



ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED

29 April 2022

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Lodgement of March 2022 Quarterly Report and Appendix 4C

ECT is pleased to attach the following items for immediate release to the market:

- March 2022 Quarterly Activity Report
- Appendix 4C

Sincerely,

Arron Canicais
Company Secretary



Quarterly Activity Report and Appendix 4C

Highlights

- Commenced commissioning of the Bacchus Marsh COLDry project as planned with potential for greater efficiencies identified
 - Partner engagement with major industry participants continued to grow as COLDry project advanced
 - Settlement of site purchase for the proposed Latrobe Valley Net Zero Emission Hydrogen refinery project.
 - Early repayment of Equity Lending Facility used for settlement of the Latrobe Valley property
 - Second Draw of InvestVic R&D Loan
 - Continued to deliver Peer-Best-Practice ESG reporting
 - HydroMOR patent accepted in EU & issued in Russia
 - Wood247 pilot business divested after 6-month trial to focus on Bacchus Marsh and Latrobe Valley projects
 - Subsequent to the quarter, ECT entered into a binding Joint Venture Agreement with GrapheneX to expand the Bacchus Marsh COLDry Project and received firm commitments to complete a capital raising to fund its joint venture commitments
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29 April 2022: Environmental Clean Technologies Limited (ASX: ECT) (ECT or Company) is pleased to provide the following update and Appendix 4C for the quarter ending 31 March 2022.

Bacchus Marsh COLDry Demonstration Plant (“Bacchus Marsh Project”)

The Company announced a significant step forward with the commissioning program for Phase 1 of the Bacchus Marsh COLDry Demonstration Project.

The engineering team has identified significant potential process efficiency gains which centres on a new, five-pass conditioning system. If confirmed, the efficiency gain would produce substantial CAPEX and OPEX savings across Phase 1 and Phase 2 of the Bacchus Marsh Project and flow-on benefits for the planned Latrobe Valley project.

Project partner discussions progressed over the quarter, culminating in the GrapheneX JV announced subsequent to the end of the quarter. The company continues discussions with other partners and will update the market as and when they become certain.

Group Chief Engineer Ashley Moore commented:

“The engineering, research and project management teams have developed a deep understanding of low-temperature drying and substrate plasticisation and densification, with the Bacchus Marsh Project representing the culmination of that knowledge and experience in action. Phase 1 of the Bacchus Marsh Project has seen significant advancements to the milling, mixing, extruding and, most

notably, the conditioning of the pellets, which targets performance improvements of 3-10x better than the previous pilot-scale design.”

Chairman, Jason Marinko, commented:

“I am pleased to see the Bacchus Marsh project progress to a key milestone this quarter, as planned. This is despite confronting significant industry-wide labour shortages, supply chain delays and COVID related impacts on the workforce. The Board of ECT is proud of the team’s commitment to this achievement and how the demonstrable progress is leading to greater engagement and opportunities with commercial partners.”

Latrobe Valley Net Zero Emission Hydrogen Refinery (“Latrobe Valley Project”)

On 22 February 2022, the Company announced the property purchase settlement¹ adjacent to the Yallourn power station and mine complex.

The site has been acquired to host the deployment of the Company’s proposed headline Latrobe Valley Net Zero Emission hydrogen refinery project, which aims to deliver:

- Net-zero emission hydrogen: supporting the energy transition needed to achieve emission reduction targets
- Critical minerals: supplying the crucial battery storage and industrial minerals market
- Agricultural char: supporting national agricultural industry through soil health and productivity
- Other valuable products: including high-value carbon and minerals products

The Company signed a binding purchase agreement with the vendor in late November 2021, with cash and share payments completing the settlement of the land acquisition. Covering an area of 4.2Ha, the acquisition enables the Company to progress its full feasibility study for the Latrobe Valley Project. In addition, the property is strategically located adjacent to the T15/16 upgrade program that is being co-developed by ECT and the owner of the Yallourn mine and power station, Energy Australia².

The Company engaged engineering firm GHD to commence the approvals planning process, covering EPA works approvals and licensing and local government planning application requirements. Additionally, GHD has undertaken process modelling activities in preparation for engineering development works. This work package has been completed, and actions as a result are underway.

Update on Status of Grant Application

The Company previously submitted an application under the Federal Governments Clean Hydrogen Industrial Hubs program in support of its Headline Project, with the outcome initially expected to be announced during March 2022. The results will now be announced sometime after the 21 May Federal Election.

The Company continues to investigate opportunities to access government support and industry partnerships.

Subsequent to the End of the Period

During April, ECT announced the signing of a binding Joint Venture Agreement (JVA) with GrapheneX. This agreement supports the rollout of Phase 2 of ECT’s Bacchus Marsh Project to deliver a world-first demonstration of the Company’s proposed commercial-scale net-zero hydrogen and electricity production.

¹ See announcement 23 November 2021: “Site Purchased for Proposed Hydrogen Refinery Project”

² See announcement 3 June 2021: “Coal Supply Agreement Signed with EnergyAustralia”

To support the rollout of Phase 2, ECT also announced the completion of a \$5m capital raising to fund its commitment to the JVA and provide additional working capital.

Corporate & Finance

During the December 2021 quarter, the Company established a \$1.968M low-interest R&D loan with Invest Victoria, with \$1.18M drawn in December. The remaining balance on this facility of \$788K was drawdown during the March 2022 quarter.

Following the Company’s decision to divest the Wood247 pilot retail business and focus on its Bacchus Marsh and Latrobe Valley Projects, the sale of Wood247 occurred in April 2022.

Further to the acceptance of the Company’s first HydroMOR patent application in the jurisdiction of Russia, notification has been received confirming the acceptance of the patent in the European Union. Subsequent to the period, the Company received confirmation that the HydroMOR patent had been issued in Russia.

The HydroMOR process offers an alternative to conventional CO2-intensive blast furnace steelmaking, enabling the use of lower-cost, abundant lignite in place of higher-cost coking coal, delivering a lower emission, lower cost, metal production process. The Company remains committed to the potential industrial applications for this technology.

International Patent Application Status - HydroMOR

Key aspects of IP protection include:

- Patents – The HydroMOR Process is covered by patent applications/patents in major markets with suitable lignite deposits
- Confidentiality Agreements – Comprehensive agreements cover engagement with potential partners and customers
- Licence Agreements – Technology transfer is protected by detailed agreements to minimise risk and maximise compliance

The table below outlines the status of the various international patent applications for HydroMOR.

Case Ref.	Country	Case Status
35519103	India	Response to Exam Report Filed
35526602	Australia	Exam requested
35526603	Canada	Application filed
35526604	China	Response to Exam Report Filed
35526605	European Patent Office	Accepted
35526606	Russian Federation	Issued
35526607	United States of America	Examination report received
35527133	Indonesia	Response to Exam Report Filed
35540529	Hong Kong	Application filed

ESG Reporting

ECT continues to be assessed by, and report to, the ESG framework under the World Economic Forum (“WEF”) **Environment, Social and Governance** (ESG Metrics).

The Company has decided to take a best-of-peer approach to ESG and, over the reporting period, has initiated or progressed key developments in support of our continued commitment to the WEF Pillars of Governance, Planet, People and Prosperity, and associated 21 core ESG metrics.

The ESG Dashboard below (provided by ESG technology partner, Socialsuite) provides a snapshot of the Company’s progress from the end of the previous quarter to 31 March 2022.

		Period 2 1 Oct 2021 to 31 Dec 2021		Period 3 1 Jan 2022 to 31 Mar 2022	
Code	Description	Status	Progress (A1-A5)	Status	Progress (A1-A5)
GOVERNANCE					
GO-01-A	Setting purpose	V	C C C C C	V	C C C C C
GO-02-A	Governance body composition	D	P P C C C	D	P P C C C
GO-03-A	Material issues impacting stakeholders	D	P P P P P	R	C C C C C
GO-04-A	Anti-corruption practices	R	C P P	R	C P C
GO-04-B	Mechanisms to protect ethical behaviour	R	C P	R	C C
GO-05-A	Integrating risk and opportunity into business process	D	P P P P P	R	C C C C C
PLANET					
PL-01-A	GHG emissions	D	C P C	R	C P C
PL-01-B	TCFD implementation	D	C P P	D	C P P
PL-02-A	Land use and ecological sensitivity	D	C N N N N	R	C N N N N
PL-03-A	Water consumption	R	N N N N N	R	N N N N N
PEOPLE					
PE-01-A	Diversity and inclusion	D	P P P P P	R	C P P P P
PE-01-B	Pay equality	D	P P P P	D	P P P P
PE-01-C	Wage level	D	P P	D	P P
PE-01-D	Child, forced or compulsory labour	D	P	R	P
PE-02-A	Health and safety	D	C P	R	C P
PE-03-A	Training provided	D	P P	D	P P
PROSPERITY					
PR-01-A	Rate of employment	R	P P	R	C C
PR-01-B	Economic contribution	V	C C	V	C C
PR-01-C	Financial investment contribution	V	C C	V	C C
PR-02-A	Total R&D expenses	V	C	V	C
PR-03-A	Total tax paid	V	C	V	C

Full details of the quarter’s ESG progress and achievements are detailed in the Company’s report, ESG Highlights Q3FY22, which can also be found on the Company’s ESG web page: www.ectltd.com.au/esg.

Commentary to Appendix 4C

Approximately \$1.7M was spent on property, plant and equipment during the quarter. Of this, \$640K was the cash portion for the property settlement at Yallourn (see announcement 23 February 2022), including \$95K for GST, which will be refunded in April 2022. The remaining expenditure of \$1.06M (prior quarter \$594K) is related to the COLDry Project. This increase is due mainly to capital expenditure on electrical works that have been undertaken now that the primary process equipment has been installed.

Product manufacturing and operating costs were reduced by \$165K compared to the prior quarter. These costs are associated with the Wood247 business, which was being readied for sale (see announcement 17 January 2022). Receipts from customers are also reduced during the sale process. Sale proceeds of \$66K have been received in April 2022, which are not included in the Appendix 4C.

The prior quarter included cash receipts from government grants and tax incentives of approximately \$2M. This was the receipt from the ATO following the lodgement of the Company's 2021/22 income tax return, which included the R & D tax incentive. As such, there was no corresponding receipt in the current quarter. \$1.3M of these funds was used to repay the 2021/22 R & D loan facility.

The Company has a loan facility with Invest Victoria of \$1.968M, of which \$1.18M was drawn down during the quarter ended 31 December 2021. In the quarter ended 31 March 2022, a further \$788K was drawn down, which took the facility to its limit.

During the quarter, the Company received payments totalling \$650K which were the repayment of 3 Equity Lending Facilities (refer to ASX announcement 8 February 2022).

Payments of \$68K to related parties of the entity include payments of directors' fees and payments to the Company's full-time executive director.

// END //

This announcement is authorised for release to the ASX by the Board.

For further information, please contact:

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About ECT

ECT has been developing net-zero emission and hydrogen technologies for over 15 years.

Our solutions aim to transition today's use of resources to tomorrow's zero-emission future, delivering immediate financial and environmental benefits.

We are focused on advancing a portfolio of technologies with significant market potential globally.

ECT's business plan is currently focusing on two major projects:

- 1) Zero-Net Emission COLDry Commercial Demonstration at Bacchus Marsh, Victoria, Australia
- 2) Zero-Net Emission Hydrogen Refinery Project at the Latrobe Valley, Victoria, Australia

About our Technology Suite

COLDry

COLDry is the gateway enabler of higher-value applications for waste biomass and lignite.

These streams are a rich source of valuable hydrocarbons. However, they suffer from high moisture content that must be reduced to enable higher value upgrading and conversion to solid fuels, liquid or gaseous hydrocarbons.

Drying is easy. However, drying efficiently, cost-effectively and with a low emissions footprint has been the challenge. COLDry meets this challenge through a combination of "substrate densification" and waste heat utilisation, delivering the world's first low temperature, low pressure, low cost, zero CO₂ emissions drying process.

HydroMOR

The HydroMOR process has the potential to revolutionise primary iron making.

HydroMOR is a simple, low cost, low emission, hydrogen-driven technology that enables low-value feedstocks to produce primary iron. HydroMOR is the transition solution to a "green steel" future.

COHgen

The COHgen process has the potential to deliver a lower cost, lower emission method for hydrogen production from lignite and other waste biomass streams.

COHgen is currently advancing through fundamental laboratory development intended to form the basis for a patent application ahead of scale-up and commercialisation.

COHgen aims to decouple hydrogen production from CCS, accelerating the race towards <\$2kg production costs, with little to no emissions.

CDP-WTE

The catalytic depolymerisation-based waste-to-energy process converts low-value resources into higher-value diesel and other valuable by-products.

CDP-WTE can be deployed as a standalone solution or integrated with the COLDry process to deliver higher-value, lower-emission energy solutions to lignite resource owners.

Forward-Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of ECT, are or may be, forward-looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Therefore, actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

Appendix 4C

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

Name of entity

Environmental Clean Technologies Limited

ABN

83 009 120 405

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4	278
1.2 Payments for		
(a) research and development	(194)	(929)
(b) product manufacturing and operating costs	(19)	(297)
(c) advertising and marketing		(121)
(d) leased assets		
(e) staff costs	(104)	(301)
(f) administration and corporate costs	(420)	(1,394)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	(4)	(10)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		1,991
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(735)	(777)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(1,689)	(3,226)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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)		
2.6 Net cash from / (used in) investing activities	(1,689)	(3,226)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		2,905
3.3 Proceeds from exercise of options		1
3.4 Transaction costs related to issues of equity securities or convertible debt securities		(13)
3.5 Proceeds from borrowings	788	1,968
3.6 Repayment of borrowings	(37)	(1,412)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other – proceeds from repayment of Equity Lending Facilities	650	650
3.10 Net cash from / (used in) financing activities	1,401	4,099

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,133	1,014
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(735)	(777)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,689)	(3,226)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,401	4,099
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,110	1,110

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,110	2,133
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,110	2,133

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	68
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	1,968	1,968
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	1,968	1,968
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
The Company has a fully drawn lending facility with Invest Victoria for \$1.968M which has an interest rate of 0.265%, matures 31 October 2023 and is secured by the Company's R & D Tax Incentive. The facility is expected to be repaid in the second quarter of FY 2022/23.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(735)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,110
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,110
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.51
<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 expects future net operating cash out flows be broadly comparable to the current quarter	
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: Yes. On 28 April 2022 the Company has announced receiving firm commitments to complete a \$5 million capital raising in early May 2022.	
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: ..29 April 2022.....

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.