Environmental Clean Technologies Limited

ABN 28 009 120 405

Annual Financial Report - 30 June 2020

Directors	Glenn Fozard (Executive Chairman) David Smith Ashley Moore (appointed 11 September 2019) James Blackburn (appointed 11 September 2019) Barry Richards (resigned 11 September 2019)
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 (Third 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, and 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, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Environmental Clean Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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 - Executive Chairman
- David Smith - Non-executive director
- Ashley Moore - Executive director (appointed 11 September 2019)
- James Blackburn - Non-executive director (appointed 11 September 2019)
- Barry Richards - Non-executive director (resigned 11 September 2019)

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

Following a fire at the Company’s Coldry facility, a project to redevelop and rebuild the facility was announced along with a non-renounceable rights issue (NRRI) which would assist with funding this project.

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 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 box
  - Incorporation of larger pug mill and extruder
  - Packed bed dryer efficiency redesigns
- Recovery and utilisation of waste heat from the char kiln
- Integration with waste heat 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

The NRRI closed on 10 February 2020 with the shortfall period closing on 10 May 2020. The offer was undertaken by way of an entitlement offer on the basis of one new share for every one share held by eligible shareholders as at the record date (12 December 2019) together with two free attaching options for every five (5) new shares issued. Options are exercisable at $0.003 per share at any time until 3 years after issue.

Details of the NRRI are as follows:

	Shares	Options
New equities issued under the entitlement offer	4,800,516,393	1,920,206,487
Consisting of:		
Total number of new equities applied for by eligible shareholders for cash	1,801,177,863	720,471,077
Total number of new equities applied for by eligible shareholders as pre-commitments	2,205,817,871	882,327,147
Total number of equities applied for via shortfall application and allocated to an Equity Lending Facility with the intention of subsequently transferring the equities to contractors rebuilding the Bacchus Marsh facility	750,000,000	300,000,000
Total number of new equities applied for via shortfall application and allocated to the service provider managing the transfer of equities to contractors (see below)	43,520,659	17,408,263

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 Matmor 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 Matmor retort 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.

This acquisition delivers significant opportunities and advantages for the ECT Group and its commercialisation program, linking existing projects and commercialisation activities to new and higher margin sectors of the energy market.

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.

Matmor is covered by an Australian patent, and due to its intrinsic reliance on Coldry for feedstock preparation, is afforded an additional degree of protection via Coldry patents. In markets where neither Coldry nor Matmor patents exist, the Company will employ other IP protection strategies.

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.

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 holders of ESIOA and ESIOB options, unlisted options and ECTOE options.

In respect of loans associated with the ESIOA and ESIOB options, any loans that had not been repaid by 31 July 2020 were in default and ECTF is in the process of exercising its rights in relation to these loans.

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 $2,067,973 (30 June 2019: $8,903,016).

Major Highlights:

(i) ECT Finance Ltd

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. As at 30 June 2020 there were 952,112,470 shares held as security for these loans. Loans secured by 939,719,922 shares defaulted as at 31 July 2020, being the expiry date of the loan arrangements, as borrowers decided not to repay the loans. ECTF is in the process of exercising its rights in relation to these shares. 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. 20,630,302 shares will be released to borrowers in these circumstances.

During the year, ECT Finance Ltd advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which is 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 the year, ECT Finance Ltd received $40,726 in loan payments which was made up of principal and interest. Any cash receipts received through repayment of principal and interest over the loan period were available to the Company to finance ongoing working capital.

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 are due to expire on 31 July 2021. The loan to Mr McEwin is due to expire on 10 May 2021. 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 notes 23 and 24 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.

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

On 10 December 2019, the Company received the full amount of the research and development tax incentive receivable recognised in the financial statements at 30 June 2019 amounting to $1,511,621. This was partially used to repay in full borrowings in respect of the 2019 financial year loan facility from Brevet Capital.

(iii) High Volume Test Facility (HVTF)

In October 2019, the Company's HVTF in Bacchus Marsh was substantially damaged by a fire. Plans have since been 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 will be 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)

(iv) 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 $2,067,973 compared to the prior year loss of $8,903,016.

	2020 $	2019 $	Change $	Change %
Sales	87,454	207,472	(120,018)	(58%)
Other income (excluding interest)	2,964,770	1,524,227	1,440,543	95%
Impairment and write offs	(170,690)	(4,800,000)	4,629,310	(96%)
Remeasurement of financial liabilities	53,073	342,538	(289,465)	(85%)
Loss on debt extinguishment	(664,297)	-	(664,297)	-
Other operating costs (excluding interest, depreciation and amortisation)	(3,342,230)	(5,339,567)	1,997,337	(37%)
EBITDA	(1,071,920)	(8,065,330)	6,993,410	
Depreciation and amortisation	(386,608)	(601,004)	214,396	(36%)
Finance costs	(614,375)	(265,756)	(348,619)	131%
Interest revenue	4,930	29,074	(24,144)	(83%)
Net (loss) for year	(2,067,973)	(8,903,016)	6,835,043	

There were limited 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 $2,964,770 (2019: $1,524,227) includes insurance proceeds of $1,905,560 as a result of the Bacchus Marsh plant fire and AusIndustry research and development tax incentive of $924,448. The research and development tax incentive rebate earned within the year decreased due to lower qualifying expenditure.

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 $1,997,337 due to the fire at our Bacchus Marsh facility which resulted in production activities ceasing and the COVID-19 pandemic which saw the Company implement its business continuity plan in order to preserve cash resources.

In July and October 2019, the consolidated entity incurred additional debt to fund operating activities. As part of the non-renounceable rights issue which closed in May 2020, this debt together with debt incurred in the previous financial year was converted to equity which included convertible notes and securitised loans. As a result of favourable terms provided to those debt providers, an expense of $664,297 was incurred, however, these arrangements have significantly improved the financial position of the consolidated entity. Finance costs increased by $348,619 as a result of the increased borrowings during the year.

Depreciation and amortisation decreased by $214,396. This is made up of an increase in depreciation of $217,235 and a reduction in amortisation of $431,631. The increase in depreciation related to depreciation on the CDP assets acquired in July 2019 and depreciation on right-of-use assets. The decrease in amortisation was primarily due to fully impairing the Coldry intellectual property at the end of the previous financial year. Depreciation and amortisation is a non-cash expense line.

Finally, the change in fair value of financial liabilities represents the remeasurement of the derivative liability attached to a convertible notes liability and 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 reduction in the combined liabilities resulting in a gain on remeasurement for the year amounting to $53,073.

Coronavirus (COVID-19) Pandemic

The financial results for the year ended 30 June 2020 were impacted by COVID-19. In March 2020, the Company announced the activation of its business continuity plan (BCP). Activating the BCP enabled cash to be preserved as remuneration to directors and executives was reduced by more than 50%, redundancies were implemented, and remaining staff were employed on a reduced basis. Operations returned to normal levels on 18 June 2020. The operations of the business have not been materially impacted since Melbourne was placed in a lockdown from 7 July 2020 and then moved to harsher Stage 4 lockdown restrictions from 2 August 2020.

The significant impact of the pandemic in India has impacted the Company's ability to materially progress its desire to build a Matmor plant in India. Discussions are continuing in India but significant restrictions have been placed on movements within India as well as an inability for staff from Australia to travel to India.

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
The Company's head office is in Melbourne. The Melbourne-wide lockdown announced by the Victorian Premier on 7 July 2020 as a result of the COVID-19 pandemic, while a new decision in itself, was based on events that had occurred before that date. Assessments of asset values, going concern and other matters are affected by conditions existing and emerging at 30 June 2020. By 30 June 2020, with many Melbourne postcodes already in lockdown and the number of reported infections growing, there was evidence that further restrictions were likely. The 7 July announcement, and the subsequent harsher Stage 4 lockdown requirement implemented on 2 August 2020, can be considered to confirm much of the information known earlier. In assessing discounted future cash flows in valuations as at 30 June 2020, the expectation is that the probability of a Melbourne-wide lockdown was relatively high.

The Company's current operations involve the redevelopment and rebuild of the Bacchus Marsh facility which is outside of the areas impacted by the Stage 4 lockdown. As such, activities have continued at this site as this is permitted under current lockdown laws. Additional measures have been introduced to ensure the site is operating safely. The Company does not believe there is a significant impact on operations or asset carrying values as a result of the impediments created by the lockdown. There may be an increase in the time taken to procure new equipment however these increased timeframes are not considered material at this time. The Company continues to monitor developments in this regard.

On 31 July 2020, the ELF that was established on 31 July 2017 expired. Many of the borrowers chose not to pay out the balance of their loans. The Company's subsidiary, ECTF, will exercise its rights in relation to these ELFs.

No other matter or circumstance has arisen since 30 June 2020 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
The Company's primary objective is to complete the redevelopment and rebuild of the Bacchus Marsh facility which was substantially damaged by fire in October 2019. Substantial work has been completed into design and engineering and procurement of equipment has commenced from both Australian and overseas suppliers.

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:	Executive Chairman
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 Remuneration, Nomination and Governance Committee
Interests in shares:	100,000,000 ordinary shares; 42,000,000 ordinary shares held as security under the ELF
Interests in options:	20,000,000 ECTOE options expiring 17 February 2023

Name:	David Smith
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce, Bachelor of Laws (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:	Chair of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

Name:	James Blackburn
Title:	Non-Executive Director (appointed 11 September 2019)
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:	Nil
Interests in shares:	Nil
Interests in options:	Nil

Name:	Ashley Moore
Title:	Executive Director (appointed 11 September 2019) & 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):	Director of Environmental Clean Technologies Limited from 17 July 2011 to 16 October 2017
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	121,185,065 ordinary shares; 972,223 ordinary shares held as security under the ELF
Interests in options:	15,600,000 ECTOE options expiring 17 February 2023

Name:	Barry Richards
Title:	Non-Executive Director (resigned 11 September 2019)
Qualifications:	MAICD
Experience and expertise:	Barry has a strong industry and commercial background of over 30 years including his role as Managing Director of Mecrus Pty Ltd since its formation over 16 years ago, contract and business development roles with Siemens / Silcar, and operations and maintenance management experience with the State Electricity Commission of Victoria (SECV). He provides extensive experience in business management, major project development and delivery, coal plant operations and maintenance and has a broad understanding of technology and process development.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former chair of Remuneration, Nomination and Governance Committee
Interests in shares:	None
Interests in options:	None

'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 2020, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Glenn Fozard	17	19	-	2
David Smith	18	19	3	3
Ashley Moore	16	16	3	3
James Blackburn*	15	16	2	2
Barry Richards	2	2	-	-

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

* James Blackburn resigned from the Audit and Risk Committee on 17 January 2020

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 2019 AGM of the Company, Glenn Fozard was re-elected, and Ashley Moore and James Blackburn were 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.

The Company has disbanded the Remuneration, Nomination and Governance Committee in February 2020 with matters that were previously considered by this committee now considered by the full Board.

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 by 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. During the year remuneration for directors was reduced during the period in which the Company was operating under its Business Continuity Plan ('BCP') which was activated due to the COVID-19 pandemic. Remuneration levels have now returned to pre-BCP levels.

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 2020. During the financial year ended 30 June 2019, the consolidated entity, through the Nomination, Remuneration and Governance Committee, engaged the Remuneration Strategies Group at a cost of $3,000 payable on invoice for the purpose of providing advice on an employee share purchase plan. No specific recommendations were made in relation to any individual staff member or KMP. No other advice was provided by the remuneration consultant.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
At the 2019 AGM, 85.6% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. 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 2020, 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 - Chairman and Executive Director
- David Smith - Non-Executive Director
- James Blackburn – Chief Operating Officer (resigned 4 January 2020) and Non-Executive Director (appointed 11 September 2019)
- Ashley Moore - Executive Director (appointed 11 September 2019) and Chief Engineer
- Barry Richards - Non-Executive Director (resigned 11 September 2019)
- Martin Hill – Chief Financial Officer (resigned as Company Secretary 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	
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)	61,050	171,549	-	-	-	-	232,599
Ashley Moore (ii)	72,697	94,408	-	3,615	57,705	-	228,425
Other KMP:							
Martin Hill (iv)	60,882	107,660	-	5,784	787	-	175,113
	345,740	373,617	-	22,963	75,765	-	818,085

(i) Glenn Fozard's remuneration consists of a fixed fee for being a director, consulting fees for the provision of executive services including GST, and a 2% interest discount on his ELF loans.

(ii) Ashley Moore ceased employment during the year and became a consultant. Remuneration now consists of a fixed fee for being a director, consulting fees for the provision of executive services, including 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 was appointed executive director on 11 September 2019. He resigned as Chief Operating Officer effective 4 January 2020 at which time he became a non-executive director. As a non-executive director, remuneration consists of a fixed fee. Leave benefits paid are the payout of accrued leave entitlements when employment ceased.

(iv) Martin Hill resigned as an employee effective 30 November 2019 and became a consultant. Leave benefits paid are the payout of accrued leave entitlements when employment ceased. Consulting fees include GST.

2019	Short-term benefits Cash salary and fees $	Short-term benefits Consulting fees $	Short-term benefits Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Leave Benefits $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
David Smith	54,795	-	-	5,205	-	-	60,000
Barry Richards	50,000	-	-	-	-	-	50,000
Executive Directors:							
Glenn Fozard (i)	75,000	216,200	7,560	-	-	-	298,760
Other KMP:							
Martin Hill	134,370	-	-	24,721	-	-	159,091
James Blackburn (ii)	174,109	-	48,590	16,435	-	106,399	345,533
	488,274	216,200	56,150	46,361	-	106,399	913,384

(i) Glenn Fozard's remuneration consists of a fixed director's fee, consulting fees for other services to a maximum of 198 hours per month at $100 per hour, and a 2% interest discount on his ELF loans.
(ii) As part of James Blackburn's compensation package, a limited recourse loan was provided to support the acquisition of fully paid ordinary shares at market pricing. Subject to vesting conditions (continued tenure with the Company), the debt will be waived at conclusion of the loan period. The amount of equity settled share based payments represent amortisation of the loan for the year (refer to note 37 for current status of this loan). Non-monetary benefits represent the grossed up taxable value of deemed interest and interest paid by the Company in respect of the limited recourse loan.

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

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:				
David Smith	100%	100%	-	-
James Blackburn	100%	70%	-	30%
Barry Richards	100%	100%	-	-
Executive Directors:				
Glenn Fozard	100%	100%	-	-
Ashley Moore	100%	100%	-	-
Other KMP:				
Martin Hill	100%	100%	-	-

James Blackburn's fixed and at-risk remuneration percentages for 2019 were in respect of his previous role as Chief Operating Officer.

Service agreements
The Company does not currently have service agreements with Glenn Fozard and Ashley Moore. The Company is currently finalising service agreements for both directors. The new agreements will be capable of termination. The terms of the contract will be for one year 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.

Share-based compensation

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

Options
There were no options over ordinary shares issued to directors and other KMP as part of their compensation either during the year, or since the end of the financial year.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Income	3,057,154	1,760,773	1,838,563	2,392,705	2,400,899
EBITDA	(1,071,920)	(8,065,329)	(4,052,141)	(1,273,462)	(548,691)
EBIT	(1,458,527)	(8,666,333)	(4,930,085)	(3,971,071)	(3,579,708)
Loss after income tax	(2,067,973)	(8,903,016)	(5,133,685)	(4,357,282)	(4,238,067)

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

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.001	0.013	0.012	0.012	0.010
Basic earnings per share (cents per share)	(0.046)	(0.250)	(0.151)	(0.154)	(0.160)

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)	50,000,000	-	50,000,000	-	100,000,000
Ashley Moore (i)	82,185,065	-	39,000,000	-	121,185,065
Martin Hill (i)	1,900,000	-	5,000,000	-	6,900,000
James Blackburn (ii)	25,000,000	-	-	(25,000,000)	-
	159,085,065	-	94,000,000	(25,000,000)	228,085,065

(i) All additions were as a result of participation in the non-renounceable rights issue on terms identical to all other shareholders.
(ii) James Blackburn was advanced $275,000 in the 2017 year to partly fund the acquisition of 25,000,000 shares issued at $0.02 each. The loan (as amended) was subject to settlement at the end of the loan period, with such settlement deemed to occur when Mr Blackburn fulfilled his employment over the duration of 3 years and 3 months. The shares issued were subject to lock-up from the date of issue (1 December 2016) for a term of 3 years and 3 months, or, in the event that Mr Blackburn's employment was terminated, upon a cash settlement of the unamortised principal balance. On 27 July 2019 a margin call was made by Equity First Holdings ('EFH') on these shares for additional shares or cash to be provided as additional security for the loan. As the share price at the time did not support the contribution of additional security by Mr Blackburn, the margin call was not met, and the shares were forfeited back to EFH.

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	-	-	20,000,000
Ashley Moore	-	15,600,000	-	-	15,600,000
Martin Hill	150,000	2,000,000	-	(150,000)	2,000,000
	150,000	37,600,000	-	(150,000)	37,600,000

All options issued during the financial year were from participation in the non-renounceable rights issue on terms identical to all other shareholders. Expired options were ECTOC options which expired on 31 July 2019.

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 $20,952 (2019: $72,000). Interest paid during the year was $nil (2019: $13,146). Movements in the loan balance during the year consisted of interest and management fees incurred. Interest was payable on the outstanding balance at a rate of 7.39% calculated daily. Loans secured by 42,000,000 shares defaulted as at 31 July 2020 as the loans were not fully repaid. At the end of the loan term, principal payments totalling $98,926 had been made by Mr Fozard. On terms and conditions available to all ELF borrowers, this will result in the release of 10,991,822 shares from a holding lock. As 8,000,000 shares have already been released in accordance with the terms of the loan, a further 2,991,822 shares will be released to Mr Fozard in the coming weeks.

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 (2019: $337,726). Interest paid during the year was $nil (2019: $nil). Movements in the loan balance during the year consisted of interest and management fees incurred. Interest was payable on the outstanding balance at a rate of 7.39% calculated daily. 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 will result in the release of 870,740 shares from holding lock in the coming weeks.

Other transactions with key management personnel and their related parties
During the year, Glenn Fozard agreed to participate in the non-renounceable rights issue (NRRI) by accepting 50,000,000 shares in lieu of a cash payment for invoices that were payable to him for the provision of consulting services. As a participant in the NRRI, Mr Fozard was entitled to two bonus ECTOE options for every five shares received. The value of equity received exceeded the face value of the debt by $18,000 which represented the value of the options issued and this was recognised by the company as a loss on debt extinguishment. This amount has been included in consulting fees paid in the remuneration tables above.

After the end of the financial year the Company entered into a rental agreement for a new forklift with Mr Fozard. The agreement is for a 12 month term with monthly payments of $750 per month plus GST. 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	$0.003	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 23 and note 24 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.

Of the shares issued on exercise of options in the previous financial year, 1,358,020,273 shares (relating to 1,188,020,273 ESIOA/ESIOB options converted on 31 July 2017 and 170,000,000 unlisted options converted on 10 July 2018) were issued on release of ELF shares that had been held as security. During the year ended 30 June 2020, a total of 41,666,666 (2019: 280,805,134) shares were released after having been held within the ELF as security. Subsequent to reporting date, a further 20,630,302 shares will be released to the shareholders on the basis that the shareholders' ELF debt was repaid in part or in full and 939,719,922 shares will be forfeited by shareholders as their ELFs were not repaid by the loan expiry date of 31 July 2020.

As at the date of this report, there are therefore 55,000,000 (2019: 1,048,779,136) shares on issue and held as security where monies (principal and interest loans) are owing to the Company. The term of such loans is 3 years. 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 2020 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

30 September 2020
Melbourne

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DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2020, 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.

Wai Aw
Director

BDO Audit Pty Ltd

Melbourne, 30 September 2020

Contents

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 30 September 2020. 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 2020

	Note	Consolidated 2020 $	2019 $
Revenue	4	87,454	207,472
Other income	5	2,964,770	1,524,227
Interest revenue calculated using the effective interest method		4,930	29,074
Total income		3,057,154	1,760,773
Expenses			
Remeasurement of financial liabilities	6	53,073	342,538
Corporate costs		(1,223,033)	(1,198,057)
Legal costs		(117,165)	(345,275)
Employee benefits expense	7	(664,634)	(1,104,761)
Sales and marketing		(145,459)	(101,964)
Depreciation and amortisation expense	7	(386,608)	(601,004)
Impairment of assets	7	-	(4,800,000)
Impairment of receivables		(109,668)	-
Share-based payments	37	(180,021)	(332,399)
Engineering and pilot plant costs		(754,783)	(1,755,900)
Occupancy expense		(211,018)	(239,748)
Travel and accommodation		(46,117)	(261,463)
Loss on debt extinguishment	7	(664,297)	-
Write-off of assets		(61,022)	-
Finance costs	7	(614,375)	(265,756)
Total expenses		(5,125,127)	(10,663,789)
Loss before income tax expense		(2,067,973)	(8,903,016)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	25	(2,067,973)	(8,903,016)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		(2,067,973)	(8,903,016)
		Cents	Cents
Basic loss per share	36	(0.047)	(0.250)
Diluted loss per share	36	(0.047)	(0.250)

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 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents		1,104,781	387,224
Trade and other receivables	9	966,669	1,711,375
Other	10	58,413	49,735
Total current assets		2,129,863	2,148,334
Non-current assets			
Property, plant and equipment	11	293,370	238,520
Right-of-use assets	12	782,296	-
Total non-current assets		1,075,666	238,520
Total assets		3,205,529	2,386,854
Liabilities			
Current liabilities			
Trade and other payables	14	125,582	558,748
Borrowings	15	28,930	2,069,859
Lease liabilities	16	122,827	-
Derivative financial instruments	17	-	186,654
Provisions	18	-	66,391
Other financial liabilities	19	227	1,043
Total current liabilities		277,566	2,882,695
Non-current liabilities			
Borrowings	20	26,519	55,449
Lease liabilities	21	689,889	-
Provisions		210	73,247
Other financial liabilities	22	1,330,418	1,397,310
Total non-current liabilities		2,047,036	1,526,006
Total liabilities		2,324,602	4,408,701
Net assets/(liabilities)		880,927	(2,021,847)
Equity			
Issued capital	23	78,605,405	73,686,351
Reserves	24	495,698	444,005
Accumulated losses	25	(78,220,176)	(76,152,203)
Total equity/(deficiency)		880,927	(2,021,847)

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 2020

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018	70,244,766	1,333,081	(67,249,187)	4,328,660
Loss after income tax expense for the year	-	-	(8,903,016)	(8,903,016)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(8,903,016)	(8,903,016)
Transactions with owners in their capacity as owners:				
Share-based payments (note 37)	332,399	-	-	332,399
Premium received on ELF options (note 24)	-	2,220,110	-	2,220,110
Shares released on repayment of ELF loans	1,973,166	(1,973,166)	-	-
Transfer unlisted option premium (exercised options) net of adjustments	1,136,020	(1,136,020)	-	-
Balance at 30 June 2019	73,686,351	444,005	(76,152,203)	(2,021,847)

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 37)	180,021	-	-	180,021
Issuance of shares via non-renounceable rights issue, net of costs	4,739,033	-	-	4,739,033
Premium received on ELF options (note 24)	-	51,693	-	51,693
Balance at 30 June 2020	78,605,405	495,698	(78,220,176)	880,927

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

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		133,697	168,906
Research and development tax incentive		1,511,621	1,673,978
Payments to suppliers and employees		(3,329,633)	(4,911,426)
Government grants (COVID-19)		83,094	-
Interest received		4,622	1,004
Interest and other finance costs paid		(210,316)	(190,773)
Net cash used in operating activities	34	(1,806,915)	(3,258,311)
Cash flows from investing activities			
Payments for property, plant and equipment		(275,234)	(120,734)
Payments for intangibles	13	(48,369)	-
Insurance recoveries		1,882,130	-
Payments of security deposits		-	(548)
Net cash from/(used in) investing activities		1,558,527	(121,282)
Cash flows from financing activities			
Proceeds from issue of shares		1,770,544	1,806,323
Proceeds from issue of options		51,693	275,014
Proceeds from borrowings		1,188,270	3,296,731
Repayment of borrowings		(1,958,502)	(2,223,002)
Repayment of lease liabilities		(86,060)	-
Net cash from financing activities		965,945	3,155,066
Net increase/(decrease) in cash and cash equivalents		717,557	(224,527)
Cash and cash equivalents at the beginning of the financial year		387,224	611,751
Cash and cash equivalents at the end of the financial year		1,104,781	387,224

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions
This Standard applies to annual periods beginning on or after 1 June 2020, and the consolidated entity has early adopted the standard in these financial statements. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that meet the conditions of the standard as being variable lease payments. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished and interest continues to accrue for that period. The consolidated entity has applied the practical expedient to all rent concessions that meet the criteria and the profit or loss impact from the adoption of this amendment is detailed in note 5.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. There was no impact on opening accumulated losses as at 1 July 2019. A reconciliation between operating lease commitments measured under AASB 117 as at 30 June 2019 and the right-of-use asset and lease liability recognised as at 1 July 2019 is as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	1,238,201
Present value discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	(166,436)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(98,381)
Right-of-use assets (AASB 16)	973,384

	1 July 2019 $
Right-of-use assets - land and buildings	973,384
Lease liabilities	(973,384)
Net impact on opening accumulated losses at 1 July 2019	-

Note 1. Significant accounting policies (continued)

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical exemptions:
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not applying AASB 16 to contracts that were not previously identified as containing a lease.

Going concern
For the financial year ended 30 June 2020, the consolidated entity had an operating net loss of $2,067,973 (2019: $8,903,016), net cash outflows from operating activities of $1,806,915 (2019: net cash outflows of $3,258,311), net current assets at the reporting date of $1,852,297 (2019: net current liabilities of $734,361) and net assets of $880,927 (2019: net liabilities of $2,021,847). 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 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.

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. 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.

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 32.

Note 1. Significant accounting policies (continued)

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 2020 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.

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.

Note 1. Significant accounting policies (continued)

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. An intangible asset arising from development expenditure on an internal project is recognised only when the consolidated entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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 years
- Furniture and fittings	3 years
- Office equipment	3 years

Depreciation of research and development assets is calculated on a diminishing value 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:

Note 1. Significant accounting policies (continued)

- Matmor research and development plant and equipment	2 years
- Coldry research and development plant and equipment upgrades	12 months

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.

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.

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

These amounts represent 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. Where the conversion feature gives rise to the possibility of issue of a variable number of equity instruments, such feature is treated as a derivative financial liability and accounted for separately from the underlying debt instrument.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

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.

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 26% (2019: 32%). 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.

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 26% (2019: 21%). The projections used in calculating the liability include consideration of events as disclosed at note 22 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	
	2020	2019
	$	$
Sales of product	87,454	207,472

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

	Consolidated	
	2020	2019
	$	$
Major product lines		
Coldry	87,454	207,472
Geographical regions		
Australia	87,454	207,472
Timing of revenue recognition		
Goods transferred at a point in time	87,454	207,472

Note 5. Other income

	Consolidated	
	2020	2019
	$	$
Insurance recoveries	1,905,560	-
Government grants (COVID-19)	95,594	-
Rent concessions (COVID-19)	38,968	-
Research and development tax incentive	924,448	1,524,227
Other income	200	-
Other income	2,964,770	1,524,227

Insurance recoveries
The consolidated entity received insurance proceeds during the year as a result of the fire which occurred at the Bacchus Marsh facility.

Rent concessions (COVID-19)
Represents the amount of rent that landlords agreed to waive at the Company's Bacchus Marsh and South Yarra premises.

Note 5. Other income (continued)

Government grants (COVID-19)
The consolidated entity has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the periods in which the related employee benefits are recognised as an expense. The amount received during the year was $6,000.

The consolidated entity also received payments from the Australian Government amounting to $77,094 as part of its 'Boosting Cash Flow for Employers' scheme and has accrued $12,500 as receivable. These amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Company will comply with any conditions attached.

Research and development tax incentive
The Company has recognised a receivable related to the research and development tax incentive of $899,612 at 30 June 2020 (2019: $1,486,785) which relates to eligible expenditure.

Note 6. Remeasurement of financial liabilities

	Consolidated	
	2020	2019
	$	$
Remeasurement of deferred consideration for Matmor assets	(295,513)	(468,794)
Remeasurement of Coldry earn-out provision	227,803	126,256
Loss on fair value remeasurement of convertible note derivatives	14,637	-
	(53,073)	(342,538)

Note 7. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	177,255	119,242
Office equipment	5,536	1,762
Buildings right-of-use assets	155,448	-
Total depreciation	338,239	121,004
Amortisation		
Intellectual property - Coldry	-	480,000
Intellectual property - Waste-to-energy	48,369	-
Total amortisation	48,369	480,000
Total depreciation and amortisation	386,608	601,004
Impairment		
Intellectual property - Coldry (note 13)	-	4,800,000
Loss on settlement of debt		
Loss on conversion of securitised loans to equity (note 15)	192,076	-
Loss on conversion of convertible notes to equity (note 15)	386,712	-
Net loss on conversion of trade and other payables to equity	85,509	-
Total loss on settlement of debt	664,297	-
Finance costs		
Interest and finance charges paid/payable on lease liabilities	46,755	-
Interest and facility costs	515,630	265,756
Capital raising costs	51,990	-
Finance costs expensed	614,375	265,756
Leases		
Minimum lease payments	-	156,244
Employee benefits expense		
Defined contribution superannuation expense	53,104	96,226
Other employee benefits	611,530	1,008,535
Total employee benefits expense	664,634	1,104,761

Note 8. Income tax expense

	Consolidated 2020 $	Consolidated 2019 $
Income tax expense		
Deferred tax assets attributable to temporary differences	33,670	(1,401,463)
Deferred tax assets attributable to carried forward tax losses	(52,402)	(439,802)
Deferred tax assets attributable to movement for prior periods	-	23,080
Total deferred tax assets not recognised	18,732	1,818,185
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,067,973)	(8,903,016)
Tax at the statutory tax rate of 27.5%	(568,693)	(2,448,329)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Legal expenses	-	42,206
Research and development	314,448	536,461
Options issued	252,665	91,410
Non-taxable government grants	(17,188)	-
Sundry items	36	168
	(18,732)	(1,778,084)
Current year tax losses not recognised	52,402	439,806
Current year temporary differences not recognised	(33,670)	1,338,278
Adjustment recognised for prior periods	-	(23,080)
Deferred tax movement not recognised	-	23,080
Income tax expense	-	-

	Consolidated 2020 $	Consolidated 2019 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	25,225,732	24,971,985
Potential tax benefit at 27.5% (2019: 27.5%)	6,937,076	6,867,296

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.

Note 8. Income tax expense (continued)

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	58	38,400
Accrued expenses	-	8,085
Plant and equipment	213,458	246,623
Finance costs	54,590	52,496
Intangible assets	2,259,757	2,213,924
Provision for earn-out (Coldry)	264,471	80,830
Matmor liability	(274,347)	(186,476)
Right-of-use asset	8,366	-
Total deferred tax assets not recognised	2,526,353	2,453,882

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 9. Current assets - trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Other receivables	67,057	224,590
Research and development tax incentive receivable	899,612	1,486,785
	966,669	1,711,375

Allowance for expected credit losses
There were no allowances for expected credit losses on receivables recognised as at reporting date. During the year an amount of $109,668 was written off as not recoverable.

Note 10. Current assets - other

	Consolidated 2020 $	Consolidated 2019 $
Prepayments	41,902	33,533
Other deposits	16,511	16,202
	58,413	49,735

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Plant and equipment - at cost	5,651,071	6,989,996
Less: Accumulated depreciation	(5,361,288)	(6,757,737)
	289,783	232,259
Fixtures and fittings - at cost	12,102	19,885
Less: Accumulated depreciation	(12,102)	(19,885)
	-	-
Office equipment - at cost	41,471	84,996
Less: Accumulated depreciation	(37,884)	(78,735)
	3,587	6,261
	293,370	238,520

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 2018	238,790	-	238,790
Additions	112,711	8,023	120,734
Depreciation expense	(119,242)	(1,762)	(121,004)
Balance at 30 June 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

Note 12. Non-current assets - right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Land and buildings - right-of-use	937,744	-
Less: Accumulated depreciation	(155,448)	-
	782,296	-

Note 12. Non-current assets - right-of-use assets (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	Land and buildings $	Total $
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Additions	973,384	973,384
Reassessment of asset on lease extension	(35,640)	(35,640)
Depreciation expense	(155,448)	(155,448)
Balance at 30 June 2020	782,296	782,296

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% has 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 36 months as at 30 June 2020) and pilot plant facility (remaining lease term, including option for extension of 58 months as at 30 June 2020).

Note 13. Non-current assets - intangibles

	Consolidated 2020 $	Consolidated 2019 $
Intellectual property - at cost	48,369	9,600,000
Less: Accumulated amortisation	(48,369)	(4,800,000)
Less: Impairment	-	(4,800,000)
	-	-

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	Coldry $	Waste-to-energy $	Total $
Balance at 1 July 2018	5,280,000	-	5,280,000
Impairment of assets	(4,800,000)	-	(4,800,000)
Amortisation expense	(480,000)	-	(480,000)
Balance at 30 June 2019	-	-	-
Additions	-	48,369	48,369
Amortisation expense	-	(48,369)	(48,369)
Balance at 30 June 2020	-	-	-

Note 13. Non-current assets - intangibles (continued)

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 Company is of the view that this IP remains one of the Company's 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 Company is developing such as Matmor, HydroMOR and COHgen. The Company 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.

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 has been fully impaired on the basis of the Company's share price, the withdrawal of NMDC Limited from the India project and the Company's decision to subsequently terminate the memorandum of understanding.

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.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2020 $	2019 $
Trade payables	85,227	379,666
Other payables	40,355	179,082
	125,582	558,748

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2020 $	2019 $
Innovation Structured Finance Co. (Brevet Capital) loan	-	1,028,806
Securitised loan payable	-	408,141
Convertible notes	-	603,982
Equipment finance	28,930	28,930
	28,930	2,069,859

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings (continued)

Innovation Structured Finance Co. (Brevet Capital) loan
The Brevet 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. There was no loan outstanding at 30 June 2020.

Securitised loan payable
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 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 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
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 (refer to note 17 and note 26). During the 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 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 15. Current liabilities - borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2020 $	2019 $
Total facilities		
Innovation Structured Finance Co., LLC loan ('Brevet Loan')	-	3,600,000
Securitised loan payable	-	1,000,000
Convertible notes	-	800,000
	-	5,400,000
Used at the reporting date		
Innovation Structured Finance Co., LLC loan ('Brevet Loan')	-	1,028,806
Securitised loan payable	-	500,000
Convertible notes	-	800,000
	-	2,328,806
Unused at the reporting date		
Innovation Structured Finance Co., LLC loan ('Brevet Loan')	-	2,571,194
Securitised loan payable	-	500,000
Convertible notes	-	-
	-	3,071,194

Note 16. Current liabilities - lease liabilities

	Consolidated	
	2020 $	2019 $
Lease liability	122,827	-

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - derivative financial instruments

	Consolidated	
	2020 $	2019 $
Conversion derivative in convertible note	-	186,654

Refer to note 26 for further information on financial instruments.

The above derivative represents the fair value of the conversation feature of the convertible note recognised at note 15. During the year, the convertible note was fully converted into shares and option in the Company. At the time of conversion, the full value of the convertible derivative was realised by the lender and amounted to $271,750.

Note 18. Current liabilities - provisions

	Consolidated	
	2020 $	2019 $
Annual leave	-	66,391

Note 19. Current liabilities - other financial liabilities

	Consolidated 2020 $	Consolidated 2019 $
Earn-out provision - Coldry	227	1,043

Refer to note 22 for further details.

Note 20. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Equipment finance	26,519	55,449

Refer to note 26 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 two items of plant and equipment and is repayable within terms ranging from 2 to 5 years at interest rates of approximately 6%.

Note 21. Non-current liabilities - lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Lease liability	689,889	-

Refer to note 26 for further information on financial instruments.

Note 22. Non-current liabilities - other financial liabilities

	Consolidated 2020 $	Consolidated 2019 $
Earn-out provision - Coldry	985,725	740,729
Deferred consideration - Matmor	344,693	656,581
	1,330,418	1,397,310

Note 22. Non-current liabilities - other financial liabilities (continued)

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 (2019: $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 26% (2019: 32%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Note 23. Equity - issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	7,843,920,316	3,726,737,257	78,605,405	73,186,354
Deferred share capital	-	25,000,000	-	499,997
ELF share capital	1,757,112,470	1,048,779,136	-	-
	9,601,032,786	4,800,516,393	78,605,405	73,686,351

Note 23. Equity - issued capital (continued)

Ordinary shares

Details	Date	Shares Issued	$
Balance	1 July 2018	3,445,932,123	69,851,168
Transferred premium from options reserve on exercise of unlisted options	year to 30 June 2019	-	1,136,020
Release of ELF shares (iii)	6 December 2018	16,000,000	166,844
Release of ELF shares (ii)	31 December 2018	95,000,000	452,298
Release of ELF shares (iv)	year to 30 June 2019	149,805,134	1,354,024
Release of ELF shares (v)	25 June 2019	20,000,000	226,000
Balance	30 June 2019	3,726,737,257	73,186,354
Release of ELF shares	19 July 2019	8,333,333	33,333
Transfer from deferred share capital	27 July 2019	25,000,000	499,997
Release of ELF shares	13 August 2019	12,500,000	50,000
Release of ELF shares	12 September 2019	8,333,333	25,000
Release of ELF shares	13 November 2019	12,500,000	12,500
Issue of shares via non-renounceable rights issue	10 May 2020	4,050,516,393	4,819,090
Costs of non-renounceable rights issue	10 May 2020	-	(80,057)
Share based payments	10 May 2020	-	59,188
Balance	30 June 2020	7,843,920,316	78,605,405

Deferred share capital

Details	Date	Shares	$
Balance	1 July 2018	25,000,000	393,598
Share based payment allocation		-	106,399
Balance	30 June 2019	25,000,000	499,997
Transfer to ordinary share capital	27 July 2019	(25,000,000)	(499,997)
Balance	30 June 2020	-	-

ELF shares (i)

Details	Date	Shares	$
Balance	1 July 2018	1,159,584,270	-
Issue of ELF shares (ii)	10 July 2018	170,000,000	-
Release of shares on settlement of ELF facilities (iii)	6 December 2018	(16,000,000)	-
Release of shares on settlement of ELF facilities (ii)	31 December 2018	(95,000,000)	-
Release of shares on settlement of ELF facilities (iv)	19 February to 1 March 2019	(149,805,134)	-
Release of shares on settlement of ELF facilities (v)	25 June 2019	(20,000,000)	-
Balance	30 June 2019	1,048,779,136	-
Release of ELF shares	19 July 2019	(8,333,333)	-
Release of ELF shares	13 August 2019	(12,500,000)	-
Release of ELF shares	12 September 2019	(8,333,333)	-
Release of ELF shares	13 November 2019	(12,500,000)	-
Issue of ELF shares (vi)	10 May 2020	750,000,000	-
Balance	30 June 2020	1,757,112,470	-

Note 23. Equity - issued capital (continued)

Ordinary shares
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.

Notes

(i) There were originally 1,188,020,073 shares in the Company issued on exercise of ESIOA and ESIOB options pursuant to option-holders acquiring limited recourse loans in the ELF administered by ECT Finance Ltd, a subsidiary of the Company. In accordance with the requirement of accounting standards, the issue of shares financed by way of limited recourse loans (also issued by the consolidated entity) represents an in-substance issue of options (ELF Options - refer to note 24(c)) as effectively there has been a replacement of one type of option with another. Despite the actual ordinary shares in the Company being issued in the name of the ELF participant, the value of share capital is not recognised for accounting purposes and has been excluded from issued capital. Such shares will be deemed as issued only upon repayment of ELF loans by the participant at which time the shares will be released from being held as security.
(ii) During 2019, 170,000,000 unlisted options were exercised pursuant to the ELF program. Of this amount, as a result of settlement of ELF loans, 115,000,000 shares were released from a trading lock. An amount of 55,000,000 shares (of the 170,000,000 shares issued during the year) remain held within the ELF program whereby shareholders do not have unrestricted access until ELF loan accounts are settled. Such shares represent an in-substance issue of options (ELF Options)
(iii) During 2019, there were 16,000,000 shares released on exercise of ELF Options as a result of an ELF loan being settled as part of an arrangement with a debt provider (Challenge Bricks & Roofing Pty Ltd) who provided a $1,000,000 debt facility to the consolidated entity.
(iv) During 2019, a partial loan discount was offered to the holders of ELF loans as an incentive to make repayments.
(v) On 25 June 2019, the Company released 20,000,000 shares which were held as security for an ELF loan. The shares were released as consideration for services provided to the Company.
(vi) During the year, ECT Finance Ltd, a subsidiary of the Company, established an ELF loan to the value of $750,000 to Mr Iain McEwin which is 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. This has been done 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.

Deferred share capital
The account was used to recognise partly paid equity issued to employees that were held as security and subject to a deferred settlement arrangement. Refer to note 37 'Share based payments' for further information. The balance of this account has been transferred to share capital.

Options exercised
The amounts attributable to shares issued pursuant to exercise of options consists of the price paid on exercise of the option. The related amount of option premium initially received at the time of initial issue of the option has been transferred from the relevant option reserve to which it was originally credited. The amount recognised in issued capital on exercise of ELF options represents the repayment of principal and interest on an ELF participant's ELF loan thereby allowing for such shares to be released from being held as security.

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.

Note 23. Equity - issued capital (continued)

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 24. Equity - reserves

	Consolidated	
	2020 $	2019 $
Options reserve	495,698	444,005

Share-based payments reserve
The reserve is used to recognise the value of unvested equity benefits provided to employees and directors as part of their remuneration. At reporting date, it has a $nil balance. Movements in the reserve are provided in the table below.

Options reserve
The balance of the options reserve recognises the value of consideration received for options issued that remain unexercised. Movements in the reserve are provided below. The following options were on issue at reporting date:

(a) ECTOC Options (issue date 21 July 2017; expiry date 21 July 2019)

	Exercise price	Movement	Closing balance
Initial issue	$0.045	846,088,751	846,088,751
Expiry during year ended 30 June 2020	$0.045	(846,088,751)	-

ECTOC options were issued to shareholders during 2018 as a bonus issue (nil consideration). During the year, 846,088,751 ECTOC options expired without being exercised. There was no amount recognised in respect to such options.

(b) ECTOE Options (issue date 17 February 2020; expiry date 17 February 2023)

	Exercise price	Movement	Closing balance
Initial issue	$0.003	1,758,722,154	1,758,722,154
Share based payments during year ended 30 June 2020	$0.003	161,483,333	1,920,205,487
Issued during year ended 30 June 2020	-	-	1,920,205,487

ECTOE options were issued to shareholders during the year attached to shares issued pursuant to the non-renounceable rights issue. There were 1,920,205,487 options issued with an exercise price of $0.003 and which expire on 17 February 2023. 161,483,333 of these options were issued to creditors as part of the non-renounceable rights issues on the basis of two options for every five shares issued. The value of the options were recognised as share based payments on the basis that they were provided as a result of ordinary shares being issued in exchange for goods and services received. These options were recognised at an amount of $145,335. The remaining options were issued for no consideration and therefore no amount is recognised in the financial statements.

ELF options

(c) Issue date 31 July 2017; expiry date 31 July 2020

Note 24. Equity - reserves (continued)

	Exercise price	Movement	Closing balance
Initial issue	$0.012	1,188,020,073	1,188,020,073
Exercised during year ended 30 June 2018	$0.012	(31,481,743)	1,156,538,330
Exercised during year ended 30 June 2019	$0.012	(162,759,194)	993,779,136
Exercised during year ended 30 June 2020	$0.003	(41,666,666)	952,112,470

(d) Issue date 31 July 2018; expiry date 31 July 2021

	Exercise price	Movement	Closing balance
Initial issue	$0.015	170,000,000	170,000,000
Exercised during year ended 30 June 2019	$0.014	(115,000,000)	55,000,000
Exercised during year ended 30 June 2020	-	-	55,000,000

(e) Issue date 10 May 2020, expiry date 10 May 2020

	Exercise price	Movement	Closing balance
Initial issue	$0.001	750,000,000	750,000,000

The consolidated entity's subsidiary, ECT Finance Ltd, entered into limited recourse loans pursuant to an Equity Lending Facility ('ELF') administered by ECT Finance Ltd whereby option-holders obtained finance from ECT Finance Ltd to exercise share options. Shares in the Company were issued on exercise of options in accordance with the Loan and Security Agreement (the Agreement) of the ELF. Receipts from participants in the form of principal and interest are treated as equity contributions to the Company and recognised in the Options reserve in the financial statements. Loans expire 3 years from grant date and interest is charged at commercial rates.

All shares issued and the respective ELF loans are considered, for accounting purposes, to be options issued ('ELF Options'). As a result, neither the value of the loans receivable nor the value of shares issued are recognised in the financial statements. 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 issued at reporting date was $13,386,069 (2019: $13,386,069) and interest accrued on such loans was $2,745,625 (2019: $2,578,456).

As at reporting date there are 1,006,112,470 (2019: 1,047,779,136) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

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 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 ECTF would enforce their security, subject to requirements of the Corporations Act and as outlined in the Agreement signed by each borrower.

Note 24. Equity - reserves (continued)

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

Consolidated	Share-based payments $	ELF options $	Unlisted options $	Total $
Balance at 1 July 2018	-	197,061	1,136,020	1,333,081
Receipt of premium	-	2,220,110	-	2,220,110
Exercise of options	-	-	(1,136,020)	(1,136,020)
Current year share based payments expense	332,399	-	-	332,399
Transfer to partly paid share capital	(106,399)	-	-	(106,399)
Transfer to share capital	(226,000)	-	-	(226,000)
Transfer released ELF Shares to share capital	-	(1,973,166)	-	(1,973,166)
Balance at 30 June 2019	-	444,005	-	444,005
Receipt of premium	-	51,693	-	51,693
Current year share based payments expense	180,021	-	-	180,021
Transfer to share capital	(180,021)	-	-	(180,021)
Balance at 30 June 2020	-	495,698	-	495,698

Note 25. Equity - accumulated losses

	Consolidated 2020 $	Consolidated 2019 $
Accumulated losses at the beginning of the financial year	(76,152,203)	(67,249,187)
Loss after income tax expense for the year	(2,067,973)	(8,903,016)
Accumulated losses at the end of the financial year	(78,220,176)	(76,152,203)

Note 26. 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.

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.

Note 26. Financial instruments (continued)

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
Unused borrowing facilities at the reporting date:

	Consolidated	
	2020	2019
	$	$
Innovation Structured Finance Co., LLC loan ('Brevet Loan')	-	2,571,194
Securitised loan payable	-	500,000
	-	3,071,194

Under the Brevet arrangement, the Company was entitled to draw down amounts of up to 80% of the estimated research and development tax incentive receivable.

Note 26. 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 - 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	-	40,354	-	-	-	40,354
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		320,493	203,807	1,301,477	615,724	2,441,501

Consolidated - 2019	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	-	379,666	-	-	-	379,666
Other payables	-	179,081	-	-	-	179,081
Deferred consideration (Matmor)	-	-	208,274	448,307	-	656,581
Interest-bearing - variable						
Earn-out provision (Coldry)	1.50%	1,043	14,756	317,036	408,937	741,772
Interest-bearing - fixed rate						
Convertible notes payable	15.00%	603,982	-	-	-	603,982
Equipment finance	6.00%	33,731	33,731	30,919	-	98,381
Innovation Structured Finance Co. Loan	12.21%	1,028,806	-	-	-	1,028,806
Securitised loan payable	16.60%	500,000	-	-	-	500,000
Total non-derivatives		2,726,309	256,761	796,262	408,937	4,188,269
Derivatives						
Convertible note derivative	-	186,654	-	-	-	186,654
Total derivatives		186,654	-	-	-	186,654

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

Note 26. Financial instruments (continued)

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 26% (2019: 21%) in determining recognised carrying values within the financial statements.

Note 27. 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 - 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

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - non-current - Matmor assets	-	-	656,581	656,581
Earn-out provision - current - Coldry IP	-	-	1,043	1,043
Earn-out provision - non-current - Coldry IP	-	-	740,729	740,729
Conversion derivative in convertible note	-	-	186,654	186,654
Total liabilities	-	-	1,585,007	1,585,007

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.

Note 27. Fair value measurement (continued)

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 2018	1,125,375	615,516	-	1,740,891
Additions	-	-	186,654	186,654
(Gains)/losses recognised in profit or loss	(468,794)	126,256	-	(342,538)
Balance at 30 June 2019	656,581	741,772	186,654	1,585,007
Disposals	-	-	(186,654)	(186,654)
(Gains)/losses recognised in profit or loss	(311,888)	244,180	-	(67,708)
Balance at 30 June 2020	344,693	985,952	-	1,330,645

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

Description	Unobservable inputs	Potential range	Sensitivity
Coldry earn-out provision	Discount rate	21% - 31% (26% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $200,875 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $265,524 (and increasing the loss).
	Timing of production to discharge liability	July 2020 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 from small production, escalating in forward years through 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 $114,180.
Matmor deferred consideration	Discount rate	21% - 31% (26% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $97,250 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $127,670 (and increasing the loss).
	Timing of significant trigger events	July 2020 to June 2027	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 $15,736.

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

Note 28. 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 2020 $	Consolidated 2019 $
Short-term employee benefits	719,357	760,624
Post-employment benefits	22,963	46,361
Long-term benefits	75,765	-
Share-based payments	-	106,399
	818,085	913,384

Note 29. 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 2020 $	Consolidated 2019 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	90,053	66,950

The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 17 December 2019. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective entities.

Note 30. Commitments

	Consolidated	
	2020	2019
	$	$
*Lease commitments - operating **		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	171,375
Equipment finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	33,731	33,731
One to five years	30,919	64,650
Total commitment	64,650	98,381
Less: Future finance charges	(9,201)	(14,002)
Net commitment recognised as liabilities	55,449	84,379
*Patent commitments ***		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	46,996	42,301
One to five years	191,972	191,515
More than five years	183,757	103,275
	422,725	337,091

* AASB 16 was adopted using the modified retrospective approach from 1 July 2019. As a result, the category of operating leases no longer exists and current leases are recognised as an asset and liability on the face of the statement of financial position under AASB 16. A maturity analysis of future lease liability payments is presented in note 26. The comparative lease commitments included above are those required under the superseded accounting standard AASB 117.

** 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 2020, this now stands at $A0.5321 per tonne. 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 (refer note 30).

Note 31. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Note 31. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

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

	Consolidated	
	2020 $	2019 $
Payment for goods and services:		
Payment for services from other related party *	-	87,599
Other transactions:		
Payments made to the Company pursuant to Equity Lending Facility by key management personnel **	26,926	-

* Represents amounts paid to Mecrus Pty Ltd, an entity controlled by Barry Richards, for engineering support services. Such payments were on commercial terms.
** 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 ELF rather than being settled in cash.

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

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

The following ELF loans were granted to key management personnel of the consolidated entity. Such loans are limited recourse loans issued to finance the exercise of options. Neither the loans nor the value of the issued capital are recognised in the financial statements as such arrangements are accounted for as an in-substance issue of options. Any principal and interest received on unpaid loans prior to their settlement is recognised in the options reserve. Employees and directors of the Company receive a 2% discount to the standard commercial interest rates.

- 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 $20,952 (2019: $72,000). Interest paid during the year was $nil (2019: $13,146). Movements in the loan balance during the year consisted of interest and management fees incurred. Interest was payable on the outstanding balance at a rate of 7.39% calculated daily. Loans secured by 42,000,000 shares defaulted as at 31 July 2020 as the loans were not fully repaid. At the end of the loan term principal payments totalling $98,926 had been made by Mr Fozard. On terms and conditions available to all ELF borrowers this will result in the release of 10,991,822 shares from holding lock. As 8,000,000 shares have already been released in accordance with the terms of the loan a further 2,991,822 shares will be released to Mr Fozard in the coming weeks.
- 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 (2019: $337,726). Interest paid during the year was $nil (2019: $nil). Movements in the loan balance during the year consisted of interest and management fees incurred. Interest was payable on the outstanding balance at a rate of 7.39% calculated daily. 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 will result in the release of 870,740 shares from holding lock in the coming weeks.

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 $	Parent 2019 $
Loss after income tax	(1,027,486)	(14,667,866)
Total comprehensive loss	(1,027,486)	(14,667,866)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	2,680,619	2,129,384
Total assets	3,756,285	2,367,903
Total current liabilities	272,563	4,252,673
Total liabilities	2,319,599	5,778,679
Equity		
Issued capital	82,381,323	76,442,268
Options reserve	667,688	639,935
Accumulated losses	(81,612,325)	(80,492,979)
Total equity/(deficiency)	1,436,686	(3,410,776)

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 2020 and 30 June 2019.

Capital and other commitments
The parent entity has operating lease, patent, equipment finance and royalty commitments payable (not recognised as liabilities). Refer to note 30 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 33. 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 2020 %	2019 %
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 34. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2020 $	2019 $
Loss after income tax expense for the year	(2,067,973)	(8,903,016)
Adjustments for:		
Depreciation and amortisation	386,608	601,004
Impairment of non-current assets	-	4,800,000
Write off of non-current assets	61,026	-
Movement in Coldry and Matmor provisions	(67,709)	-
Finance costs - non-cash	404,060	74,984
Share-based payments	180,021	332,399
Insurance proceeds classified as investing cash flows	(1,905,560)	-
Impairment of trade receivables	109,668	-
Loss on revaluation of financial derivatives	14,637	-
Interest received - non-cash	-	(28,069)
Loss on settlement of debt	664,297	-
Rent concessions	(38,968)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	634,728	90,384
Decrease/(increase) in prepayments	(12,862)	26,625
Decrease in trade and other payables	(29,460)	(237,832)
Decrease in employee benefits	(139,428)	(14,790)
Net cash used in operating activities	(1,806,915)	(3,258,311)

Note 35. Changes in liabilities arising from financing activities

Consolidated	Innovation Structured Finance Co. (Brevet) $	Securitised loan payable $	Convertible note $	Lease liabilities $	Equipment finance $	Total $
Balance at 1 July 2018	1,179,283	-	-	-	150,809	1,330,092
Net cash from/(used in) financing activities	(150,477)	500,000	790,636	-	(66,430)	1,073,729
Prepaid interest	-	(91,859)	-	-	-	(91,859)
Balance at 30 June 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

Note 36. Earnings per share

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(2,067,973)	(8,903,016)
	Cents	**Cents**
Basic loss per share	(0.047)	(0.250)
Diluted loss per share	(0.047)	(0.250)

At 30 June 2020, there were 1,048,779,136 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	4,358,959,986	3,554,562,696
Weighted average number of ordinary shares used in calculating diluted loss per share	4,358,959,986	3,554,562,696

Note 37. Share-based payments

The following share-based payment expenses were incurred for the year ended 30 June 2020:

Note 37. Share-based payments (continued)

	Consolidated 2020 $	Consolidated 2019 $
Share-based loan expense - J. Blackburn	-	106,399
Share raising expenses	-	226,000
Shares issued to shareholder suppliers	180,021	-
Total share-based payment expense	180,021	332,399

Loan to James Blackburn
Mr Blackburn was advanced $275,000 in 2017 to partly fund the acquisition of 25,000,000 shares issued at $0.02 each. The loan (as amended) was subject to settlement at the end of the loan period, with such settlement deemed to occur when Mr Blackburn fulfilled his employment over the duration of 3 years and 3 months. The shares issued were subject to lock-up from the date of issue (1 December 2016) for a term of 3 years and 3 months, or, in the event that Mr Blackburn's employment was terminated, upon a cash settlement of the unamortised principal balance. On 27 July 2019 a margin call was made by Equity First Holdings ('EFH') on these shares for additional shares or cash to be provided as additional security for the loan. As the share price at the time did not support the contribution of additional security by Mr Blackburn, the margin call was not met, and the shares were forfeited back to EFH.

Shares issued to shareholder suppliers
During the year, the Company received services from a shareholder in relation to general support services during the year. A shareholder was remunerated through the release of 41,666,666 shares from his ELF loan facility. Such shares are now 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 23.

Another 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 24.

In 2019, the Company received services from a shareholder in relation to arranging for the raising of debt capital and other consultative services. The consideration provided was 20,000,000 shares valued using a weighted average share price of $0.0113 each giving total consideration of $226,000.

Note 38. Events after the reporting period

The Company's head office is in Melbourne. The Melbourne-wide lockdown announced by the Victorian Premier on 7 July 2020 as a result of the COVID-19 pandemic, while a new decision in itself, was based on events that had occurred before that date. Assessments of asset values, going concern and other matters are affected by conditions existing and emerging at 30 June 2020. By 30 June 2020, with many Melbourne postcodes already in lockdown and the number of reported infections growing, there was evidence that further restrictions were likely. The 7 July announcement, and the subsequent harsher Stage 4 lockdown requirement implemented on 2 August 2020, can be considered to confirm much of the information known earlier. In assessing discounted future cash flows in valuations as at 30 June 2020, the expectation is that the probability of a Melbourne-wide lockdown was relatively high.

The Company's current operations involve the redevelopment and rebuild of the Bacchus Marsh facility which is outside of the areas impacted by the Stage 4 lockdown. As such, activities have continued at this site as this is permitted under current lockdown laws. Additional measures have been introduced to ensure the site is operating safely. The Company does not believe there is a significant impact on operations or asset carrying values as a result of the impediments created by the lockdown. There may be an increase in the time taken to procure new equipment however these increased timeframes are not considered material at this time. The Company continues to monitor developments in this regard.

On 31 July 2020, the ELF that was established on 31 July 2017 expired. Many of the borrowers chose not to pay out the balance of their loans. The Company’s subsidiary, ECTF, will exercise its rights in relation to these ELFs.

No other matter or circumstance has arisen since 30 June 2020 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 2020 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

30 September 2020
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 statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2020 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.

Settlement of financial liabilities with equity instruments

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Refer to note 7, "Loss on settlement of debt" and note 15 for details of the "Securitised loan payable" and "Convertible notes" settled.

During the year the Group has settled the securitised loan payable, the convertible notes and some trade and other payables through the issuance of equity instruments (shares and options).

We have considered this a key audit matter due to the material amount of financial liabilities settled and the significance to the Group's financial position. Accounting standards, particularly AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments include specific requirements and significant audit effort was required to understand the transactions and assess the accounting treatment.</td><td>In addressing this matter, we performed a number of procedures including the following:

• Understanding the arrangements with the lenders to settle the financial liabilities with equity instruments.

• Reviewing the fair value used by management for the equity instruments issued in settling the financial liabilities, in conjunction with our internal BDO corporate finance experts.

• Reviewing the accounting for the settlement of the financial liabilities and compliance with AASB Interpretation 19, in particular with respect to the accuracy of the calculation of the loss on settlement recognised.

• Assessing the adequacy of relevant disclosures in the financial report.</td></tr>
</table>

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

Key audit matter	*How the matter was addressed in our audit*
Refer to notes 19 and 22 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.

BDO

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: • Assessing the processes and controls in place for recording and calculating the expenditures subject to the R&D Tax Rebate claim. • Performing analytical procedures over the R&D Tax Rebate revenue recognised during the year. • Obtaining supporting documentation to confirm the recognition of the R&D Tax Rebate as income is appropriate in accordance with the requirements of AASB 120. • Reviewing 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 2020, 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 (http://www.auasb.gov.au/Home.aspx) 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 9 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2020, 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

Wai Aw
Director

Melbourne, 30 September 2020

The shareholder and optionholder information set out below was applicable as at 22 September 2020.

Distribution of equitable securities

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

	Number of ordinary shareholders	Number of ECTOE optionholders
1 to 1,000	178	6
1,001 to 5,000	132	11
5,001 to 10,000	113	17
10,001 to 100,000	1,297	151
100,001 and over	2,401	350
	4,121	535
Holding less than a marketable parcel	2,704	317

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)	1,300,000,000	13.54
Iain Robert McEwin	782,520,659	8.15
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing PL SF A/C)	356,003,012	3.71
Challenge Bricks & Roofing Pty Ltd	290,915,430	3.03
Challenge Roofing Pty Ltd (Thompson Family A/C)	280,376,000	2.92
Maddingley Brown Coal Pty Ltd (Maddingley Mine A/C)	219,891,960	2.29
Cameron Lloyd Thomson	139,738,940	1.46
Superior Coatings (Aust) Pty Ltd	126,496,292	1.32
A & K Moore Nominees Pty Ltd (Moore Superannuation A/C)	120,212,842	1.25
Satya Venkat Chavali	106,242,760	1.11
Emilio Mosca & Anna Mosca (Mosca Super Fund A/C)	86,000,010	0.90
HSBC Custody Nominees (Australia) Limited	81,107,808	0.84
Elgar Park Pty Ltd (Elgar Park Super Fund A/C)	78,807,263	0.82
Holland Strategic Wealth Pty Ltd (Hollands Family A/C)	68,000,000	0.71
Alexander Jesuran Thambirajah	60,000,000	0.62
Mark Andrew Hastwell & Kirsty Lou-Anne Hastwell (M & K Hastwell Fam No 2 A/C)	57,230,000	0.60
Kathy Xiao Liu	57,185,068	0.60
JBD Industrial Park Pty Ltd (David Mario Calleja Inv A/C)	54,864,150	0.57
JBD Industrial Park Pty Ltd (Donald Calleja Inv A/C)	54,864,150	0.57
JBD Industrial Park Pty Ltd (Brian Calleja Inv A/C)	54,864,150	0.57
	4,375,320,494	45.58

ECTOE Options

	Number of ECTOC options held	% of total ECTOC options issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	418,000,000	21.77
Iain Robert McEwin	317,408,263	16.53
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing PL SF A/C)	120,000,000	6.25
Challenge Bricks & Roofing Pty Ltd	102,182,592	5.32
Superior Coatings (Aust) Pty Ltd	100,000,000	5.21
Maddingley Brown Coal Pty Ltd (Maddingley Mine A/C)	62,626,636	3.26
Cameron Lloyd Thomson	61,321,480	3.19
Holland Strategic Wealth Pty Ltd (Hollands Family A/C)	30,000,000	1.56
Anid Pty Ltd (Anid Super Fund A/C)	20,399,996	1.06
Allan Keith Clarke	20,000,000	1.04
Zero Nominees Pty Ltd	20,000,000	1.04
Geoffrey David Thompson	19,007,466	0.99
Alexander Jesuran Thambirajah	15,800,000	0.82
JBD Industrial Park Pty Ltd (Donald Calleja Inv A/C)	15,625,660	0.81
JBD Industrial Park Pty Ltd (Brian Calleja Inv A/C)	15,625,660	0.81
JBD Industrial Park Pty Ltd (David Mario Calleja Inv A/C)	15,625,660	0.81
A & K Moore Nominees Pty Ltd (Moore Superannuation A/C)	15,600,000	0.81
Satya Venkat Chavali	14,407,406	0.75
Gyland Nominees Pty Ltd (Pascoe Pension Fund A/C)	13,053,320	0.68
J B No 2 Pty Ltd	12,799,996	0.67
	1,409,484,135	73.38

Unlisted Options

	Number of unlisted options held	% of total issued
Marbrijen Pty Ltd (Marbrijen Super A/C)	45,000,000	81.82
Superior Coatings (Aust) Pty Ltd	10,000,000	18.18
	55,000,000	100.00

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)	1,300,000,000	13.54
Challenge Bricks and Roofing Pty Ltd	927,294,442	9.66
Iain Robert McEwin	782,520,659	8.15

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.