Environmental Clean Technologies Limited

ABN 28 009 120 405

Annual Financial Report - 30 June 2021

Directors	Glenn Fozard - Managing Director Ashley Moore - Executive Director (retired 2 September 2021) James Blackburn - Non-Executive Director Hon. Neil O'Keefe - Non-Executive Director (appointed 9 December 2020; retired 2 September 2021) David Smith - Non-Executive Director (retired 15 January 2021) Jason Marinko – Chairman, Non-Executive Director (appointed 2 September 2021) Tim Wise – Non Executive Director (appointed 2 September 2021)
Company secretary	Adam Giles (appointed 17 July 2020) Martin Hill (resigned 17 July 2020)
Registered office	388 Punt Road South Yarra, VIC, 3141 Australia
Principal place of business	388 Punt Road South Yarra, VIC, 3141 Australia
Share register	Automic Registry Services Level 3, 50 Holt Street Surry Hills, NSW, 2010 Phone 1300 288 664 (within Australia); +61 2 9698 5414 (outside Australia) www.automic.com.au
Auditor	BDO Audit Pty Ltd Tower 4, Level 18 727 Collins Street Melbourne, VIC, 3008
Bankers	National Australia Bank Limited 3/330 Collins Street Melbourne, VIC, 3000
Stock exchange listing	Environmental Clean Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: ECT)
Website	www.ectltd.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Environmental Clean Technologies Limited in an ethical manner and in accordance with the highest standards of corporate governance. Environmental Clean Technologies Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Company's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, as well as the ASX Appendix 4G, are released to the ASX on the same date the Annual Report is released. The Corporate Governance Statement and Committee Charters can be found on the Company's website at http://www.ectltd.com.au/about-us/corporate-governance/

The directors present their report, together with the financial statements of Environmental Clean Technologies Limited ('the Company' or 'parent entity') and its controlled entities (collectively 'the consolidated entity') for the year ended 30 June 2021.

Directors

The following persons were directors of Environmental Clean Technologies Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Glenn Fozard - Managing Director
- Ashley Moore - Executive Director (retired 2 September 2021)
- James Blackburn - Non-Executive Director
- Hon. Neil O'Keefe - Non-Executive Director (appointed 9 December 2020; retired 2 September 2021)
- David Smith - Non-Executive Director (retired 15 January 2021)
- Jason Marinko – Chairman, Non-Executive Director (appointed 2 September 2021)
- Tim Wise – Non Executive Director (appointed 2 September 2021)

Principal activities

During the financial period, the principal continuing activities of the consolidated entity consisted of investment, research, development, and the commercialisation of technologies which bridge the gap between today's use of resources and tomorrow's zero-emissions future with an emphasis on the energy and resource sectors. Such activities included:

- redeveloping and rebuilding the Bacchus March plant following a fire in October 2019 that caused significant damage; and
- managing the development of, and extracting value from, the consolidated entity's intellectual property.

Bacchus Marsh redevelopment and rebuild project

A project to redevelop and rebuild the Company's high volume test facility at Bacchus Marsh was commenced at the beginning of the 2020 financial year.

Comprised of capacity improvements to the former Coldry pilot plant and the addition of new plant and equipment to produce high-value energy products like char and solid fuel, the project constitutes a small-scale commercial demonstration of the Company's proprietary low rank coal drying technology aimed at delivering project objectives and monetising the Company's existing assets.

Successful completion of the project objectives is expected to enable commercial outcomes via the sale of solid fuel and char product. With the potential to generate revenues exceeding $5 million per annum and delivering up to $3 million a year in net cashflow, successful achievement of the project objectives will support the ongoing research, development and commercialisation of the Company's suite of technologies.

The R&D objectives of the project include:

- Scale up from Coldry pilot scale including:
  - Fully bespoke 5-pass conditioning system
  - Incorporation of higher capacity primary processing train
  - Packed bed dryer capacity and efficiency redesigns
- Recovery and utilisation of waste energy from the char kiln
- Integration with waste energy application, being the char kiln, to provide drying energy for the Coldry process
- Utilisation of syngas produced from the char kiln
- Production of solid fuel Coldry pellets, to target specification
- Production of char from solid fuel Coldry pellets, to target specification
- Trial of polyfluoroalkyl substances (PFAS) soil remediation within the same assembly

Coldry Process

The Coldry process is low temperature, low pressure and therefore a low-cost method of de-watering low-rank coal to produce an upgraded black coal equivalent. The process is currently poised to progress from pilot-scale to demonstration-scale allowing techno-economic validation ahead of intended broader commercial roll-out.

The Coldry process produces pellets that are stable, easily stored, can be transported, and are of equal or higher energy value than many black coals. When used in energy generation, Coldry pellets have a significantly lower CO_2 footprint than the low-rank coal from which they are made, providing a compelling emissions abatement solution.

The Coldry process also acts as a 'gateway technology', making an ideal front-end feedstock that enables numerous higher value upgrading applications such as coal to oil, gas and iron production. When integrated with the HydroMOR process, the Coldry process provides an essential and cost effective front-end drying and pelletising solution that enables the world's first and only low-rank coal based primary iron production method.

Essentially, the Coldry process combines two mechanisms to achieve efficient, cost-effective de-watering; brown coal densification; and waste heat utilisation. Brown coal densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within low-rank coal. Waste heat utilisation provides ‘free’ evaporative energy to remove the moisture, thereby minimising paid energy input, resulting in net energy uplift and net CO_2 reductions.

HydroMOR (previously Matmor) Process

HydroMOR is an improved version of the previously named Matmor process which is a cleaner, lower-emission, one-step process for producing high-grade primary iron, using low-rank coal to displace the need for coking coal, as used in the incumbent blast furnace process.

HydroMOR is an improvement over the existing Matmor process, deriving further advantage from its unique raw material base, especially the hydrocarbon-rich low-rank coals used in the role of reductant. The process derives its name from the utilisation of hydrogen to enhance the reduction process used to produce metals from ore.

The HydroMOR process leverages a fundamentally different chemical pathway compared to the incumbent blast furnace process, enabling the use of alternative raw materials, providing a lower-cost primary iron making alternative.

HydroMOR creates a high-grade iron product from low-rank coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending low-rank coal with iron ore or other metal oxide bearing media to form a paste that is dewatered using the Coldry process. The ‘composite’ pellets are then fed into the Company's simple low cost, low emission, patented retort (vertical shaft furnace) where the remaining moisture is removed, the coal volatiles are harnessed and the iron oxides are reduced to metal.

The HydroMOR process operates below 1000 degrees Celsius, compared to a blast furnace which operates at around 1500 degrees Celsius. Lower temperature operation requires less energy input and results in less thermal stress on the plant, enabling lower cost materials to be used in its construction.

HydroMOR metal product is an ideal feedstock for the production of specific grades and forms of iron and steel, via secondary processes such as electric arc, induction furnace or fully integrated steel making.

The benefits the Company sees in the application of the HydroMOR process include further reductions in capital cost due to its ability to achieve the required metal reduction at a lower temperature, and operating savings in terms of raw material efficiency improvements, as well as decreased CO_2 intensity. With the capital cost savings being applied to carbon offsets, this brings closer the potential of carbon emissions neutral steel production.

CDP Waste-to-Energy

The Company announced on 10 July 2019 that it had completed the purchase of a catalytic de-polymerisation (CDP) technology which is capable of producing automotive diesel from a range of hydrocarbon-based inputs including various waste and hydrocarbon streams such as waste timber, end-of-life plastics and low-rank coal.

The ECT Group is yet to devote further resources to the development of this activity as the focus has been on the rebuild of the Bacchus Marsh facility.

Intellectual property

The consolidated entity owns both the Coldry and HydroMOR intellectual property. Aspects of the Coldry process are covered by patents in all major markets with significant brown coal deposits.

In November 2017, the Company submitted a Patent Cooperation Treaty application following the submission of an Australian provisional patent application in November 2016. This is the next step in the intellectual property protection of the Company’s new HydroMOR technology platform. The filing sets in place the timetable for the subsequent national based process for IP protection, where individual patent submissions will be made in each geography of interest.

Due to its intrinsic reliance on Coldry for feedstock preparation, HydroMOR is afforded an additional degree of protection via Coldry patents. In markets where neither Coldry nor HydroMOR patents exist, the Company will employ other IP protection strategies.

Equity Lending Facility ('ELF')

During the year, ECT Finance Ltd ('ECTF'), a subsidiary of the Company, continued to manage its portfolio of ELF loans to the previous owners of unlisted options and ECTOE options. The ELF for unlisted options was wound up on 30 June 2021, one month earlier than the original expiry date of 31 July 2021 with the agreement of all parties as it was known that the loans would not be repaid given the Company's share price. New ELFs were established using the Company's shares as security that were issued as part of the shortfall from the non-renounceable rights issue as well as shares that were forfeited when borrowers decided not to repay ELFs that were associated with the ESIOA and ESIOB option series.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $1,869,725 (30 June 2020: $2,067,973).

Major Highlights:

ECT Finance Limited

(i) Equity Lending Facilities

In July and August 2017, the consolidated entity's subsidiary, ECT Finance Ltd, entered into limited recourse loans with option-holders allowing them to obtain finance to exercise ESIOA and ESIOB options. Where the principal balance of the loan at the end of the loan term was less than the initial loan balance, shares were released to the borrower. 35,704,636 shares were released to borrowers in these circumstances. Loans secured by 916,407,834 shares defaulted on 31 July 2020, being the expiry date of the loan arrangements, as borrowers decided not to repay the loans. These shares were used as security for 4 new ELFs along with a further 383,592,166 new shares that were approved for issue at the Company's AGM on 15 January 2021. Therefore, a total of 1,300,000,000 shares secured these ELFs which have a term of 2 years and expire on 15 January 2023.

In 2020, ECT Finance Ltd advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which was initially secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options. This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue made by the Company during the year. This subscription was made under arrangement with ECT with the intention of subsequently transferring the shares and options issued to him to service providers contracted to rebuild the Bacchus Marsh facility. During 2021, 274,679,966 shares and 106,658,654 ECTOE options had been transferred to creditors associated with the Bacchus Marsh rebuild or other general creditors. The loan was due to expire on 10 May 2021 and has been extended by one year.

At 31 July 2020, the total value of the loan book was $2,110,200 (including interest accrued and capitalised, and management fees capitalised to the loans to 31 July 2020). The value of security held was $805,000 (based on a $0.001 share price). The loans in respect of the ESIOA and ESIOB options expired on 31 July 2020. The loans in respect of the unlisted options were due to expire on 31 July 2021, however by mutual agreement between ECTF and the borrowers, the loans were wound up prior to the end of the financial year. Interest rates across each of the loans can vary according to payment methods. For accounting purposes pursuant to accounting standards, the ELF loans and the related shares issued are not recognised but are treated as the issue of options (refer to note 18 to the financial statements for further details). Notwithstanding this, the loans represent funds owed to ECT Finance Ltd by shareholders pursuant to commercial and legal contracts.

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(ii) Receipt of research and development tax incentive and repayment of Brevet loan balance

On 16 September 2020, the Company received the full amount of the research and development tax incentive receivable recognised in the financial statements at 30 June 2020 amounting to $899,612.

(iii) Capital raising activities

During the year the Company undertook capital raisings via a share placement and a share purchase plan (SPP). The share placement raised $1,500,000 and was completed in April 2021. The SPP concluded in June 2021 and raised $394,600.

(iv) High Volume Test Facility (HVTF)

In October 2019, the Company's HVTF in Bacchus Marsh was substantially damaged by a fire. Plans were announced to upgrade the facility whereby the Coldry capacity will be increased to 25,000 tonnes per annum. Much of this production will then be directed to the char market. Char serves two key markets; as a smokeless fuel (e.g. BBQ fuel) and as a carburiser, used in specialty metallurgical applications.

The successful delivery of these upgrades and subsequent realisation of potential sales is estimated to deliver net positive cashflow from operations that may be used to advance the Company's suite of technologies along the commercialisation pathway.

The project has been divided into two phases:

Phase 1 - Coldry process scale up:

(1) Design, construction, installation and individual commissioning of each key stage of the process, including primary processing train, conditioning system and drying system; and
(2) Integration of the plant and equipment across each key stage of the process to establish continuous, steady state operations.

Phase 2 – Char plant installation and integration:

(1) Design, procurement, installation and individual commissioning of the char kiln; and
(2) Integration of the char kiln with the Coldry process to establish continuous, steady state operations and waste energy utilisation for drying.
(3) Trial of alternative applications utilising existing process assembly (e.g. PFAS remediation)

Phase 1 of the project is substantially complete .

(v) Expiry of options

ECTOC options (originally called ESIOC options) were bonus options issued to shareholders on the basis of one option for every four shares held as at 21 July 2017. This resulted in the issue of 846,088,751 ECTOC options with an exercise price of $0.045 and expiry date of 31 July 2019. These options expired on 31 July 2019.

Financial results:

The reportable loss for the consolidated entity was lower at $1,869,725 compared to the prior year loss of $2,067,973.

	2021 $	2020 $	Change $	Change %
Sales	-	87,454	(87,454)	(100%)
Other income (excluding interest)	1,298,452	2,964,770	(1,666,318)	(56%)
Impairment and write offs	-	(170,690)	170,690	(100%)
Remeasurement of financial liabilities	(470,744)	53,073	(523,817)	(987%)
Loss on debt extinguishment	-	(664,297)	664,297	(100%)
Other operating costs (excluding interest, depreciation and amortisation)	(2,278,224)	(3,342,230)	1,064,006	(32%)
EBITDA	(1,450,516)	(1,071,920)	(378,596)	
Depreciation and amortisation	(320,809)	(386,608)	65,799	(17%)
Finance costs	(102,888)	(614,375)	511,487	(83%)
Interest revenue	4,488	4,930	(442)	(9%)
Net (loss) for year	(1,869,725)	(2,067,973)	198,248	

There were no sales of by-products from the consolidated entity's research and development activities during the year as a result of the fire at the high volume test facility at Bacchus Marsh in October 2019. In the prior year, sales included the supply of Coldry test product to its first 'steam and boiler package' customer.

The 'Other Income' category of $1,298,452 (2020: $2,964,770) predominantly includes insurance proceeds of $593,012 (2020: $1,905,560) as a result of the Bacchus Marsh plant fire and AusIndustry research and development tax incentive of $554,768 (2020: $924,448). The research and development tax incentive on the purchase of qualifying capital items has been offset against their carrying values. It is therefore recognised as a reduction to the capital items' cost rather than as income.

Total operating costs (excluding impairment and write off expense, depreciation and amortisation, remeasurement of financial liabilities, loss on debt extinguishment and finance costs) decreased by $1,064,006 due to the fire at our Bacchus Marsh facility which resulted in production activities ceasing and construction activities commence.

Finance costs decreased by $511,487 as a result of the reduction in borrowings during the year.

Depreciation and amortisation decreased by $65,799. This is made up of a decrease in depreciation of $17,430 and a reduction in amortisation of $48,369. The decrease in amortisation was due to the CDP assets acquired in July 2019 being fully amortised in the prior year. Depreciation and amortisation are non-cash expense items.

Finally, the change in fair value of financial liabilities represents the combined movement in the Coldry earn-out creditor (the present value of future commitments associated with the purchase of the Coldry intellectual property in 2009) and the Matmor deferred consideration (the present value associated with the purchase of the Matmor Test Plant assets in 2014). There was a net increase in the combined liabilities resulting in a loss on remeasurement for the year amounting to $470,744.

Coronavirus (COVID-19) Pandemic

The financial results for the year ended 30 June 2021 were impacted by COVID-19. The main impact was considerable delays on the shipping of equipment from overseas suppliers. All equipment sourced from overseas has now been received. These shipping delays lead to construction delays at Bacchus Marsh. There were other less significant delays in terms of being able to complete some tasks during periods of lockdown.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Capital restructure

To implement an improved capital structure for the Company moving forward, the Company has (following shareholder approval) consolidated its issued capital on a 10 to 1 basis. The Company will also conduct an unmarketable parcel sale facility which will provide the Company with the ability to rationalise small holdings. The Company currently has over 4,000 shareholders, and the Company expects that the unmarketable parcel sale facility will reduce the administrative burden and cost on the Company, and (together with the Consolidation) implement a more appropriate capital structure for the Company moving forward.

Sale of wood briquettes

In July 2021, the Company commenced selling wood briquettes. The wood briquettes are made from recycled Australian timber and are being marketed under the name 'Wood247'. Briquettes are predominantly sold in 240L and 100L wheelie bins but are also available in 10kg bags.

ECTOE options

On 14 July 2021, the Company issued 50,000,000 ECTOE options to the shareholders that participated in the share placement. These options were issued on the same terms as the existing ECTOE options.

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Company, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Company's operations going forward. The Company now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Share and option issues

On 30 August 2021 the Company issued the following equities that are all related to the Company's capital raising via a share placement and a share purchase plan announced 7 April 2021:

- 35,000,000 fully paid ordinary shares issued to the lead manager that are secured by an ELF of $700,000 plus interest and expires 3 years from the date of issue;
- 75,000,000 ECTOE options expiring 17 February 2023 to the lead manager on the basis of 1 option for every 2 shares issued under the share placement; and
- 9,000,000 fully paid ordinary shares and 3,000,000 ECTOE options expiring 17 February 2023 to the lead manager which represents the 6% capital raising fee.

Board changes

On 3 September 2021 the Company announced the following changes to the composition of the board:

- Jason Marinko and Tim Wise were appointed as non-executive directors. Mr Marinko has been elected as Chairman;
- Ashley Moore and the Hon. Neil O'Keefe resigned as executive and non-executive directors respectively; and
- Glenn Fozard has moved into the position of Managing Director.

Ashley Moore will continue as ECT's Chief Engineer, and the Company will engage Mr O'Keefe on a consulting basis to continue to assist the Company with its government relations strategy.

$3 million promissory note raising

The Company also announced on 3 September 2021 that it has received firm commitments for a promissory note raising from a syndicate of sophisticated and professional investors.

Proceeds from the promissory note raising will be utilised:

- to complete the construction of the Company's small-scale Coldry demonstration and char plant in Bacchus Marsh;
- to enable the Company to assess complementary acquisition and business development opportunities; and
- for working capital purposes.

Settlement of the promissory note, and the issue of the promissory notes is set to occur in early September 2021.

Subject to the Company obtaining shareholder approval, 100 free attaching listed options in the ECTOE class of securities will also be granted for every $1 promissory note subscribed. These options have an exercise price of 3 cents and expire on 17 February 2023.

Mr Marinko and Mr Wise are both holders of promissory notes to the value of $50,000 and $25,000 respectively.

The Company issued the following equities that related to the promissory note capital raising:

- 15,000,000 ECTOE options expiring 17 February 2023 and 18,000,000 fully paid ordinary shares to the lead manager;
- 15,000,000 ECOTE options expiring 17 February 2023 to the lead manager.

The Company will propose to members the issue of the following equities at the next annual general meeting:

- 3,000,000 ECTOE options expiring 17 February 2023 to the lead manager; and
- 300,000,000 ECTOE options expiring 17 February 2023 and 300,000,000 fully paid ordinary shares to the lenders who participated in the promissory note should members agree to the conversion of the promissory notes to equity.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
With respect to current activities, the Company is not the subject of environmental regulations. However, as the Company considers commencement of operations through the Coldry Demonstration Plant, this status will change. Appropriate planning is in place to manage this transition.

Information on directors
The following information is reported as at the date of this directors' report.

Name:	Glenn Fozard
Title:	Managing Director
Qualifications:	B.Bus (Int. Trade), BA (Psych)
Experience and expertise:	Glenn has a strong commercial background and extensive experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the Cleantech and Agricultural sectors, he supports the Company with valuable guidance in the technology development, risk management and capital raising areas. Glenn is the founding partner of Greenard Willing, a specialist financial advisory firm. Glenn held an advisory position with the Company prior to becoming a director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	8,806,668 ordinary shares
Interests in options:	2,102,223 ECTOE options expiring 17 February 2023

Name:	Ashley Moore
Title:	Executive Director (retired 2 September 2021) & Chief Engineer
Qualifications:	BEng(Chem), MIEAust, CPEng, NER, APEC Engineer, IntPE(Aus), MAICD
Experience and expertise:	Ashley is a seasoned chemical industry professional with extensive experience in all facets of manufacturing, supply chain, sales and industrial marketing. He holds an honours degree in chemical engineering from the University of Melbourne and has more than thirty years of industry experience in Australia and internationally. His career started with global specialty chemical manufacturing firm Cabot Corporation in Australia and proceeded to include assignments in various parts of the manufacturing field in the U.S.A., U.K., Japan, Indonesia and Malaysia. He covered roles ranging from plant operations & engineering, design & construction and commissioning, and later included marketing and technical sales. In 2005, he joined Delta EMD, a global specialty chemical firm in the downstream minerals sector responsible for sales, marketing and supply chain. Ashley joined ECT in 2009 as Business Manager, was appointed to the role of Chief Operating Officer in 2011, Managing Director in 2013, and later Chairman of one of ECT's subsidiaries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former chair of Audit and Risk Committee
Interests in shares:	16,483,360 ordinary shares
Interests in options:	1,560,000 ECTOE options expiring 17 February 2023

Name:	James Blackburn
Title:	Non-Executive Director
Qualifications:	BAppSci, GradDip. (Governance)
Experience and expertise:	Mr Blackburn has a strong executive background as a corporate development practitioner with over 20 years' experience in governance, operational, and technical roles across research, investment and corporate services disciplines.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,500,001 ordinary shares
Interests in options:	Nil

Name:	Hon. Neil O'Keefe
Title:	Non-Executive Director (appointed 9 December 2020; retired 2 September 2021)
Qualifications:	BEc, Trained Secondary Teachers Certificate
Experience and expertise:	Neil has a unique background, which includes 45 years of public and private sector experience including 17 years as a highly regarded Federal MP from 1984 until 2001. He has local, state, national and international experience in capital and finance, infrastructure, transport, trade, media, water, energy, telecommunications, agriculture and resources.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former member of Audit and Risk Committee
Interests in shares:	2,577,634 ordinary shares
Interests in options:	Nil

Name:	David Smith
Title:	Non-Executive Director (retired 15 January 2021)
Qualifications:	BCom, LLB (Hons), GAICD
Experience and expertise:	David has a strong legal and commercial background, having practised commercial law for nearly 30 years including over 21 years as a partner in national firms. He is currently a partner in the intellectual property and technology group at Gadens Lawyers. He has assisted many companies with protecting their intellectual property, IP commercialisation agreements, collaborative research agreements and international negotiations. David chairs the Company's Audit and Risk Committee. Best Lawyers named David as 2018 Lawyer of the year – Privacy and Data Security Law for Melbourne, Australia. He is also currently listed as a "Best Lawyer" for Intellectual Property Law, Information Technology Law and Gaming Law. David is a past President of Bicycle Network and is a graduate of the Australian Institute of Company Directors (AICD).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former chair of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

Name:	Jason Marinko
Title:	Non-Executive Director (appointed 2 September 2021)
Qualifications:	BCom, FFin, GAICD, MBA
Experience and expertise:	Mr Marinko is an experienced public company CEO, Director and Chairman, with expertise in the technology and investment banking industries and a proven track record in leading technologies to commercialisation. His experience includes being the Executive Chairman of geospatial imagery company Spookfish Limited, where he oversaw the company from its ASX listing through to its eventual sale to North American industry leader, EagleView Technologies Inc and its U.S. private equity partners. In addition, Mr Marinko was previously CEO of Little World Beverages Limited and an Executive Director at ASX-listed logistics technology company, Yojee Limited, and is currently a Non-Executive Director of legal tech innovator, Immediation Limited. He has extensive corporate finance experience and holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	Yojee Limited (ASX: YOJ), Spookfish Limited (ASX: SFI)
Special responsibilities:	Chairman of the board
Interests in shares:	Nil
Interests in options:	Nil

Name:	Tim Wise
Title:	Non-Executive Director (appointed 2 September 2021)
Qualifications:	BSc.
Experience and expertise:	Mr Wise is an experienced entrepreneur and Company Director with particular expertise in the energy, industrial innovation and technology sectors has more than 20 years' experience in public companies and capital markets. He was the founder and former CEO of Kalina Power Ltd (ASX:KPO) and The Tap Doctor, and is currently an Executive Director at Phos Energy Limited and a Non-Executive Director of Tamaska Oil and Gas Limited (ASX:TMK), Graft Polymer plc and Melchor Pty Ltd. He has a Bachelor of Science from the University of Western Australia.
Other current directorships:	Tamaska Oil and Gas Limited (ASX: TMK)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Adam Giles was appointed to the position of Company Secretary on 17 July 2020 and has over 20 years' business and management experience across both private and public sectors. His long term involvement with the development of the Company's technologies provides valuable background which helps to inform strategic direction.

Martin Hill resigned as Company Secretary on 17 July 2020.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of the Audit and Risk Committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Glenn Fozard	13	13	4	4
Ashley Moore	13	13	4	4
James Blackburn	12	13	-	-
Neil O'Keefe	7	7	2	2
David Smith	6	6	2	2

Held: represents the number of meetings held during the time the director held office.

Retirement, election and continuation in office of directors

In accordance with the Constitution of the Company, at each Annual General Meeting ('AGM'), one-third (or a number nearest to one-third and rounded up) of the directors (excluding a director appointed to either fill a casual vacancy or as an addition to the existing directors) must retire by rotation as well as any other director who has held office for three years or more since last being elected and any other director appointed to fill a casual vacancy or as an addition to the existing directors. Such directors can offer themselves for re-election.

At the 2020 AGM (held on 15 January 2021) of the Company, Ashley Moore was re-elected.

Remuneration report (audited)

The remuneration report details the key management personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board's remuneration policy is to ensure the remuneration package properly reflects the KMP's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. KMP remuneration is arrived at after consideration of the level of expertise each director and executive brings to the Company, the time and commitment required to efficiently and effectively perform the required tasks and after reference to payments made to KMPs in similar positions in other companies.

The non-executive directors are responsible for the executive reward framework and making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the Company. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and is consistent with market best practice. It is the aim of the Board that the executive reward structure satisfies appropriate corporate governance guidelines such that it is competitive and reasonable, acceptable to shareholders, aligns remuneration with KMP performance indicators, and is transparent to all stakeholders.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure that non-executive directors' remuneration is appropriate and in line with the market. Non-executive directors do not receive share options or other incentives.

The aggregate non-executive director remuneration is determined at a general meeting. Effective 1 July 2012, the base fee payable to non-executive directors for discharging their duties as directors was capped at $75,000 per annum each, being $50,000 in cash and $25,000 in shares, for which shareholders provided approval at the 2012 AGM.

Directors receive $50,000 per annum in remuneration. At the Company's AGM held in January 2021, shareholders approved directors receiving half of their remuneration in shares and half in cash. This arrangement commenced 1 February 2021. Shares have been issued at $0.001 per share. As the Company undertook a 10:1 share consolidation in July 2021, subsequent shares will be issued at $0.01 per share.

Pursuant to a General Meeting held on 23 August 2013, the following 'Non-Executive Directors' Remuneration Policy' with respect to remunerating non-executive directors of the Company for providing extra services on behalf of the Company or its business was approved. During the year this policy was extended to executive directors.
- Any remuneration paid to a non-executive director must be reasonable given the circumstances of the Company and the responsibilities of the non-executive director;
- Wherever practicable, the Company will obtain an independent quotation or estimate from an appropriate independent party in respect of those additional services;
- If the non-executive director is an appropriate person to perform those additional services, the remuneration must be benchmarked against any such quotation or estimate obtained by the Company;
- The Managing Director (or if absent, their delegate) must report to the Board on the budgetary impact to the Company of the proposed engagement of the non-executive director. Any engagement of a non-executive director to provide those additional services must be unanimously approved by all directors (other than the non-executive director providing services);
- The non-executive director must report in writing to the Board at the completion of the additional services in such form as the Board may reasonably require;
- All amounts paid to non-executive directors in respect of providing those additional services will be disclosed in the annual financial statements of the Company; and
- The above policy also applies to entities associated with a director, where the additional services of the non-executive director are provided through that entity.

Executive remuneration
The Board is responsible for determining remuneration and nomination policies in respect of KMP. In establishing such policies, the Board is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the Company's operations. The Chairman does not make any decisions relating to his own remuneration. The remuneration levels are reviewed regularly to ensure the Company remains competitive as an employer.

Executive remuneration and reward framework
The executive remuneration and reward framework has four components which comprise an executive's total remuneration:
- base pay and non-monetary benefits;
- consulting fees;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration levels.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments may be granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and project management. There were no STI's granted during the year.

The long-term incentives ('LTI') include long service leave and shares or options.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to performance of the consolidated entity.

Use of remuneration consultants
A remuneration consultant was not used during the year ended 30 June 2021.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')
At the 2020 AGM, 96.2% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

The function of reviewing and approving director and executive remuneration is undertaken by the Board.

It is relevant to the discussion of remuneration that the consolidated entity is experiencing a substantial growth in the scope and complexity of its operations commensurate with implementation of its major strategic projects.

The Board has taken a number of steps recently to ensure that the Company's remuneration structures remain appropriate in the context of both the Company's operations and the level of responsibility and accountability that resides within director and executive roles. This activity has included:

- All executive position descriptions, against which remuneration and performance are assessed, were updated in the financial year 2020 to reflect and respond to changes in core functions and responsibilities of these roles. These will be reviewed again in the following financial year. Inclusive in this process is a review and assessment of remuneration.
- The Company, under guidance of the Board, periodically reviews its current and future staffing structure and executive leadership which supports the Company's strategic plan.
- Any planned or additional executive recruitment programs will continue to be implemented in consultation with professional recruitment firms who, as part of this service, benchmark employee salaries to specific industries and broader market measures.

Throughout the financial year 2021, the Board has continued to assess its need for additional skilled resources and to measure this need against the additional costs of further appointments.

The Board will continue to review and assess its practices in this regard and ensure that it maintains the quality and depth of resources needed to execute its strategic plan.

The Board is confident that the Company's remuneration levels appropriately balance the need to pay competitive remuneration to attract quality personnel to a company of this nature, and retain them, against the Company's philosophy of "frugal innovation". This is a difficult balance to strike and the Board will continue to review it.

Details of remuneration
The KMP of the consolidated entity during the current financial year consisted of the following persons:
- Glenn Fozard - Managing Director
- Ashley Moore - Executive Director and Chief Engineer
- James Blackburn - Non-Executive Director
- Neil O'Keefe - Non-Executive Director (appointed 9 December 2020)
- David Smith - Non-Executive Director (retired 15 January 2021)
- Adam Giles - Company Secretary (appointed 17 July 2020)

Amounts of remuneration
Details of the remuneration of the KMP of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	**Cash salary and fees $**	**Consulting fees $**	**Non-monetary $**	**Super-annuation $**	**Leave Benefits $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
James Blackburn (iii)	36,362	-	-	3,454	-	10,417	50,233
Neil O'Keefe (iv)	-	17,674	-	-	-	10,417	28,091
David Smith (iv)	24,932	-	-	2,368	-	-	27,300
Executive Directors:							
Glenn Fozard (i)	39,800	192,647	-	-	-	16,151	248,598
Ashley Moore (ii)	39,817	160,606	-	-	-	10,417	210,840
Other KMP:							
Martin Hill	-	193,718	-	-	-	14,393	208,111
Adam Giles (iv)	-	140,385	-	-	-	-	140,385
	140,911	705,030	-	5,822	-	61,795	913,558

(i) Glenn Fozard's remuneration consists of a fixed fee for being a director and consulting fees for the provision of executive services excluding GST.
(ii) Ashley Moore's remuneration consists of a fixed fee for being a director and consulting fees for the provision of executive services, excluding GST.
(iii) James Blackburn's remuneration consists of a fixed fee.
(iv) Represents remuneration up to time of retirement or from date of appointment as applicable.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Consulting fees $	Non-monetary $	Super-annuation $	Leave Benefits $	Equity-settled $	Total $
Non-Executive Directors:							
David Smith	49,726	-	-	4,724	-	-	54,450
James Blackburn (iii)	93,052	-	-	8,840	17,273	-	119,165
Barry Richards	8,333	-	-	-	-	-	8,333
Executive Directors:							
Glenn Fozard (i)	55,500	155,953	-	-	-	-	211,453
Ashley Moore (ii)	38,052	117,320	-	3,615	57,705	-	216,692
Other KMP:							
Martin Hill	60,882	102,492	-	5,784	787	-	169,945
	305,545	375,765	-	22,963	75,765	-	780,038

(i) Glenn Fozard's remuneration consists of a fixed fee for being a director, consulting fees for the provision of executive services excluding GST.
(ii) Ashley Moore's remuneration consists of a fixed fee for being a director, consulting fees for the provision of executive services, excluding GST, and a 2% interest discount on his ELF loans. Leave benefits paid are the payout of accrued leave entitlements when employment ceased.
(iii) James Blackburn's remuneration consists of a fixed fee.

For the financial year, the proportions of fixed remuneration and remuneration that is linked to performance are as follows:

Name	Fixed remuneration 2021	Fixed remuneration 2020	At risk - LTI 2021	At risk - LTI 2020
Non-Executive Directors:				
James Blackburn	100%	100%	-	-
Neil O'Keefe	100%	-	-	-
David Smith	100%	100%	-	-
Barry Richards	-	100%	-	-
Executive Directors:				
Glenn Fozard	100%	100%	-	-
Ashley Moore	100%	100%	-	-
Other KMP:				
Martin Hill	100%	100%	-	-
Adam Giles	100%	100%	-	-

Service agreements

The Company has service agreements with Glenn Fozard and Ashley Moore. The new agreements are capable of being terminated. The terms of the contracts will be for two years although the Company retains the right to terminate a contract immediately by making payment equal to the period in lieu of notice. KMP have no entitlement to termination payments in the event of removal for misconduct.

Name:	Glenn Fozard
Title:	Managing Director
Agreement commenced:	1 July 2020
Term of agreement:	2 years
Details:	Executive remuneration consists of a fixed fee of $50,000 for being a director and consulting fees for executive duties which are capped at $17,500 plus GST per month. No leave or superannuation is payable under this contract. The contract may be terminated by either party providing three months written notice.

Name:	Ashley Moore
Title:	Executive Director & Chief Engineer
Agreement commenced:	1 July 2020
Term of agreement:	2 year
Details:	Executive remuneration consists of a fixed fee of $50,000 for being a director and consulting fees for executive duties which are capped at $17,500 plus GST per month. No leave or superannuation is payable under this contract. The contract may be terminated by either party providing three months written notice.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below. At the Company's 2020 AGM, directors were each granted 25,000,000 shares at $0.001 per share in lieu of the payment of $25,000 in cash for directors' fees. All shares were issued and one twelfth of the shares vest each month from 1 February 2021 until 31 January 2022 with the remaining balance held in escrow until vesting. As at 30 June 2021 each director had 14,583,334 shares in escrow.

Name	Grant date	Shares vested	Issue price	$
Glenn Fozard	15 January 2021	10,416,666	$0.0010	10,416
Ashley Moore	15 January 2021	10,416,666	$0.0010	10,416
James Blackburn	15 January 2021	10,416,666	$0.0010	10,416
Neil O'Keefe	15 January 2021	10,416,666	$0.0010	10,416

During the year the following options were transferred to KMP as part settlement of invoices for consulting services. These options were transferred from an Equity Lending Facility. The terms and conditions of these options are as follows:

Name	Grant date	Number of options issued	Fair value	Total value $
Glenn Fozard	30 June 2021	1,022,221	$0.00111	1,135
Martin Hill	28 May 2021	3,527,766	$0.00108	3,810

Options granted are ECTOE options with an exercise price of $0.003 and expiry date of 17 February 2023. These options were granted as part settlement of a invoice for consulting services.

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Income	1,302,940	3,057,154	1,760,773	1,838,563	2,392,705
EBITDA	(1,450,516)	(1,071,920)	(8,065,329)	(4,052,141)	(1,273,462)
EBIT	(1,771,325)	(1,458,528)	(8,666,333)	(4,930,085)	(3,971,071)
Loss after income tax	(1,869,725)	(2,067,973)	(8,903,016)	(5,133,685)	(4,357,282)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end ($)	0.002	0.001	0.013	0.012	0.012
Basic loss per share (cents per share)	(0.023)	(0.047)	(0.250)	(0.151)	(0.154)

The Company's remuneration policy seeks to reward staff members for their contribution to achieving significant milestones but there is no direct link between remuneration paid and growth in the Company's share price or financial performance given that the Company is essentially still engaged in a research and development phase of operations.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other movements	Balance at the end of the year
Ordinary shares					
Glenn Fozard [(i),(ii)]	100,000,000	10,416,666	3,066,666	(40,000,000)	73,483,332
Ashley Moore [(ii),(iii)]	121,185,065	10,416,666	18,750,000	(101,483)	150,250,248
James Blackburn	-	10,416,666	-	-	10,416,666
Neil O'Keefe	776,328	10,416,666	-	-	11,192,994
Martin Hill [(i)]	6,900,000	-	10,583,300	-	17,483,300
Adam Giles	42,780,935	-	-	-	42,780,935
	271,642,328	41,666,664	32,399,966	(40,101,483)	305,607,475

(i) Additions were as a result of settlement of consulting fee invoices from shares previously held in an ELF.
(ii) Other movements were the forfeiture of shares that were held as security for borrowings via an ELF that the directors chose not to repay.
(iii) Additions were as a result of participation in the Company’s share purchase plan on the same terms and conditions as other shareholders.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Glenn Fozard	20,000,000	1,022,221	-	-	21,022,221
Ashley Moore	15,600,000	-	-	-	15,600,000
Martin Hill	2,000,000	3,527,766	-	-	5,527,766
Adam Giles	9,098,078	-	-	-	9,098,078
	46,698,078	4,549,987	-	-	51,248,065

All options additions during the financial year were from the settlement of consulting invoices from shares previously held in an ELF**.**

ELF Loans
In July 2017 Glenn Fozard was advanced $450,000 under the ELF for the exercise of 50,000,000 options at $0.009 each. Principal paid during the year was $nil (2020: $20,952). Interest paid during the year was $nil (2020: $13,146). Loans secured by 40,000,000 shares defaulted as at 31 July 2020 as the loans were not fully repaid.

In July 2017 Ashley Moore was advanced $339,249 under the ELF for the exercise of 36,073,950 options at $0.009 each and 972,223 options at $0.015 each. Principal paid during the year was $nil (2020: $nil). Interest paid during the year was $nil (2020: $nil). A loan secured by 972,223 shares defaulted as at 31 July 2020 as the loan was not fully repaid. At the end of the loan term, principal payments totalling $13,061 had been made by Mr Moore on this loan. On terms and conditions available to all ELF borrowers, this resulted in the release of 870,740 shares from holding lock and the forfeiture of 101,483 shares.

Other transactions with key management personnel and their related parties
During the year, Ashley Moore agreed to participate in the share purchase plan on the same terms and conditions available to all shareholders.

The Company entered into a rental agreement for a new forklift with Mr Fozard in the prior financial year. The agreement was for a 12 month term with monthly payments of $750 per month plus GST which has since been extended on a month-to-month basis. This arrangement replaced a prior rental agreement for a less suitable and older forklift with another supplier which was costing the Company $753 per month.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares under option are as follows:

	Expiry date	Exercise price	Number under option
Listed ordinary options (ECTOE)	17 February 2023	$0.0030	1,920,206,487

The options table above does not include the in-substance issue of options (ELF Options) relating to arrangements involving the issue of shares financed by limited recourse loans. Accounting for such as an in-substance issue of options is a requirement of accounting standards.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

There were no unissued ordinary shares of Environmental Clean Technologies Limited under performance rights outstanding at the date of this report.

Shares or interests issued on the exercise of options

In the previous financial year, shares were issued that were financed by the ELF of ECT Finance Ltd. The details of this facility are disclosed within the Annual Report (refer to note 18 and note 19 of the financial statements for details). Shares issued under the ELF are held as security and remain restricted from trading by the shareholder until the debt issued to the respective shareholder has been repaid and the shares released. These shares are accounted for as the in-substance issue of options for accounting purposes.

During the year ended 30 June 2021, a total of 310,384,602 (2020: 41,666,666) shares were released after having been held within the ELF as security. A further 916,407,834 shares were forfeited by shareholders as their ELFs were not repaid by the expiry date of 31 July 2020.

On 10 May 2020 the Company commenced a new ELF using the remaining 750,000,000 shortfall shares from the non-renounceable rights issue. The term of this ELF was 1 year and had been extended by a further year. Since the commencement of this ELF 274,679,966 shares have been released to suppliers in lieu of payments in cash. Two of these suppliers are Glenn Fozard and Martin Hill who are KMP of the Company (refer KMP disclosures above). A total of 475,320,034 shares were held as security for this ELF at 30 June 2021. As the Company undertook a 10:1 share consolidation subsequent to the end of the financial year, total shares held as security for the ELFs as at the date of this report is 47,532,005.

The 916,407,834 shares were subsequently used as security for 4 new ELFs commencing 15 January 2021 for a term of 2 years. At the Company's AGM the issue of a further 383,592,166 shares was approved which would also be used as security for these ELFs. Total shares held as security for these ELFs on 30 June 2021 was 1,300,000,000 (130,000,000 shares post share consolidation and as the date of this report).

As at 30 June 2021, there were therefore 1,775,320,034 (177,532,005 shares post share consolidation as at the date of this report) (2020: 55,000,000) shares on issue and held as security where monies (principal and interest loans) are owing to the Company. Should loans remain unpaid at expiry, ECTF has recourse to those shares held as security and may settle the outstanding debt with the borrower via a number of mechanisms including but not limited to a) disposal of shares on the market with the proceeds used to repay the loan and b) selective buy-back in exchange for debt forgiveness by the parent company.

Shares issued on the exercise of performance rights

There were no ordinary shares of Environmental Clean Technologies Limited issued on the exercise of performance rights during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' report.

Auditor

BDO Audit Pty Ltd continues in office in accordance with the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Glenn Fozard
Executive Chairman

27 September 2021
Melbourne

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DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Environmental Clean Technologies Limited and the entities it controlled during the period.

Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 27 September 2021

General information

The financial statements comprise those of Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited ('the Company') and the entities it controlled at the end of, or during, the year (together referred to as 'the consolidated entity'). The financial statements are presented in Australian dollars, which is the consolidated entity'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:

388 Punt Road
South Yarra, VIC, 3141
Australia

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 September 2021. The directors have the power to amend and reissue the financial statements.

Environmental Clean Technologies Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue	4	-	87,454
Other income	5	1,298,452	2,964,770
Interest revenue calculated using the effective interest method		4,488	4,930
Total income		1,302,940	3,057,154
Expenses			
Corporate costs		(1,466,058)	(1,403,054)
Engineering and pilot plant costs		(411,867)	(754,783)
Remeasurement of financial liabilities	6	(470,744)	53,073
Depreciation and amortisation expense	6	(320,809)	(386,608)
Employee benefits expense	6	(125,860)	(664,634)
Sales and marketing		(107,284)	(145,459)
Finance costs	6	(102,888)	(614,375)
Legal costs		(80,863)	(117,165)
Occupancy expense		(68,996)	(211,018)
Travel and accommodation		(17,296)	(46,117)
Impairment of receivables		-	(109,668)
Loss on debt extinguishment	6	-	(664,297)
Write-off of assets		-	(61,022)
Total expenses		(3,172,665)	(5,125,127)
Loss before income tax expense		(1,869,725)	(2,067,973)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	20	(1,869,725)	(2,067,973)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		(1,869,725)	(2,067,973)
		Cents	Cents
Basic loss per share	32	(0.023)	(0.047)
Diluted loss per share	32	(0.023)	(0.047)

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

Environmental Clean Technologies Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents		1,014,490	1,104,781
Trade and other receivables	8	2,276,858	966,669
Inventories		84,703	-
Other		49,102	58,413
Total current assets		3,425,153	2,129,863
Non-current assets			
Property, plant and equipment	9	2,551,603	293,370
Right-of-use assets	10	636,702	782,296
Intangibles	11	254,250	-
Total non-current assets		3,442,555	1,075,666
Total assets		6,867,708	3,205,529
Liabilities			
Current liabilities			
Trade and other payables	12	1,757,005	125,582
Borrowings	13	1,285,558	28,930
Lease liabilities		147,871	122,827
Provisions	14	6,079	-
Other financial liabilities	15	3,857	227
Total current liabilities		3,200,370	277,566
Non-current liabilities			
Borrowings	16	-	26,519
Lease liabilities		547,324	689,889
Provisions		517	210
Other financial liabilities	17	1,797,532	1,330,418
Total non-current liabilities		2,345,373	2,047,036
Total liabilities		5,545,743	2,324,602
Net assets		1,321,965	880,927
Equity			
Issued capital	18	81,091,892	78,605,405
Reserves	19	118,285	495,698
Accumulated losses	20	(79,888,212)	(78,220,176)
Total equity		1,321,965	880,927

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 year ended 30 June 2021

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	73,686,351	444,005	(76,152,203)	(2,021,847)
Loss after income tax expense for the year	-	-	(2,067,973)	(2,067,973)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,067,973)	(2,067,973)
Transactions with owners in their capacity as owners:				
Share-based payments (note 33)	180,021	-	-	180,021
Issue of shares via non-renounceable rights issue, net of costs	4,739,033	-	-	4,739,033
Premium received on ELF options (note 19)	-	51,693	-	51,693
Balance at 30 June 2020	78,605,405	495,698	(78,220,176)	880,927

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	78,605,405	495,698	(78,220,176)	880,927
Loss after income tax expense for the year	-	-	(1,869,725)	(1,869,725)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,869,725)	(1,869,725)
Transactions with owners in their capacity as owners:				
Share-based payments (note 33)	41,667	118,285	-	159,952
Options exercised (note 19)	570,222	(570,222)	-	-
Issue of shares via placement and purchase plan, net of costs	1,874,598	-	-	1,874,598
Transfer option premium (exercised options) (note 19 & note 20)	-	(201,689)	201,689	-
Premium received on ELF options (note 19)	-	276,213	-	276,213
Balance at 30 June 2021	81,091,892	118,285	(79,888,212)	1,321,965

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

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		37,389	133,697
Research and development tax incentive (inclusive of GST)		899,612	1,511,621
Payments to suppliers and employees (inclusive of GST)		(1,792,770)	(3,329,633)
Government grants (COVID-19)		113,283	83,094
Interest received		4,488	4,622
Interest and other finance costs paid		(102,888)	(210,316)
Net cash used in operating activities	29	(840,886)	(1,806,915)
Cash flows from investing activities			
Payments for property, plant and equipment	9	(2,821,877)	(275,234)
Payments for intangibles	11	-	(48,369)
Insurance recoveries		593,012	1,882,130
Net cash from/(used in) investing activities		(2,228,865)	1,558,527
Cash flows from financing activities			
Proceeds from issue of shares	18	1,894,600	1,770,544
Payment of equity raising costs	18	(20,002)	-
Proceeds from issue of options		-	51,693
Proceeds from borrowings		1,259,070	1,188,270
Repayment of borrowings		(28,930)	(1,958,502)
Repayment of lease liabilities		(125,278)	(86,060)
Net cash from financing activities		2,979,460	965,945
Net increase/(decrease) in cash and cash equivalents		(90,291)	717,557
Cash and cash equivalents at the beginning of the financial year		1,104,781	387,224
Cash and cash equivalents at the end of the financial year		1,014,490	1,104,781

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Going concern

For the financial year ended 30 June 2021, the consolidated entity had an operating net loss after tax of $1,869,725 (2020: $2,067,973), net cash outflows from operating activities of $840,886 (2020: net cash outflows of $1,806,915), net current assets at the reporting date of $224,783 (2020: net current assets of $1,852,297) and net assets of $1,321,965 (2020: net assets of $880,927). The consolidated entity currently does not have a material source of revenue and is reliant on receipt of research and development tax incentives, ELF loan repayments, 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 reliance on future funding described above indicates a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. 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:
- utilisation of its current cash resources;
- drawdowns against expected new lending facilities;
- principal paid and interest earned from current or new ELF debt arrangements (treated as capital injections);
- issuance of the Company's securities under ASX Listing Rule 7.1;
- government grants; and
- revenue from Bacchus Marsh once the rebuild is completed.

Based on the above information and cash flow forecasts prepared, the directors are of the opinion that the consolidated entity is well positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepared is appropriate in the circumstances.

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 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss, derivative financial instruments and contingent consideration that has been measured at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Significant accounting policies (continued)

Reclassifications of prior information

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.

Differences in ASX Appendix 4E reported cash flows
Certain cash flows that were included in the Consolidated Statement of Cash Flows of the Appendix 4E Preliminary Final Report lodged with the ASX for the year ended 30 June 2021 which were classified as ‘Payments for property plant and equipment’ have been reclassified to ‘Payments to suppliers and employees’ to provide a more accurate presentation of the consolidated entity's cash flows. As a result of this reclassification, when compared to the Appendix 4E, ‘Payments for property plant and equipment’ has decreased by $824,829 and ‘Payments to suppliers and employees’ has increased by the same amount.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Research and development tax incentive
The consolidated entity has adopted the income approach to accounting for research and development tax offsets pursuant to AASB 120 'Accounting for Government Grant and Disclosure of Government Assistance' whereby the incentive is recognised in profit or loss on a systematic basis over the periods in which the consolidated entity recognises the eligible expenses.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government subsidies (COVID-19)
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants are recognised in profit or loss over the period necessary to match with the costs that they are intended to compensate. The consolidated entity received government grants as a result of COVID-19 during the year. The grants are recognised as other income and are included in note 5.

Research and development expenditure
Expenditure in respect of research and development is charged to profit or loss as incurred. Development costs will be capitalised if and when: it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Environmental Clean Technologies Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand-alone taxpayer' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
A receivable for the research and development tax incentive receivable is recognised at the time that the eligible expenditure has been incurred and the consolidated entity has reasonable certainty that the amounts will be received.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1. Significant accounting policies (continued)

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

For the purposes of establishing the expected useful life, assets are defined as either 'commercial' or 'research and development'.

Depreciation is charged to write off the net cost of each item of property, plant and equipment over its expected useful life. Depreciation of plant and equipment is calculated on a diminishing value basis whilst depreciation of furniture and fittings and office equipment is calculated on a straight-line basis. The useful life of each class of asset is as follows:

- Plant and equipment	3 to 10 years
- Furniture and fittings	3 years
- Office equipment	3 years

Depreciation of research and development assets is calculated on a straight line basis to write off the net cost of each item of plant and equipment over its expected useful life within a defined research and development program context as follows:

- Coldry research and development plant and equipment upgrades	3 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit being their estimated useful life of 20 years.

Right of access - mining
Costs in relation to payments to a supplier allowing the supplier to upgrade mining plant in return for the secure supply of raw material to the consolidated entity are accounted for as the acquisition of a right of access which will be amortised from the date of commencement of supply for a period of five years being the term of the contract.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
Trade and other payables represents liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the COVID-19 pandemic and which relate to payments originally due on or before 30 June 2021.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Financial liabilities - deferred and contingent consideration
Deferred and contingent consideration liabilities are initially recognised at fair value. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings. The unwinding of the discount on the present value of future cash flows associated with deferred consideration and earn-out provisions is recognised as finance costs.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Note 1. Significant accounting policies (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. There were no business combinations occurring during the current or comparative periods.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Environmental Clean Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Company, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Company's operations going forward. The Company now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity estimates the effective life of intellectual property to be 20 years and amortises these assets on a straight-line basis. Where the resulting effective life differs from that recognised, the impact will be recorded in profit or loss in the period such determinations are made.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets
The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in Australia. The consolidated entity estimates its tax liabilities based on the understanding of the tax laws and advice from tax experts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determinations are made.

Earn-out provision - Coldry
The earn-out provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of the reporting date using a discount rate of 22% (2020: 33%). In determining the present value of the liability, estimates of expected timing and quantities of production are taken into consideration.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Deferred consideration - Matmor
The deferred consideration liability has been calculated based on discounted cash flow projections out to February 2023 using a discount rate of 30% (2020: 26%). The projections used in calculating the liability include consideration of events as disclosed at note 17 that would trigger a cash outflow pursuant to the deferred consideration structure. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

Research and development tax offset
The consolidated entity adopts the income approach to accounting for the research and development tax offset pursuant to AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'. The directors have concluded that the consolidated entity has developed sufficient systems and knowledge to allow reasonable assurance to be obtained with respect to the measurement and recognition of tax rebates receivable at the time of incurring eligible expenses.

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.

The CODM reviews operating performance of the consolidated entity based on management reports that are prepared. At regular intervals, the CODM is provided management information at a consolidated entity level for the consolidated entity's cash position, the carrying values of intangible assets and a consolidated entity cash forecast for the next 12 months of operation. On this basis, no segment information is included in these financial statements.

Note 4. Revenue

	Consolidated 2021 $	2020 $
Sales of product	-	87,454

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2021 $	2020 $
Major product lines		
Coldry	-	87,454
Geographical regions		
Australia	-	87,454
Timing of revenue recognition		
Goods transferred at a point in time	-	87,454

Note 5. Other income

	Consolidated 2021 $	2020 $
Research and development tax incentive	554,768	924,448
Insurance recoveries	593,012	1,905,560
Government grants (COVID-19)	113,283	95,594
Rent concessions (COVID-19)	-	38,968
Other income	37,389	200
Other income	1,298,452	2,964,770

Research and development tax incentive
The Company has recognised a receivable related to the research and development tax incentive of $1,971,535 at 30 June 2021 (2020: $899,612) which relates to eligible expenditure. An amount of $1,416,766 of the incentive received or receivable has been deferred and offset against the cost of plant and equipment and intangible asset acquisitions. Refer note 9 and note 11.

Insurance recoveries
The consolidated entity received $593,012 of insurance proceeds during the year ended 30 June 2021 as a result of the fire which occurred at the Bacchus Marsh facility in 2019.

Government grants (COVID-19)
The consolidated entity received JobKeeper support payments as grants from the Australian Government during the year of $21,350 (2020: $6,000) which were passed on to eligible employees. These have been recognised as grant income in the periods in which the related employee benefits were recognised as an expense.

The consolidated entity recognised grants from the Australian Government amounting to $37,500 (2020: $89,594) as part of the government's ‘Boosting Cash Flow for Employers’ scheme. These amounts have been recognised as grant income on the basis that there was reasonable assurance that the Company would comply with any conditions attached.

Other government grants of $54,433 were received from the Victorian Government which related to a variety of activities.

Rent concessions (COVID-19)
Rent concessions represent the amount of rent that landlords agreed to waive at the Company’s Bacchus Marsh and South Yarra premises. There were no concessions received during the year.

Note 6. Expenses

	Consolidated 2021 $	Consolidated 2020 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	163,624	177,255
Office equipment	3,833	5,536
Buildings right-of-use assets	153,352	155,448
Total depreciation	320,809	338,239
Amortisation		
Intellectual property - Waste-to-energy	-	48,369
Total depreciation and amortisation	320,809	386,608
Loss on settlement of debt		
Loss on conversion of securitised loans to equity (note 13)	-	192,076
Loss on conversion of convertible notes to equity (note 13)	-	386,712
Net loss on conversion of trade and other payables to equity	-	85,509
Total loss on settlement of debt	-	664,297
Remeasurement of financial liabilities		
Remeasurement of deferred consideration for Matmor assets	(55,055)	(295,513)
Remeasurement of Coldry earn-out provision	525,799	227,803
Loss on fair value remeasurement of convertible note derivatives	-	14,637
Total remeasurement of financial liabilities	470,744	(53,073)
Finance costs		
Interest and finance charges paid/payable on lease liabilities	38,426	46,755
Interest and facility costs	64,462	515,630
Capital raising costs	-	51,990
Finance costs expensed	102,888	614,375
Employee benefits expense		
Defined contribution superannuation expense	14,745	53,104
Other employee benefits	111,115	611,530
Total employee benefits expense	125,860	664,634

Note 7. Income tax expense

	Consolidated	
	2021	2020
	$	$
Income tax expense		
Deferred tax assets attributable to temporary differences	607,666	33,670
Deferred tax assets attributable to carried forward tax losses	(62,944)	(52,402)
Total deferred tax assets not recognised	(544,722)	18,732
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,869,725)	(2,067,973)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(486,129)	(568,693)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Repairs and maintenance	(117,000)	-
Research and development	1,048,692	314,448
Share based payments	113,403	252,665
Non-taxable government grants	(16,250)	(17,188)
Unrealised foreign exchange movements	2,006	-
Sundry items	-	36
	544,722	(18,732)
Current year tax losses not recognised	62,944	52,402
Current year temporary differences not recognised	(607,666)	(33,670)
Income tax expense	-	-

	Consolidated	
	2021	2020
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	25,460,418	25,225,732
Potential tax benefit at 25% (2020: 26%)	6,365,105	6,558,690

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The corporate tax rate applicable to base rate entities reduced from 27.5% to 26% for the 2020-21 income year and further reduces to 25% prospectively from the 2021-22 income year. The Company qualifies as a base rate entity as it has a turnover of less than $50 million and less than 80% of its assessable income is derived from base rate entity passive income. The Company has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

Note 7. Income tax expense (continued)

	Consolidated 2021 $	Consolidated 2020 $
Deferred tax assets net of deferred tax liabilities not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	1,715	58
Accrued expenses	43,790	8,250
Plant and equipment	(572,298)	213,458
Finance costs	45,219	54,590
Intangible assets	2,141,995	2,259,757
Provision for earn-out (Coldry)	393,056	271,137
Matmor liability	(266,116)	(266,329)
Right-of-use asset	15,208	8,366
Total deferred tax assets net of deferred tax liabilities not recognised	1,802,569	2,549,287

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - trade and other receivables

	Consolidated 2021 $	Consolidated 2020 $
Other receivables	-	67,057
Research and development tax incentive receivable	1,971,535	899,612
	1,971,535	966,669
BAS receivable	305,323	-
	2,276,858	966,669

Allowance for expected credit losses
There were no allowances for expected credit losses on receivables recognised as at reporting date. Amounts written off as not recoverable during the year were $nil (2020: $109,668).

Note 9. Non-current assets - property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Plant and equipment - at cost	8,066,712	5,651,071
Less: Accumulated depreciation	(5,516,730)	(5,361,288)
	2,549,982	289,783
Fixtures and fittings - at cost	12,102	12,102
Less: Accumulated depreciation	(12,102)	(12,102)
	-	-
Office equipment - at cost	43,338	41,471
Less: Accumulated depreciation	(41,717)	(37,884)
	1,621	3,587
	2,551,603	293,370

Note 9. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2019	232,259	6,261	238,520
Additions	295,802	2,862	298,664
Write off of assets	(61,023)	-	(61,023)
Depreciation expense	(177,255)	(5,536)	(182,791)
Balance at 30 June 2020	289,783	3,587	293,370
Additions	2,920,106	1,867	2,921,973
R&D tax incentive offset	(1,221,016)	-	(1,221,016)
Additions - assets under construction	724,733	-	724,733
Depreciation expense	(163,624)	(3,833)	(167,457)
Balance at 30 June 2021	2,549,982	1,621	2,551,603

Note 10. Non-current assets - right-of-use assets

	Consolidated 2021 $	Consolidated 2020 $
Land and buildings - right-of-use	945,502	937,744
Less: Accumulated depreciation	(308,800)	(155,448)
	636,702	782,296

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

Consolidated	Land and buildings $
Balance at 1 July 2019	-
Additions	973,384
Reassessment of asset on lease extension	(35,640)
Depreciation expense	(155,448)
Balance at 30 June 2020	782,296
Reassessment of asset on change in terms	7,758
Depreciation expense	(153,352)
Balance at 30 June 2021	636,702

During the year ended 30 June 2020, additions to the right-of-use assets during the year were $973,384 as a result of the adoption of AASB 16 on 1 July 2019. The asset was recognised at a value equivalent to the lease liability in accordance with the practical expedients for initial recognition provided for in AASB 16. An incremental borrowing rate of 5% was been adopted for the purposes of present value calculations.

Such assets represent the value of rights conveyed to the consolidated entity pursuant to its leases of land and buildings for its offices (remaining lease term, including option for extension of 60 months as at 30 June 2021) and pilot plant facility (remaining lease term, including option for extension of 46 months as at 30 June 2021).

Note 11. Non-current assets - intangibles

	Consolidated 2021 $	Consolidated 2020 $
Coldry IP - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(4,800,000)	(4,800,000)
Less: Impairment	(4,800,000)	(4,800,000)
	-	-
Waste-to-energy IP - at cost	48,369	48,369
Less: Accumulated amortisation	(48,369)	(48,369)
	-	-
Right of access to mine	254,250	-
	254,250	-

Reconciliations of Intellectual property
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Waste-to-energy $	Right of access - mining $	Total $
Balance at 1 July 2019	-	-	-
Additions	48,369	-	48,369
Amortisation expense	(48,369)	-	(48,369)
Balance at 30 June 2020	-	-	-
Additions	-	450,000	450,000
R&D tax incentive offset	-	(195,750)	(195,750)
Balance at 30 June 2021	-	254,250	254,250

Coldry intellectual property ('Coldry IP')

The Coldry IP represents the patented technology related to Coldry acquired by the consolidated entity in 2009. It is the most advanced of all the Company's technologies and while the asset has been fully impaired in order to comply with relevant accounting standards, the consolidated entity is of the view that this IP remains one of the its most valuable assets. Coldry is currently in the early stages of commercialisation and was being manufactured and sold prior to the fire at the plant. Coldry is also the cornerstone of all other technologies that the consolidated entity is developing such as Matmor, HydroMOR and COHgen. The consolidated entity expects, after further research and development, that Coldry will also be a pivotal part of the commercialising of the recently acquired waste-to-energy technology.

Note 11. Non-current assets - intangibles (continued)

The recognition and value of the Coldry IP, being an intangible asset, must be considered annually in accordance with the requirements of AASB 136 'Impairment of Assets'. An impairment test must be conducted if there are indicators of impairment, in which case the entity shall estimate the recoverable amount of the asset. The recoverable amount shall be the higher of the fair value less cost of sale and value in use. Assessments performed under AASB 136 using a value-in-use model did not support the carrying value of the Coldry IP. The asset was fully impaired in the year ended 30 June 2019.

Assessments of the Coldry IP fair value less cost of sale and the value in use will be conducted in future accounting periods. Should these assessments warrant a reversal of the impairment loss recognised in the year ended 30 June 2019, a revaluation increase will be recognised in accordance with relevant accounting standards.

Waste-to-energy intellectual property ('WTE IP')

On 2 July 2019, the consolidated entity entered into an Asset Sale Agreement to acquire the WTE IP technology known as the Catalytic De-Polymerisation Process (CDP) capable of producing automotive diesel from a range of inputs including various waste streams, such as construction wood-waste and end-of-life plastics. Completion date for the acquisition was 8 July 2019.

Right-of-access - mining

During the year, the Company entered into an agreement with Energy Australia to secure supply of lignite on favourable pricing terms. The consideration paid to Energy Australia will be used to upgrade its plant to facilitate product supply to the Company.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2021 $	2020 $
Trade payables	1,544,142	85,227
Other payables	212,863	40,355
	1,757,005	125,582

Refer to note 21 for further information on financial instruments.

Note 13. Current liabilities - borrowings

	Consolidated	
	2021 $	2020 $
RnD Funding Loan	1,259,039	-
Equipment finance	26,519	28,930
	1,285,558	28,930

Refer to note 21 for further information on financial instruments.

RnD Funding loan
The RnD Funding loan relates to a facility agreement that provided for funding based on the value of the anticipated AusIndustry Tax Incentive program for the respective financial year and is secured by the research and development tax rebate provided to the Company under the research and development tax incentive program.

Note 13. Current liabilities - borrowings (continued)

Securitised loan payable
2020: ECT Finance Ltd (ECTF) obtained a debt facility of $1 million from Challenge Bricks & Roofing Pty Ltd in 2019 secured by granting a security interest over the ELF loans which are in the legal form of limited-recourse loans in the accounts of ECTF. The loan had a term of 12 months and incurred interest at the rate of 16.6% p.a. During the comparative year, the consolidated entity entered into an arrangement with the lender to settle outstanding debt in exchange for the issue of shares and options in the Company.

	Consolidated	
	2021	2020
	$	$
Carrying value of securitised loans at time of conversion to equity	-	643,832
less fair value of shares in the Company issued to settle debt (i)	-	(614,638)
less fair value of options in the Company issued to settle debt (i)	-	(221,270)
Loss on conversion of debt to equity	-	(192,076)

(i) There were 643,831,970 shares and 257,532,788 options (ECTOE) issued by the Company to settle the value of the securitised loans. The fair value of the shares issued was $0.001 being listed share price at the time of conversion. Options were valued at $0.0009 each using an option pricing model.

Convertible notes
2020: The lender had issued ECTF a 12 month $800,000 debt instrument by way of a convertible note. Interest was calculated daily at the rate of 15% per annum on the outstanding balance. The lender had the option to convert the loan amount into fully paid Environmental Clean Technology (ECT) ordinary shares at any time of their choosing prior to expiry. The rate of conversion was set at the lesser of: $0.015 per ECT share; and a 20% discount to the 30-day volume weighted average price (VWAP) of ECT shares prior to requesting to convert the loan. The conversion feature of the notes represents a derivative financial liability which was accounted for separately. During the comparative year, the loan was fully converted into shares and options in the Company through the lender subscribing for shares and options in the non-renounceable rights issue.

	Consolidated	
	2021	2020
	$	$
Carrying value of conversion derivative at time of conversion	-	271,750
Carrying value of convertible note liability at time of conversion	-	1,024,500
less fair value of shares in the Company issued to settle debt (ii)	-	(1,237,472)
less fair value of options in the Company issued to settle debt (ii)	-	(445,490)
Loss on settlement of convertible notes	-	(386,712)

(ii) There were 1,296,250,000 shares and 518,500,000 options (ECTOE) issued by the Company to settle the value of the convertible notes. The fair value of the shares issued was $0.001 being the listed share price at the time of conversion. Options were valued at $0.0009 each using an option pricing model.

Equipment finance
The assets pledged as security for the equipment finance are represented by the underlying assets subject to financing. Financing of certain plant and equipment is over terms ranging from 2 to 5 years at interest rates of approximately 6%.

Note 14. Current liabilities - provisions

	Consolidated	
	2021	2020
	$	$
Annual leave	6,079	-

Note 15. Current liabilities - other financial liabilities

	Consolidated 2021 $	2020 $
Earn-out provision - Coldry	3,857	227

Refer to note 17 for further details.

Note 16. Non-current liabilities - borrowings

	Consolidated 2021 $	2020 $
Equipment finance	-	26,519

Refer to note 21 for further information on financial instruments.

Assets pledged as security
The assets pledged as security for such borrowings is represented by the underlying assets subject to financing. Financing is over one item of plant and equipment and is repayable over a term of 5 years with an interest rates of approximately 6%.

Note 17. Non-current liabilities - other financial liabilities

	Consolidated 2021 $	2020 $
Earn-out provision - Coldry	1,507,894	985,725
Deferred consideration - Matmor	289,638	344,693
	1,797,532	1,330,418

Deferred consideration - Matmor

As part consideration for the acquisition of the Matmor asset, deferred consideration of $3.5 million of cash was incurred. The timing of paying consideration up to the cash amount of $3.5 million to Matmor Steel is dependent upon if, and when, issued options of the Company are exercised as well as the various milestones being met. 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 the Company from exercise of ECT Options up to a cash amount of $1 million
(b) a minimum of 15% of proceeds received by the Company from exercise of ECT Options thereafter
(c) $500,000 on signing a binding contract for construction of the Matmor Pilot Plant
(d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state as well as conversion targets
(e) $1 million 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

At reporting date, a total of $2,000,215 (2020: $2,000,215) has been repaid under triggers (a) and (b) which were satisfied in prior years. In measuring the value of the liability, management have estimated when the remaining milestones will likely be achieved. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

Earn-out provision - Coldry

The earn-out provision represents deferred consideration payable related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of Coldry pellets and is discounted at a rate of 22% (2020: 33%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Note 18. Equity - issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	10,000,929,918	7,843,920,316	81,091,892	78,605,405
Treasury shares	55,000,000	-	-	-
ELF shares	1,775,320,034	1,757,112,470	-	-
	11,831,249,952	9,601,032,786	81,091,892	78,605,405

Ordinary share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Details	Date	Shares Issued	Issue price	$
Balance	1 July 2019	3,726,737,257		73,186,354
Release of ELF shares	19 July 2019	8,333,333	$0.0040	33,333
Transfer from deferred share capital	27 July 2019	25,000,000	$0.0200	499,997
Release of ELF shares	13 August 2019	12,500,000	$0.0040	50,000
Release of ELF shares	12 September 2019	8,333,333	$0.0030	25,000
Release of ELF shares	13 November 2019	12,500,000	$0.0010	12,500
Issue of shares via non-renounceable rights issue	10 May 2020	4,050,516,393	$0.0012	4,819,090
Costs of non-renounceable rights issue	10 May 2020	-	$0.0000	(80,057)
Share based payments	10 May 2020	-	$0.0000	59,188
Balance	30 June 2020	7,843,920,316		78,605,405
Release of ELF shares	31 July 2020	35,704,636	$0.0082	294,009
Issue of new shares (director remuneration - vested)	4 March 2021	41,666,664	$0.0010	41,667
Issue of new shares (director remuneration - not vested)	4 March 2021	58,333,336	$0.0000	-
Release from ELF (share based payment)	16 March 2021	3,066,666	$0.0015	4,600
Issue of new shares (share placement)	15 April 2021	1,500,000,000	$0.0010	1,500,000
Release from ELF (share based payment)	30 April 2021	34,550,000	$0.0010	34,550
Release from ELF (share based payment)	21 May 2021	226,480,000	$0.0010	226,480
Release from ELF (share based payment)	26 May 2021	10,583,300	$0.0010	10,583
Issue of new shares (share purchase plan)	15 June 2021	246,625,000	$0.0016	394,600
Equity raising costs		-	$0.0000	(20,002)
Balance	30 June 2021	10,000,929,918		81,091,892

During the year, the Company raised $1,500,000 through a placement of 1,500,000,000 fully paid ordinary shares to sophisticated and professional investors at an issue price of $0.001 per share. For every three shares issued under the Placement, the Company issued one free attaching ECTOE option exercisable at $0.003 and expiring 17 February 2023.

ELF share capital

The Company's subsidiary, ECT Finance Ltd, has entered into limited recourse loans with option-holders (Participants) allowing them to obtain finance to exercise share options issued by the Company. Shares in ECT were issued on exercise of options in accordance with the Loan and Security Agreement (the Agreement) of the Equity Lending Facility (ELF).

All shares issued pursuant to the ELF and which are financed by limited recourse loans are considered, for accounting purposes, to be options issued. As a result, neither the value of the loans receivable, nor the value of shares issued, are recognised in the financial statements. Where the Company receives funds from Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the option reserve until the loan is settled (refer to note 19). Loans expire within 2-3 years from issue and interest is charged at commercial rates of interest.

Note 18. Equity - issued capital (continued)

Notwithstanding any other provision of the ELF, each Participant has a legal and beneficial interest in the ELF shares issued to them except that any dealings with those ELF shares by the Participant is restricted in accordance with the Agreement. ELF shares rank equally with all existing ordinary shares of the Company from the date of issue in respect of all rights issues, bonus issues, dividends and other distributions to, or entitlements of, ordinary shareholders. On termination of the loan facility, the Participant may elect to settle the loan or default on the loan and the Company would enforce the return of the ELF shares back to the Company, subject to requirements of the Corporations Act and as outlined in the Agreement signed by each borrower. Shares issued will only be recognised in equity after a participant's loan is repaid and shares are released to the holder.

The face value of limited recourse loans that had been issued at reporting date was $2,050,000 (2020: $13,386,069) and interest accrued on such loans was $85,050 (2020: $2,745,625).

As at reporting date there are 1,775,320,034 (2020: 1,757,112,470) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

ELF share capital movements are as follows:

	Consolidated	
	2021	2020
Opening balance of ELF shares on issue	1,757,112,470	1,048,779,136
Shares released during year *	(310,384,602)	(41,666,666)
ELF shares issued during year	1,300,000,000	750,000,000
Transfers to Treasury Shares on expiry of ELF Loans	(971,407,834)	-
Closing balance of ELF shares on issue	1,775,320,034	1,757,112,470

* Included in the release of shares are shares issued to suppliers to the Bacchus Marsh rebuild. The value of services was valued at $276,213 (note 19) and such amount was applied to the full settlement of ELF loans thereby releasing share capital. Refer to items designated as 'Release from ELF (share based payment)' in the ordinary share capital reconciliation table above.

During the year, the Company established an ELF with Kaai Capital who were appointed as the Lead Manager to the Company's share placement during that occurred during April and May 2020. The Company issued 350,000,000 shares to Kaai (or its nominees). The term of the ELF is 3 years, during which time Kaai may elect to pay the Company $700,000 (being a deemed price of $0.002 per Share) plus any interest and fees, subject to the terms of the ELF, to satisfy the loan and have the holding lock lifted. If the Lead Manager does not pay this amount by the due date, these Shares may be cancelled.

Issue date 31 July 2017; expiry date 31 July 2020	Exercise price	Movement	Balance
Opening balance at 1 July 2020	$0.012		952,112,470
Exercised during year ended 30 June 2021	$0.008	(35,704,636)	916,407,834
Expired during year ended 30 June 2021		(916,407,834)	nil

Issue date 31 July 2018; expiry date 31 July 2021	Exercise price	Movement	Balance
Opening balance 1 July 2020	$0.015		55,000,000
Termination of ELF (transfer to Treasury shares)		(55,000,000)	nil

Issue date 10 May 2020, expiry date 10 May 2023	Exercise price	Movement	Balance
Opening balance 1 July 2020	$0.001	750,000,000	750,000,000
Share based payments during year ended 30 June 2021	$0.001	(274,679,966)	475,320,034

Issue date 10 May 2020, expiry date 10 May 2023	Exercise price	Movement	Balance
Initial issue	$0.001	1,300,000,000	1,300,000,000

Note 18. Equity - issued capital (continued)

Treasury share capital
Treasury shares are shares in the Company that are held by ECT Finance Ltd, a subsidiary of the Company, prior to their allocation to shareholders under equity loan funding (ELF) arrangements with shareholders.

Details	Date	Shares	Issue price	$
Balance	1 July 2019	-		-
Balance	30 June 2020	-		-
Transfer from ELF expired loan arrangements	31 July 2020	916,407,834	$0.0000	-
Transfer from treasury shares to ELF	4 March 2021	(916,407,834)	$0.0000	-
Transfer from ELF expired loan arrangements	30 June 2021	55,000,000	$0.0000	-
Balance	30 June 2021	55,000,000		-

ECTOE Options on issue
Details of ECTOE options on issue during the year are as follows:

	Exercise price	Movement	Balance
Initial issue	$0.003	1,758,722,154	1,758,722,154
Share based payments during year ended 30 June 2020	$0.003	161,484,333	1,920,206,487
Options issued as part of ELF during year ended 30 June 2021	-	520,000,000	2,440,206,487
Share-based payments during year ended 30 June 2021	$0.001	106,658,654	2,546,865,141

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity monitors capital by reference to cash flow forecasts in relation the operating revenue and expenditure. The consolidated entity also monitors its capital expenditure requirements to identify any additional capital required.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 19. Equity - reserves

	Consolidated	
	2021	2020
	$	$
Options reserve	118,285	495,698

Options reserve
The balance of the options reserve recognises the value of consideration received for options issued that remain unexercised. Such options may include those issued as share-based payments and receipt of principal and interest on ELF loan repayments which are treated as receipt of option premium for accounting purposes (refer to note 18 for further details). Movements in the reserve are provided below.

Note 19. Equity - reserves (continued)

Movements in options reserves
Movements in each class of options reserve during the current and previous financial year are set out below:

Consolidated	ECTOE options reserve $	ELF reserve $	Total $
Balance at 1 July 2019	-	444,005	444,005
Receipt of premium	-	51,693	51,693
Balance at 30 June 2020	-	495,698	495,698
Receipt of premium *	-	276,213	276,213
Exercise of options (refer note 18)	-	(570,222)	(570,222)
Expiry of options	-	(201,689)	(201,689)
Share based payments (note 33)	118,285	-	118,285
Balance at 30 June 2021	118,285	-	118,285

* During the year, the consolidated entity received services to the value of $276,213 relating to the rebuild of the Bacchus Marsh plant. Such services were treated as the settlement of ELF loans and therefore an exercise of ELF options which released share capital to the suppliers.

ECTOE options reserve

The ECTOE options reserve is used to recognise the value of ECTOE listed options provided to employees, directors and suppliers as part of their compensation for services and/or goods received. Refer to note 18 for details of ECTOE options on issue. Refer to note 33 for details of share-based payments.

ELF reserve

Where the company receives funds from ELF Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the ELF reserve until the loan is settled

Note 20. Equity - accumulated losses

	Consolidated 2021 $	Consolidated 2020 $
Accumulated losses at the beginning of the financial year	(78,220,176)	(76,152,203)
Loss after income tax expense for the year	(1,869,725)	(2,067,973)
Transfer from options reserve	201,689	-
Accumulated losses at the end of the financial year	(79,888,212)	(78,220,176)

Note 21. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and, when considered necessary, hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a regular basis.

Note 21. Financial instruments (continued)

Market risk

Foreign currency risk
The majority of the consolidated entity's operations are within Australia. A subsidiary located in India does not currently expose the consolidated entity to any significant foreign exchange risk.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity has minimal exposure to interest rate risk.

Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as exposures to customers, including outstanding receivables. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not currently have any material credit risk exposure to any single debtor or group of debtors.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated entity aims at maintaining flexibility in funding by keeping committed funding options available to meet the consolidated entity's needs.

Financing arrangements
Under the RnD Funding arrangement, the Company is entitled to draw down amounts of up to 80% of the estimated research and development tax incentive receivable.

Note 21. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,544,142	-	-	-	1,544,142
Other payables	-	212,863	-	-	-	212,863
Deferred consideration (Matmor)	-	-	-	156,493	133,145	289,638
Interest-bearing - variable						
Lease liability	-	179,276	181,417	414,018	-	774,711
Earn-out provision (Coldry)	1.50%	3,856	8,166	438,617	1,061,112	1,511,751
Interest-bearing - fixed rate						
RnD Funding	1.00%	1,259,039	-	-	-	1,259,039
Total non-derivatives		3,199,176	189,583	1,009,128	1,194,257	5,592,144

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	85,227	-	-	-	85,227
Other payables	-	40,355	-	-	-	40,355
Deferred consideration (Matmor)	-	-	-	225,796	118,900	344,696
Interest-bearing - variable						
Earn-out provision (Coldry)	1.50%	227	4,337	484,564	496,824	985,952
Interest-bearing - fixed rate						
Lease liability	5.00%	160,954	177,752	591,117	-	929,823
Equipment finance	6.00%	33,731	21,718	-	-	55,449
Total non-derivatives		320,494	203,807	1,301,477	615,724	2,441,502

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Cash flows related to settlement of the Coldry earn-out provision are based on timing of forecast production output upon which payment is calculated.

Settlement of the Matmor deferred consideration is dependent upon commercial outcomes, the actual timing of which cannot be determined. The timing of liability payments provided in the table above is consistent with the assumptions made in calculation of the liability. Future cash flows have been discounted at 30% (2020: 26%) in determining recognised carrying values within the financial statements.

Note 22. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - non-current - Matmor assets	-	-	289,638	289,638
Earn-out provision - current - Coldry IP	-	-	3,857	3,857
Earn-out provision - non-current - Coldry IP	-	-	1,507,894	1,507,894
Total liabilities	-	-	1,801,389	1,801,389

Consolidated - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - non-current - Matmor assets	-	-	344,693	344,693
Earn-out provision - current - Coldry IP	-	-	227	227
Earn-out provision - non-current - Coldry IP	-	-	985,725	985,725
Total liabilities	-	-	1,330,645	1,330,645

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the forecast cash flows required to discharge the liability at the current market interest rate that is available for similar financial liabilities. Movements in the fair value of the financial liabilities are disclosed in their respective notes.

Valuation techniques for fair value measurements categorised within level 3
The above financial liabilities have been valued using a discounted cash flow model and/or option pricing models. Refer to the respective note for further details.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Deferred consideration Matmor assets $	Earn-out provision Coldry IP $	Conversion derivative in convertible note $	Total $
Balance at 1 July 2019	656,581	741,772	186,654	1,585,007
Disposals	-	-	(186,654)	(186,654)
Remeasurement recognised in profit or loss	(311,888)	244,180	-	(67,708)
Balance at 30 June 2020	344,693	985,952	-	1,330,645
Remeasurement recognised in profit or loss	(55,055)	525,799	-	470,744
Balance at 30 June 2021	289,638	1,511,751	-	1,801,389

Note 22. Fair value measurement (continued)

The unobservable inputs and sensitivities of level 3 liabilities are as follows:

Description	Unobservable inputs	Potential range	Sensitivity
Coldry earn-out provision	Discount rate	17% - 27% (22% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $304,194 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $402,830 (and increasing the loss).
	Timing of production to discharge liability	July 2021 onwards	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to commence this year, escalating in forward years through small-scale commercial scale up. A change in timing of the commercial scale commencement of + 1 year from that currently forecast would reduce the loss and liability by $552,599.
Matmor deferred consideration	Discount rate	25% - 35% (30% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $100,179 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $80,669 (and increasing the loss).
	Timing of significant trigger events	July 2021 to June 2028	Should the next major trigger event and subsequent events be delayed by + 1 year from that currently forecast, that would reduce the loss and liability by $90,620.

* Reasonably possible changes in inputs used in calculating the derivative liability would not produce a materially different valuation.

Note 23. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2021 $	Consolidated 2020 $
Short-term benefits	845,941	681,310
Post-employment benefits	5,822	22,963
Long-term benefits	-	75,765
Share-based payments	61,795	-
	913,558	780,038

As approved at the Company's Annual General Meeting (AGM) held on 15 January 2021, shares in the Company were issued to each director in lieu of $25,000 of directors' fees that would have been paid in cash. The shares are held in escrow and will be released to directors monthly in arrears commencing 1 February 2021. The grant date fair value of the shares issued was $0.001 ($100,000 in aggregate) which will vest over the next 12 months. 5 months’ have vested so the share based expense for the year relating to this grant of shares is $41,664. A further $20,131 has been recognised as a share based payment which relates to the settlement of consulting invoices. Refer to note 26 and the Directors Report for further details.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company:

	Consolidated 2021 $	Consolidated 2020 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	95,285	90,053

Note 25. Commitments

	Consolidated 2021 $	Consolidated 2020 $
Equipment finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	30,920	33,731
One to five years	-	30,919
Total commitment	30,920	64,650
Less: Future finance charges	(4,401)	(9,201)
Net commitment recognised as liabilities	26,519	55,449
*Patent commitments **		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	46,996
One to five years	56,192	191,972
More than five years	12,356	183,757
	68,548	422,725

* Patent commitments represent maintenance payments pursuant to the registered patents of both Coldry and Matmor.

Royalty commitments

The Company has entered into agreements which require it to pay certain royalties on production of its Coldry and Matmor technologies. These royalties arise pursuant to the:

- Coldry Equity Sale Deed (2009); and
- Matmor Royalty Payment Deed (2014).

The Company is committed to make certain royalty payments in the event that commercial value is derived from the application of the technologies as follows:

- from production utilising the Coldry technology of Coldry pellets, a royalty rate of $A0.50 per tonne, which is increased by CPI each anniversary of the agreement. For 2021, this now stands at $A0.5182 per tonne (2020: $A0.5166). This royalty is payable for a period of twenty years following commencement of payments; and
- from revenue achieved through commercialisation and deployment of Matmor technology, less valid deductions as required under any technology licence, the Company should pay 3%. This royalty is payable in perpetuity.

Note 26. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Note 26. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2021 $	2020 $
Other transactions:		
Payments made to the Company pursuant to ELF by key management personnel *	-	26,926

* Represents payments that were due to Mr Glenn Fozard for provision of consulting services in August and September 2019 that were settled by crediting his Equity Lending Facility (ELF) Loan rather than being settled in cash.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021 $	2020 $
Current payables:		
Trade payables to key management personnel (i)	33,264	-

(i) The following trade payables (inclusive of GST) were owing to related parties at reporting date:
- $825 to Glenn Fozard for the hire of a forklift
- $14,524 to Adam Giles for consulting fees
- $3,329 to Ashley Moore for director's fees and reimbursement of expenses
- $14,586 to Martin Hill for consulting fees

Loans to/from related parties
Equity Lending Facility (ELF) Loans

- In July 2017, Glenn Fozard was advanced $450,000 under the ELF for the exercise of 50,000,000 options at $0.009 each. Principal paid during the year was $nil (2020: $20,952). Interest paid during the year was $nil (2020: $13,146). Loans secured by 40,000,000 shares defaulted as at 31 July 2020 as the loans were not fully repaid.
- In July 2017, Ashley Moore was advanced $339,249 under the ELF for the exercise of 36,073,950 options at $0.009 each and 972,223 options at $0.015 each. Principal paid during the year was $nil (2020: $nil). Interest paid during the year was $nil (2020: $nil). A loan secured by 972,223 shares defaulted as at 31 July 2020 as the loan was not fully repaid. At the end of the loan term, principal payments totalling $13,061 had been made by Mr Moore on this loan. On terms and conditions available to all ELF borrowers, this resulted in the release of 870,740 shares from holding lock and the forfeiture of 101,483 shares.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $	2020 $
Loss after income tax	(1,195,574)	(1,389,375)
Total comprehensive loss	(1,195,574)	(1,389,375)

Note 27. Parent entity information (continued)

Statement of financial position

	Parent 2021 $	Parent 2020 $
Total current assets	3,083,889	2,199,660
Total assets	6,526,444	3,275,326
Total current liabilities	3,121,146	193,339
Total liabilities	5,466,519	2,240,375
Equity		
Issued capital	80,001,690	78,605,416
Options reserve	(77,022)	300,390
Accumulated losses	(78,864,743)	(77,870,855)
Total equity	1,059,925	1,034,951

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Capital and other commitments
The parent entity has operating lease, patent, equipment finance and royalty commitments payable (not recognised as liabilities). Refer to note 25 for details.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and income from associates are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Asia Pacific Coal and Steel Pty Ltd	Australia	100.00%	100.00%
Enermode Pty Ltd	Australia	100.00%	100.00%
ECT Coldry Pty Ltd	Australia	100.00%	100.00%
A.C.N. 109 941 175 Pty Ltd	Australia	100.00%	100.00%
Environmental Clean Technologies Development and Services India Private Ltd	India	100.00%	100.00%
ECT Finance Ltd	Australia	100.00%	100.00%
ECT Waste-to-Energy Pty Ltd	Australia	100.00%	100.00%

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax expense for the year	(1,869,725)	(2,067,973)
Adjustments for:		
Depreciation and amortisation	320,809	386,608
Write off of non-current assets	-	61,026
Share-based payments	416,165	180,021
Revaluation of financial liabilities	470,745	(67,709)
Finance costs - non-cash	-	404,060
Inventory write downs	32,146	-
Insurance proceeds classified as investing cash flows	(593,012)	(1,905,560)
Impairment of trade receivables	-	109,668
Loss on revaluation of financial derivatives	-	14,637
Research and development incentives deferred	1,416,766	-
Equity raising costs	20,002	-
Loss on settlement of debt	-	664,297
Rent concessions	-	(38,968)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,310,189)	634,728
Increase in inventories	(116,847)	-
Decrease/(increase) in prepayments	9,272	(12,862)
Increase/(decrease) in trade and other payables	356,596	(29,460)
Increase/(decrease) in employee benefits	6,386	(139,428)
Net cash used in operating activities	(840,886)	(1,806,915)

Note 30. Non-cash investing and financing activities

	Consolidated 2021 $
Acquisition of plant and equipment - payables (net of R&D incentive receivable)	824,829
Right-of-use assets - reassessment	7,758
Right of access to mine (net of R&D incentive receivable)	254,250
	1,086,837

Note 31. Changes in liabilities arising from financing activities

Consolidated	R&D Funding loans $	Securitised loan payable $	Convertible note $	Lease liabilities $	Equipment finance $	Total $
Balance at 1 July 2019	1,028,806	408,141	790,636	-	84,379	2,311,962
Net cash used in financing activities	(1,028,806)	-	-	-	(28,930)	(1,057,736)
Recognition on adoption of AASB 16	-	-	-	973,384	-	973,384
Lease repayments	-	-	-	(86,060)	-	(86,060)
Conversion to equity	-	(408,141)	(790,636)	-	-	(1,198,777)
Lease reassessment	-	-	-	(35,640)	-	(35,640)
Rent concessions	-	-	-	(38,968)	-	(38,968)
Balance at 30 June 2020	-	-	-	812,716	55,449	868,165
Net cash from financing activities	1,259,039	-	-	-	-	1,259,039
Interest accrued	-	-	-	38,426	4,801	43,227
Lease repayments	-	-	-	(162,478)	(33,731)	(196,209)
Other changes	-	-	-	6,531	-	6,531
Balance at 30 June 2021	1,259,039	-	-	695,195	26,519	1,980,753

Note 32. Earnings per share

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(1,869,725)	(2,067,973)

	Cents	Cents
Basic loss per share	(0.023)	(0.047)
Diluted loss per share	(0.023)	(0.047)

At 30 June 2021, there were 1,775,320,034 shares held as security which are subject to the repayment of ELF loans. For accounting purposes, these ELF loans and the related shares issued are treated as an in-substance issue of options. The ELF shares issued are therefore not included in the Basic EPS calculation. All options were considered anti-dilutive and excluded from the calculations above. All partly paid shares on issue are also treated in the same way as options and hence considered dilutive for the purposes the calculation.

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	8,269,794,193	4,358,959,986
Weighted average number of ordinary shares used in calculating diluted loss per share	8,269,794,193	4,358,959,986

All options on issue are out-of-the-money at reporting date and therefore considered anti-dilutive for the purposes of the diluted EPS calculation and therefore not included.

Note 33. Share-based payments

Set out below are summaries of shares and options granted under share-based payment arrangements.

ECT Shares

Shares in ECT provided as share based payments were as follows:

Note 33. Share-based payments (continued)

Element of financial statements containing share-based payments:	Total value $ 2021	Total value $ 2020
Corporate costs expense	56,850	164,354
Engineering and pilot plant expense	34,550	-
Plant and equipment capitalised	226,480	-
	317,880	164,354

The total number of shares issued during the year relating to the settlement of share-based payment arrangements was 374,679,966 (2020: 85,187,325).

The average issue price of shares relating to share-based payment arrangements was $0.001 (2020: $0.002)

Options

ECTOE options provided as share based payments were as follows:

Element of financial statements containing share-based payments:	Total value $ 2021	Total value $ 2020
Corporate costs expense	4,945	15,667
Engineering and pilot plant expense	12,783	-
Plant and equipment capitalised	100,557	-
	118,285	15,667

The total number of options issued during the year relating to the settlement of share-based payment arrangements was 106,658,654 (2020: 17,408,263).

The average issue price of shares relating to share-based payment arrangements was $0.001 (2020: $0.001).

The total share based payment expense recognised for the year was $104,183 (2020: $180,021).

Further details in relation to share based payments is as follows:

(a) Issue of shares to key management personnel

As approved at the Company's Annual General Meeting (AGM) held on 15 January 2021, shares in the Company were issued to directors in lieu of $25,000 of directors' fees that would have been paid in cash on 1 February 2021. The shares are held in escrow and will be released to directors quarterly in arrears. The grant date fair value of the shares issued was $0.001 each or $100,000 in aggregate which is expensed over the vesting period of 1 year. The total expense for the year was $41,664.

(b) Transfer of shares and options for the acquisition of goods and the provision of services

During the year, the Company transferred shares and ECTOE options to suppliers of goods and services from the ELF that was established specifically for this purpose (refer 'Review of Operations' in the Directors' Report).

The total number of shares transferred was 316,346,633 with an aggregate value of $317,880 and which was either recognised as a share-based payment expense in profit or loss or capitalised depending on the nature of the good or service provided.

The total number of options transferred was 106,658,654 with an aggregate value of $118,285 and which was also recognised as a share-based payment expense in profit or loss or capitalised depending on the nature of the good or service provided. The fair value of the options was determined on grant date using a binomial options pricing model.

Note 33. Share-based payments (continued)

(c) Shares issued to shareholder suppliers

During 2020, the Company received general support services from a shareholder. The shareholder was remunerated through the release of 41,666,666 shares from their ELF loan facility. As a result, such shares were recognised as issued share capital of the Company. Shares were issued at an average price of $0.0026 and the total value of shares issued was $120,833. Refer to note 18.

During 2020, a shareholder was issued 43,520,659 shares and 17,408,263 ECTOE options with a total value of $59,188. These equities were issued in recognition of the shareholder managing the transfer of equities to contractors involved in the rebuild of the Bacchus Marsh facility. The options have been recognised as a share based payment expense with the balance credited to the options reserve. Refer to note 19.

Note 34. Events after the reporting period

Capital restructure

To implement an improved capital structure for the Company moving forward, the Company has (following shareholder approval) consolidated its issued capital on a 10 to 1 basis. The Company will also conduct an unmarketable parcel sale facility which will provide the Company with the ability to rationalise small holdings. The Company currently has over 4,000 shareholders, and the Company expects that the unmarketable parcel sale facility will reduce the administrative burden and cost on the Company, and (together with the Consolidation) implement a more appropriate capital structure for the Company moving forward.

Sale of wood briquettes

In July 2021, the Company commenced selling wood briquettes. The wood briquettes are made from recycled Australian timber and are being marketed under the name 'Wood247'. Briquettes are predominantly sold in 240L and 100L wheelie bins but are also available in 10kg bags.

ECTOE options

On 14 July 2021, the Company issued 50,000,000 ECTOE options to the shareholders that participated in the share placement. These options were issued on the same terms as the existing ECTOE options.

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Company, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Company's operations going forward. The Company now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Share and option issues

On 30 August 2021 the Company issued the following equities that are all related to the Company's capital raising via a share placement and a share purchase plan announced 7 April 2021:

- 35,000,000 fully paid ordinary shares issued to the lead manager that are secured by an ELF of $700,000 plus interest and expires 3 years from the date of issue;
- 75,000,000 ECTOE options expiring 17 February 2023 to the lead manager on the basis of 1 option for every 2 shares issued under the share placement; and
- 9,000,000 fully paid ordinary shares and 3,000,000 ECTOE options expiring 17 February 2023 to the lead manager which represents the 6% capital raising fee.

Board changes

On 3 September 2021 the Company announced the following changes to the composition of the board:

- Jason Marinko and Tim Wise were appointed as non-executive directors. Mr Marinko has been elected as Chairman;
- Ashley Moore and the Hon. Neil O'Keefe resigned as executive and non-executive directors respectively; and
- Glenn Fozard has moved into the position of Managing Director.

Note 34. Events after the reporting period (continued)

Jason Marinko is an experienced public company CEO, director and chairman, with expertise in the technology and investment banking industries and a proven track record in leading technologies to commercialisation. His experience includes being the Executive Chairman of geospatial imagery company Spookfish Limited, where he oversaw the company from its ASX listing through to its eventual sale to North American industry leader, EagleView Technologies Inc and its U.S. private equity partners. In addition, Mr Marinko was previously CEO of Little World Beverages Limited and an executive director at ASX-listed logistics technology company, Yojee Limited, and is currently a non-executive director of legal tech innovator, Immediation Limited. He has extensive corporate finance experience and holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors.

Tim Wise is an experienced entrepreneur and company director with particular expertise in the energy, industrial innovation and technology sectors. He has more than 20 years' experience in public companies and capital markets. He was the founder and former CEO of Kalina Power Ltd (ASX:KPO) and The Tap Doctor, and is currently an executive director at Phos Energy Limited and a non-executive director of Tamaska Oil and Gas Limited (ASX:TMK), Graft Polymer plc and Melchor Pty Ltd. He has a Bachelor of Science from the University of Western Australia.

Ashley Moore will continue as ECT's Chief Engineer, and the Company will engage Mr O'Keefe on a consulting basis to continue to assist the Company with its government relations strategy.

$3 million promissory note raising

The Company also announced on 3 September 2021 that it has received firm commitments for a promissory note raising from a syndicate of sophisticated and professional investors.

Proceeds from the promissory note raising will be utilised:

- to complete the construction of the Company's small-scale Coldry demonstration and char plant in Bacchus Marsh;
- to enable the Company to assess complementary acquisition and business development opportunities; and
- for working capital purposes.

Settlement of the promissory note, and the issue of the promissory notes is set to occur in early September 2021.

Subject to the Company obtaining shareholder approval, 100 free attaching listed options in the ECTOE class of securities will also be granted for every $1 promissory note subscribed. These options have an exercise price of 3 cents and expire on 17 February 2023.

Mr Marinko and Mr Wise are both holders of promissory notes to the value of $50,000 and $25,000 respectively.

The Company issued the following equities that related to the promissory note capital raising:

- 15,000,000 ECTOE options expiring 17 February 2023 and 18,000,000 fully paid ordinary shares to the lead manager for the promissory note fee;
- 150,000,000 ECTOE options expiring 17 February 2023 to the lead managers for the lead manager fee.

The Company will propose to members the issue of the following equities at the next annual general meeting:

- 3,000,000 ECTOE options expiring 17 February 2023 to the lead manager; and
- 300,000,000 ECTOE options expiring 17 February 2023 and 300,000,000 fully paid ordinary shares to the lenders who participated in the promissory note should members agree to the conversion of the promissory notes to equity.

No other matter or circumstance has arisen since 30 June 2021 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

____
Glenn Fozard
Executive Chairman

27 September 2021
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Environmental Clean Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Environmental Clean Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of the Coldry earn-out provision & Matmor deferred consideration

Key audit matter	*How the matter was addressed in our audit*
Refer to notes 15 and 17 for the Group's current and non-current other financial liabilities, as well as note 2 "Earn-out provision - Coldry" and "Deferred consideration - Matmor" under critical accounting judgments, estimates and assumptions. The acquisition agreement for the Coldry Intellectual Property in 2009 included an earn-out liability capped at $3 million plus interest payable on forecast production from the projected Coldry plant (50c/tonne residual payments on commercial sales). The Matmor deferred consideration is based on probabilities of conversion of certain options issued and other milestone payments as per the Matmor asset acquisition agreement. This consideration is capped at $3.5 million. The valuation and completeness of the Coldry earn-out provision and Matmor deferred consideration recognized within the financial statements were determined based on significant judgments and estimates in respect of discount rates and forecast production, with each supported by underlying assumptions. We have considered this area as a key audit matter due to amounts involved being material; and the inherent subjectivity associated in assessing the critical judgements, estimates and assumptions noted above.	In addressing this matter, we performed a number of procedures including the following: • Reviewing the calculations (discounted cash flow models) prepared by management in relation to both the Coldry earn-out provision and Matmor deferred consideration to ensure the methodology adopted is consistent with requirements of AASB 9 *Financial Instruments*. • With assistance from our internal BDO corporate finance experts, assessing the appropriateness of the discount factors used in the discounted cash flow models. • Checking the mathematical accuracy of the calculations to the Coldry earn-out provision calculation and assessing the reasonableness of the underlying assumptions used by management in relation to the forecast production outcomes. • Evaluating the probabilities and the underlying assumptions used by management in relation to forecast milestone payments as per the Matmor asset acquisition agreement for reasonableness. • Assessing the adequacy of the disclosures made in the financial statements in relation to the Coldry earn-out provision and Matmor deferred consideration.

Revenue recognition of Research and Development tax incentive (R&D Tax Rebate)

Key audit matter	*How the matter was addressed in our audit*
Refer to note 5 for "Research and development tax incentive" under the other income of the Group and note 1 "Research and development tax incentive" under "Revenue recognition" in significant accounting policies. Accuracy of calculation of the R&D Tax Rebate is considered a key risk area associated with our audit, together with ensuring it is appropriately accounted for in accordance with the requirements of Australian Accounting Standard AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. We have considered this a key audit matter due to the amounts involved being material; and the inherent subjectivity associated with the calculation of the R&D Tax Rebate.	In addressing this matter, we performed a number of procedures including the following: • Assessed the processes and controls in place for recording and calculating the expenditures subject to the R&D Tax Rebate claim. • Performed analytical procedures over the R&D Tax Rebate revenue recognised during the year. • Obtained supporting documentation to confirm the recognition of the R&D Tax Rebate as income is appropriate in accordance with the requirements of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. • Reviewed the R&D Tax Rebate calculations prepared by management's independent expert to ensure such calculations have been performed on a reasonable basis in conjunction with our internal BDO indirect-tax experts.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Katherine Robertson

Katherine Robertson
Director

Melbourne, 27 September 2021

Environmental Clean Technologies Limited
Shareholder information
30 June 2021

The shareholder and optionholder information set out below was applicable as at 9 September 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued
1 to 1,000	425	0.01	36	-
1,001 to 5,000	722	0.19	88	0.07
5,001 to 10,000	523	0.34	62	0.12
10,001 to 100,000	1,676	5.88	198	2.22
100,001 and over	793	93.58	185	97.59
	4,139	100.00	569	100.00
Holding less than a marketable parcel	2,668	2.44	311	1.03

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below.

ECT Ordinary shares

	Number of ordinary shares held	% of total ordinary shares issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	220,000,000	17.93
Iain Robert McEwin	73,432,070	5.98
Superior Coatings (Aust) Pty Ltd	51,649,630	4.21
Challenge Bricks & Roofing Pty Ltd	47,546,544	3.87
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing Pty Ltd SF A/C)	35,600,302	2.90
Challenge Roofing Pty Ltd (Thompson Family A/C)	26,537,600	2.16
Blue Olive Capital Pty Ltd (Blue Olive Fund A/C)	22,000,000	1.79
Maddingley Brown Coal Pty Ltd (Maddingley Mine A/C)	21,989,196	1.79
Cameron Lloyd Thomson	13,973,894	1.14
A & K Moore Nominees Pty Ltd (Moore Superannuation A/C)	13,045,859	1.06
Godin Corp Pty Ltd (Seven A/C)	12,500,000	1.02
Satya Venkat Chavali	10,624,276	0.87
Kojin Pty Ltd	10,500,000	0.86
Chunyan Niu	10,372,477	0.85
Bin Liu	10,000,000	0.81
Romfal Sifat Pty Ltd (The Fizmail Family A/C)	9,253,889	0.75
KAAI Pty Ltd	8,600,000	0.70
Alitime Nominees Pty Ltd	8,280,000	0.67
Geoffrey David Thompson	8,191,767	0.67
Elgar Park Pty Ltd (Elgar Park Super Fund A/C)	7,880,727	0.64
	621,978,231	50.67

ECTOE Options

	Number of ECTOC options held	% of total ECTOC options issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	76,133,334	20.46
Iain Robert McEwin	30,134,162	8.10
Superior Coatings (Aust) Pty Ltd	25,814,200	6.94
Godin Corp Pty Ltd (Seven A/C)	20,916,666	5.62
Romfal Sifat Pty Ltd (The Fizmail Family A/C)	20,616,667	5.54
Tellaro Pty Ltd	18,750,000	5.04
Arkyn Pty Ltd (Kovani A/C)	18,750,000	5.04
Challenge Bricks & Roofing Pty Ltd	18,218,260	4.90
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing PL SF A/C)	12,000,000	3.23
Blue Olive Capital Pty Ltd (Blue Olive Fund A/C)	7,333,333	1.97
Maddingley Brown Coal Pty Ltd (Maddingley Mine A/C)	6,262,664	1.68
Cameron Lloyd Thomson	6,132,148	1.65
Geoffrey David Thompson	3,900,747	1.05
Kojin Pty Ltd	3,500,000	0.94
Bin Liu	3,333,334	0.90
Holland Strategic Wealth Pty Ltd (Hollands Family A/C)	3,000,000	0.81
Gazump Resources Pty Ltd	2,869,575	0.77
Kaai Pty Ltd	2,866,667	0.77
Anid Pty Ltd (Anid Super Fund A/C)	2,040,000	0.55
Zero Nominees Pty Ltd	2,000,000	0.54
	284,571,757	76.50

Unquoted equity securities

There are no unquoted equity securities issued.

Substantial holders

Substantial holders in the Company are set out below:

	Number of ordinary shares held	% of total ordinary shares issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	223,500,000	18.21%
Challenge Bricks and Roofing Pty Ltd	125,081,700	10.19%
Iain Robert McEwin	109,684,446	8.94%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Options do not convey any rights to the holder with respect to voting unless such options are exercised and ordinary shares are issued.