entitlements to the dividend

Periods

Current Period - Six months ended 31 December 2009.

Previous Corresponding Period - Six months ended 31 December 2008.

Report of Directors on Financial Results

Your directors present their report on the accounts of the Company for the half-year ended 31 December 2009.

Directors

The following persons were directors of Environmental Clean Technologies Limited during the whole of the half-year and up to the date of this report:

D Woodall
J Hutchinson
D Brockenshire
S Carter

Review of Operations

The net result of operations after applicable income tax expense was a loss of $1,784,429 (2008 loss: $1,046,824). This reflects the scale up of activity to secure the company's financial position and drive forward as rapidly as possible the commercialisation of Coldry, our flagship coal drying and water recovery technology. The loss increase was chiefly attributable to costs associated with consultant services relating to corporate financing; settlement of the convertible note and amortisation of the Coldry Intellectual Property acquired in June 2009; expansion of the management team with its associated costs and employee entitlements such as annual leave; as well as more international travel to advance relationships and agreements with high calibre partners for Coldry in target markets.

Highlights:

- **Cash position boosted to $2,223,025 (2008: $47,444).**

  ECT raised $2.64 million (before costs and expenses) via a Placement of new shares and options to institutional, experienced and sophisticated investors. In addition, conversion of options during the reporting period raised a further $682,206.

- **Convertible Note redemption deferred to November 2011.**

  ECT completed an arrangement with its convertible note-holders to defer the Company's obligation to redeem $2million worth of convertible notes from early 2010 to November 2011

- **Key appointments**

  Business Manager, Ashley Moore, appointed for the commercialisation of Coldry technology in October 2009 and new company secretary, John Osborne, appointed August 2009.

- **Multiple flagship projects for Coldry extend the footprint of the technology in key target markets**

  Progress on the first Coldry venture in the Latrobe Valley, Victoria during the period included confirmation that ECT's Vietnamese partner, Tincom had secured the investment license to allow it to invest in the production of Coldry pellets in Australia. ECT then secured the site and coal supply for the brown coal conversion project when it signed a Memorandum of Understanding with great Energy Alliance Corporation Pty Ltd (GEAC) to participate in the upcoming feasibility study for ECT's first scaled up Coldry production facility at GEAC's Loy

Yang power facility. A Special Purpose Vehicle (SPV) for the project has since been formed. Under the terms of the Coordination Agreement (announced 22 June 2009) ECT will receive a $5 per tonne royalty, for 50 years, and a 10% free carry equity stake in the project vehicle.

A second Coldry plant prospect for ECT to access large Indonesian coal resource was announced in November 2009. ECT signed a Heads of Agreement with Alexis Minerals International Pty Ltd (AMI) to construct a plant for the production of 10M tonnes per annum of Coldry over the next 30 years. Subsequently on 2 December 2009, ECT reported on the formation of a SPV, Coldry East Kalamantan Pty Ltd, for the establishment of a Coldry production plant in East Kalamantan, Indonesia.

A third flagship project in Eastern Europe was announced post the reporting date.

- **Advancement of the Matmor technology**

  ECT strengthened its security over the technology and its global right to exploit Matmor through agreement with the current controller of the Matmor technology (the Maddingley Group) to extend the milestones for the development and construction of the first Matmor plant to the end of 2014.

  Subsequently, a review and assessment of the commercial development of the Matmor process for iron making was undertaken by Hatch, a globally recognised leader in metallurgical process technologies and advanced furnace design. The Hatch report has resulted in the development of a roadmap the next stages of development.

Dividends

No dividends were declared by the directors of ECT in relation to the half year period ended 31 December 2009.

Matters Subsequent to the End of the Financial Half Year

ECT Enters Eastern European Lignite Market: On 18 January 2010 ECT announced that it has signed a Memorandum of Understanding (MoU) with ELBIS Sp.z o.o (ELBIS), a wholly owned subsidiary of the State-controlled power utility Polska Grupa Energetyczna S.A. (PGE), to co-develop a localised business case for a Coldry plant in Poland. The MoU provides for the scoping and detailed assessment of a Coldry plant with an initial production output capacity of three hundred thousand tonnes per year within the Bełchatów station complex (the largest lignite power station in Europe).

Future Developments

At the date of this report, there are no likely developments in the operations of this company required to be reported in accordance with sub-section 299(1)(e) of the Corporations Act 2001.

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 page 5.

This report is made in accordance with a resolution of the directors.

Mr J Hutchinson
Director
Melbourne, 26 February 2010

Environmental Clean Technologies Limited
Consolidated Statement of Comprehensive Income for the Half-Year
For the period ended 31 December 2009

	2009 $	2008 $
Revenue	33,573	32,917
Other Revenue	486,643	232,625
	520,216	265,542
Materials and subcontractor expenses	11,052	114,072
Employee benefits expense	423,806	190,653
Depreciation and amortisation expense	296,625	71,044
Travel and accommodation expenses	114,284	55,947
Occupancy expenses	24,576	11,688
Corporate expenses	440,252	364,230
Consultant expenses	537,352	191,369
Interest	275,624	194,369
Patent fees	14,281	7,783
Other expenses from ordinary activities	166,793	111,211
Loss before income tax expense	(1,784,429)	(1,046,824)
Income tax expense	-	-
Loss for the period attributable to owners of the parent	**(1,784,429)**	**(1,046,824)**
Other Comprehensive Income		
Share- based payments		
Total comprehensive income for the period attributable to owners of the parent		

Earnings per share	**Cents**	**Cents**
Basic earnings per share	(0.25)	(0.33)
Diluted earnings per share	(0.25)	(0.33)

Environmental Clean Technologies Limited
Consolidated Statement of Financial Position
as at 31 December 2009

	31 Dec 2009 $	31 Dec 2008 $
CURRENT ASSETS		
Cash and Cash Equivalents	2,223,025	47,444
Trade and other receivables	499,019	828,649
TOTAL CURRENT ASSETS	2,722,044	876,093
NON CURRENT ASSETS		
Property, plant and equipment	279,980	368,231
Intangible Assets	9,360,000	-
TOTAL NON CURRENT ASSETS	9,639,980	368,231
TOTAL ASSETS	12,362,024	1,244,324
CURRENT LIABILITIES		
Trade and Other Payables	406,361	739,425
TOTAL CURRENT LIABILITIES	406,361	739,425
NON CURRENT LIABILITIES		
Interest bearing liabilities	1,109,448	1,781,101
Other financial liabilities	661,000	-
TOTAL NON CURRENT LIABILITIES	1,770,448	1,781,101
TOTAL LIABILITIES	2,176,809	2,520,526
NET ASSETS	10,185,215	(1,276,202)
EQUITY		
Issued capital	42,077,123	29,133,445
Reserves	1,195,346	1,461,070
Retained profits(losses)	(33,087,254)	(31,870,717)
TOTAL EQUITY	10,185,215	(1,276,202)

Environmental Clean Technologies Limited
Condensed Statement of Cash Flows
For the period ended 31 December 2009

	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(1,756,108)	(660,970)
Interest received	10,217	2,990
Interest paid	(74,658)	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,820,549)	(657,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(20,140)	(1,960)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(20,140)	(1,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Proceeds of borrowings	-	-
Receipts from issue of equity	3,177,133	382,951
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	3,177,133	382,951
NET (DECREASE) INCREASE IN CASH HELD	1,336,444	(276,989)
Cash at the beginning of the financial year	886,581	324,433
CASH AT THE END OF THE FINANCIAL YEAR	2,223,025	47,444

Environmental Clean Technologies Limited
Supplementary Appendix 4D information

Changes in accounting policies

The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are now mandatory to apply to the current interim period.

(i) Presentation of financial statements

The company has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 July 2009. The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(ii) Segment reporting

The company has applied AASB 8 Operating Segments with effect from 1 July 2009. Previously operating segments were reported in accordance with AASB 114 Segment reporting. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the company to allocate resources and assess performance. The adoption of AASB 8 has not resulted in any change in the company's operating segment reporting with the company only having one operating segment.

Fundamental errors

NIL

Extraordinary items

NIL

Segment note

NIL

Discontinuing operations

NIL

Events occurring after reporting date

ECT Enters Eastern European Lignite Market: On 18 January 2010 ECT announced that it has signed a Memorandum of Understanding (MoU) with ELBIS Sp.z o.o (ELBIS), a wholly owned subsidiary of the State-controlled power utility Polska Grupa Energetyczna S.A. (PGE), to co-develop a localised business case for a Coldry plant in Poland. The MoU provides for the scoping and detailed assessment of a Coldry plant with an initial production output capacity of three hundred thousand tonnes per year within the Bełchatów station complex (the largest lignite power station in Europe).

Environmental Clean Technologies Limited
Supplementary Appendix 4D information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2009 are as follows:

No dividends were declared by the directors for the period ended 31 December 2009

Dividend/distribution reinvestment plans

Not Applicable

Retained Earnings

	31 Dec 2009 **$**
Retained earnings at the beginning of the period	(31,302,825)
Net profit attributable to members of ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED	(1,784,429)
Dividends paid	-
Retained profits at the end of the period	(33,087,254)

NTA Backing

	2009	2008
Net tangible asset backing per ordinary share	(0.12) cents	(0.37) cents

Environmental Clean Technologies Limited
Supplementary Appendix 4D information

Controlled entities acquired or disposed of

Not applicable

Associates and Joint Venture entities

Not applicable

Foreign Accounting standards

Not applicable

Audit

This report is based on the half year financial report which is currently being reviewed.