ANNUAL REPORT 2022

FOR THE YEAR ENDED 30 JUNE 2022

ECT
ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

ACN 009 120 405 | ASX:ECT

CORPORATE DIRECTORY

Directors

Glenn Fozard - Managing Director

James Blackburn - Non-Executive Director

Jason Marinko – Chairman, Non-Executive Director
(appointed 2 September 2021)

Tim Wise – Non Executive Director
(appointed 2 September 2021)

Ashley Moore - Executive Director
(resigned 2 September 2021)

Hon. Neil O'Keefe - Non-Executive Director
(resigned 2 September 2021)

Company secretary

Arron Canicais and Kian Tan
(appointed 13 October 2021)

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

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Corporate Governance Statement

The directors and management are committed to conducting the business of Environmental Clean Technologies Limited in an ethical manner and in accordance with the highest standards of corporate governance. Environmental Clean Technologies Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Company's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, as well as the ASX Appendix 4G, are released to the ASX on the same date the Annual Report is released. The Corporate Governance Statement and Committee Charters can be found on the Company's website at http://www.ectltd.com.au/about-us/corporate-governance/

2022 HIGHLIGHTS
CORPORATE

- **Net Zero Hydrogen Refinery Project – Latrobe Valley, Victoria, Australia:**
  - Commencement of feasibility study, paving the way for the future use of Victoria's world-class lignite resource in support of:
    - **Clean hydrogen** – without the need for carbon capture & storage (CCS)
    - **Agricultural char** – helping rebuild soil health, productivity and carbon storage
    - **Critical minerals** – battery active materials essential to an orderly energy transition
  - Project site acquired adjacent to Yallourn power station
  - Media coverage: Financial Review and A Current Affair cover the project
  - ECT joins the Gippsland Region Hydrogen Council
- **Bacchus Marsh Commercial Demonstration Project:**
  - Joint venture with GrapheneX announced for Phase 2 of Bacchus Marsh Project aimed at delivering a commercial demonstration of hydrogen, agricultural char and formic acid production in support of the Latrobe Valley project
  - Successful $3.5M capital raise in support of Phase 2 of Bacchus Marsh Project
- **MoU with GDT to explore complementary development of tyre resource recovery plant at Bacchus Marsh site**
- **InvestVic R&D loan facility established**
- **ESG & TCFD reporting established**
- **Board changes: Jason Marinko & Tim Wise appointed**


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ECT eyes Yallourn coal with plan for blue-green hydrogen

Colin Packham
Energy and resources reporter
Apr 28, 2022 – 2.06pm

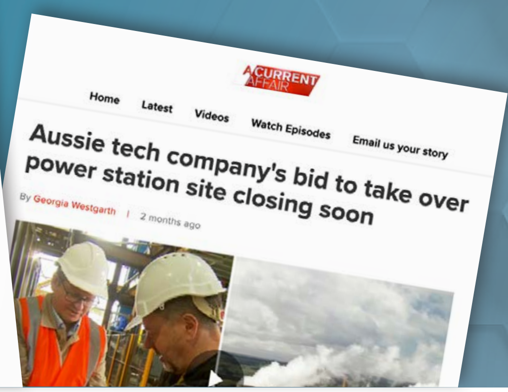
Save | Share

Niche technology company Environmental Clean Technologies will build a hydrogen-producing plant to demonstrate the commercial viability of its technology, which it says can produce net zero hydrogen from brown coal without the need for carbon capture and storage.

ASX-listed ECT announced the building plans after it struck a deal with GrapheneX. The plant is expected to be operational within 18 months, which ECT said will be the springboard for its expansion plans into the Latrobe Valley.

"At the heart of what we're doing is transforming the way in which brown coal is used," ECT managing director Glenn Fozard told *The Australian Financial Review*.

"Brown coal has got a bad name because it's being used, like black coal, just ... burnt in a boiler to produce electricity. That's a terrible way of ...



2022 HIGHLIGHTS
BM COMMERCIAL DEMONSTRATION PROJECT

- **Phase 1: COLDry Commercial Demonstration**
  - Construction significantly progressed: primary processing train, motor control room, conditioning system, feed system
  - Dry commissioning completed across primary processing train
  - Wet commissioning commenced with successful first production of COLDry pellets from primary processing train
  - Conditioning system test program initiated to define operational parameters and finalise Packed Bed Dryer design ahead of installation
- **Phase 2: Char & Net Zero Hydrogen Demonstration**
  - Rotary kiln acquired and delivered to site
  - Joint Venture agreement with GrapheneX for partnering on downstream applications for hydrogen, formic acid and power generation
  - Planning and approval activities underway
  - Civil design works commenced

CHAIRMAN'S LETTER

Dear Fellow Shareholder,

Despite the turmoil of the past few years, we continue to progress our key projects, delivering outcomes in pursuit of high-potential growth areas.

I don't need to go into detail about the global challenges we've all faced due to COVID and the lingering impact that has had on supply chains and labour markets. You've all lived through the upheaval as we have.

And, with the conflict in Ukraine, it appears the world is set for continued uncertainty and disruption across energy, resource and financial markets.

But we believe in the throes of uncertainty and rapid change, there is a significant silver lining for ECT as we're positioned to develop a project that intersects several supportive trends, including the drive for net zero emissions, the related push for the hydrogen economy and the tremendous supply gap in the critical minerals need to support the energy transition.

Alongside these energy and resource trends is the emerging concern for food security, driven by high gas prices and lower fertiliser production. This creates an opportunity for soil health products enabled by and derived from our technology suite.

The Energy Transition

Australia's Federal government recently legislated a reduction in CO_2 emissions of 43% below 2005 levels by 2030, aligning our national agenda with commitments under the Paris Agreement.

In our home state, the government of Victoria has set a target of net zero by 2050, with an interim target of 50% below 2005 levels by 2030, exceeding the ambitious federal targets.

Sitting behind these policies are a range of government programs intended to drive the action required to change the composition and shape of our energy and industrial systems.

The energy transition is happening, but it's not without its challenges.

And we believe we are well positioned to capitalise on several of these challenges with a set of unique solutions, including:

- Clean hydrogen for energy and industrial chemicals
- Agricultural char for soil health and food security
- Battery Active Carbon to support the diversification of critical minerals

Clean Hydrogen – Net Zero Emission Hydrogen Refinery

Enabled by our patented COLDry technology, we're developing a world-first commercial project in Victoria's Latrobe Valley to make hydrogen from lignite and waste biomass with net zero emissions and at a price significantly below that of 'green' hydrogen.

We call it Viridian Hydrogen.

As part of the development program, we're currently building a demonstration of Yallourn lignite and waste biomass at our research facility on the outskirts of Bacchus Marsh, west of Melbourne, allowing us to develop tender-ready commercial designs.

Unlike conventional coal-to-hydrogen, our Viridian Hydrogen process does not require carbon capture and storage (CCS), so it can deliver net zero emissions immediately without waiting for CCS infrastructure to come online in the 2030's.

And, unlike 'green' hydrogen, which is expensive, Viridian Hydrogen can play a key role in early hydrogen market activation by providing an affordable product.

Our aim is to locate the project alongside the Yallourn power station and mine in Victoria's Latrobe Valley. We've already purchased a site right next door and are discussing with EnergyAustralia to possibly access the site when the power station closes in 2028.

The broader vision for the project includes partnering with a range of companies that can bring complementary applications to the site, creating a new energy hub that leverages existing infrastructure and resources and repurposes them for a clean energy future.

"Enabled by our patented COLDry technology, we're developing a world-first commercial project in Victoria's Latrobe Valley to make hydrogen from lignite and waste biomass with net zero emissions and at a price significantly below that of 'green' hydrogen.

Agricultural Char & Battery Carbon

In addition to being net zero emissions, our Viridian Hydrogen project features zero waste discharge.

Part of the system's smarts is using the captured solid carbon for further refinement into soil health and battery applications.

Agricultural char is well known to enhance soil, being chemically and biologically very stable, making it more difficult to break down. In some cases, agricultural char can remain stable in soil for hundreds to thousands of years.

Agricultural char is also highly porous, providing the ideal habitat for soil microbes and increasing water holding capacity, in addition to:

- Improved soil structure
- Increased nutrient use efficiency
- Retained nutrients
- Increased soil carbon
- Increased cation exchange capacity
- Decreased soil acidity

However, agricultural char is limited to the seasonal availability of waste biomass, making it challenging to establish and maintain a reliable supply chain and long-term offtake.

Our Viridian Hydrogen project will blend waste biomass with lignite, creating a stable supply of agricultural char to support soil health, environmental regeneration and food security.

We are also working with Federation University to develop fertility treatments and other basic agricultural char product upgrades to provide enhanced soil health solutions.

Regarding batteries, most investors will be familiar with the need for critical minerals like lithium, cobalt, nickel, and rare earths as the need for transport and grid applications grows in the coming decades.

But the forecast gap in a critical battery ingredient, namely graphite, is less well known.

A recent report by the Geological Survey of Finland (GTK) estimates the world needs around 9 billion tonnes of graphite to supply the battery market but has only 320 million tonnes of reserves of natural flake graphite. That's a 96% shortfall in graphite required to replace fossil fuels.

So, while investors will likely be familiar with the potential of the global hydrogen market, with some experts projecting demand to reach more than 200 million tonnes per year following the complete transition away from the conventional use of fossil fuels, the opportunity for ECT to supply battery active material into the synthetic graphite market, is a prospective market that not only diversifies our solid carbon stream but allows us to sell into the valuable critical minerals market.

Early tests involving leading-edge universities in Australia and overseas have demonstrated that char derived from Yallourn lignite-based COLDry pellets can be readily converted into high-grade battery active material.

Introducing water

As a result of our adoption of the TCFD reporting regime, ECT has been actively reviewing climate risks and opportunities. One of the emerging risk areas is water.

Clean distilled water has been an obvious by-product of our process, but less obvious is our promotion of this as an important, future-proofing product that stands head and shoulders above all other minerals processing and mining solutions.

According to CSIRO, mining, manufacturing, and other industries use about 20% of all water consumed in Australia, placing them under pressure to use water more efficiently.

In addition to being the world's first zero-emission lignite drying solution, COLDry can recover the water where it's financially and environmentally sensible. By way of example, for every tonne of lignite and biomass processed, the COLDry process could generate about half a tonne of pure water. In addition, where COLDry is the front-end drying process for a high-temperature application such as urea production, it can save around 1,300 litres of evaporative loss from the cooling system for every tonne of COLDry fed into that process.

The big pivot for lignite

Victoria is home to the world's single largest lignite resource, which historically has been used mainly for electricity generation, becoming a threat to climate security due to its high emissions.

The remaining lignite-fired power stations at Yallourn and Loy Yang are scheduled to close in 2028 and 2035, respectively.

Many will argue that Victoria's lignite mines should be closed once the power stations are turned off.

Their reason?

To avoid adding CO_2 to the atmosphere.

And we agree.

Fortunately, with the help of our technology suite, this world-class lignite resource can pivot from being part of the problem to becoming an integral part of the solution.

The need to exponentially increase extractive activity for critical minerals like graphite will entail opening many new mines all over Australia. By keeping Victoria's lignite mines open and pivoting away from the past high-emission use of this resource toward low and zero-emission applications, we can help bridge the energy and resource gap by enabling a more stable and affordable transition to help to offset the need for new graphite mines elsewhere.

Sincerely,

Jason Marinko
Chairman
Environmental Clean Technologies Limited

MANAGING DIRECTOR'S LETTER

Dear Fellow Shareholder,

ECT's operational focus for FY22 continued to be the construction and commissioning of our COLDry demonstration project at Bacchus Marsh. As I write this, we are finalising the detailed instrumentation and automation of Phase 1 (the COLDry plant), allowing us to run full and detailed commissioning for this part of the process. Completing this phase will inform the large-scale commercial design and place us in a solid position to bid on any commercial lignite drying opportunities that may arise in the next 6-12 months, including supporting our Net-Zero Hydrogen Refinery project at Yallourn.

Since the COVID pandemic started in February 2020, we have faced continued challenges in managing the safety and health of our workforce, in addition to sustained labour market shortages, supply chain delays and, more recently, rising inflation pressures. Despite this, we are maintaining good progress with our demonstration project, upholding high levels of safety standards, working conditions and cost management and, at the same time, building a committed core team that shares our determination and values to deliver the project.

Over the coming year, we hope to improve our activity at Bacchus Marsh, delivering the successful demonstrating of COLDry as a zero-emission drying process. Phase 2 will transform the plant into a viable commercial demonstration of how waste and low-rank resources like lignite and biomass, can be converted into products like hydrogen, ag char and battery carbon, with a net zero-emission footprint. In the longer term, our vision for the Bacchus Marsh plant is part of a broader, collaborative waste innovation hub integrated with upstream and downstream partners.

During the year, we firmly committed to improved sustainability standards by adopting peer-leading ESG and TCFD reporting.

Our business has always been strong on the environment, so adopting ESG is a natural development of our business's maturity and is supported at all levels of the company.

We don't see ESG and TCFD as a mere compliance necessity or a cynical branding exercise; rather, it represents a structured approach and institutionalised commitment to managing risks and opportunities that all modern companies will face in the future.

Trust in the way we conduct ourselves. The confidence we are meeting our social and environmental obligations. Inspired by our commitment to positive impact.

Over the next 12 months, our focus will continue to be on finalising Phase 1 of the COLDry demonstration project at Bacchus Marsh but also starting construction of phase 2, which will see the downstream processing of the COLDry pellets into high-value products, including syngas, hydrogen, ag char and battery carbons.

We will also release our detailed vision statement for the future of the demonstration plant at Bacchus Marsh under a broader "Waste Innovation Hub" model. We look forward to sharing this with our stakeholders as it will outline the long-term commercial life of this plant and support the company's enduring revenue model.

Outcomes attached to the Bacchus Marsh project will also increase our activity in developing our Net Zero Hydrogen Refinery at Yallourn, including designs for tender, long-term lignite and biomass feedstock supplies, and full feasibility plans that will enable funding proposals to be received.

Consistent with our ESG policies, we will also be increasing our stakeholder engagement in relation to all projects, with a particular focus on our commercial expansion in Latrobe Valley, which will see us receive broader public attention regarding the future use of brown coal and the role we can play in the repurposing of power stations scheduled for closure.

We are excited for the year ahead and expect a lot of opportunities to be on offer as we continue to commercialise our technologies into a market desperately seeking transition solutions to the challenges of rapid decarbonisation.

I'd like to thank all our shareholders and stakeholders for your ongoing support of ECT.

Sincerely,

Glenn Fozard
Managing Director
Environmental Clean Technologies Limited

DIRECTOR'S REPORT

The directors present their report, together with the financial statements of Environmental Clean Technologies Limited ('the Company' or 'parent entity') and its controlled entities (collectively 'the consolidated entity' or 'group') for the year ended 30 June 2022.

DIRECTORS

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

Glenn Fozard
Managing Director

James Blackburn
Non-Executive Director

Jason Marinko
Chairman, Non-Executive Director
(appointed 2 September 2021)

Tim Wise
Non-Executive Director
(appointed 2 September 2021)

Ashley Moore
Executive Director
(resigned 2 September 2021)

Hon. Neil O'Keefe
Non-Executive Director
(resigned 2 September 2021)

PRINCIPAL ACTIVITIES

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

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

Bacchus Marsh Commercial Demonstration Project

In October 2019, the Company's High-Volume Test Facility (HVTF) in Bacchus Marsh was substantially damaged by a fire. Plans were announced to upgrade the facility whereby the COLDry capacity would be increased to 25,000 tonnes per annum, constituting a small-scale commercial demonstration of the technology, while retaining design features to allow ongoing R&D.

The initial plan entailed the production of COLDry pellets, which would be further upgraded to higher-value char, via the installation of a pyrolysis kiln, that would also provide the waste heat to the COLDry process. The project was developed to be executed in two stages, commencing with the COLDry demonstration plant, and followed by the pyrolysis kiln.

In October 2021, the Company advised that Phase 2 had been placed on hold following a strategic review, aimed at formalising relationships with potential project partners to enable the Company to accelerate commercialisation and diversify project risk and funding.

In April 2022, the Company announced a joint venture agreement with strategic partner GrapheneX aimed at delivering a Net Zero Emission Hydrogen Demonstration. As such, Phase 2 was updated, and the project is structured as follows:

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 – Net Zero Emission Hydrogen Demonstration:

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; and
3. Provision of plant and equipment by GrapheneX to process the syngas from the pyrolysis kiln into hydrogen and formic acid; and
4. Trial of alternative applications utilising existing process assembly e.g., per- and poly-fluoroalkyl substances (PFAS) remediation.

Bacchus Marsh Commercial Demonstration Project

Phase 1 of the project is substantially complete, with wet commissioning of the primary processing system underway, with early successful results communicated to shareholders after the end of the reporting period in the 30 June 2022 Quarterly Report.

Phase 2 planning and detailed engineering activity is underway, encompassing site layout and civil works, kiln installation and planning for integration with the downstream plant and equipment to be provided by GrapheneX that will take the syngas that ECT produces and process it into hydrogen and formic acid.

The outcomes from this project will drive the development of the Company's proposed large-scale Net Zero Hydrogen Refinery planned for deployment adjacent to the Yallourn lignite mine in Victoria's Latrobe Valley.

The R&D objectives of the project include:

- Completing scale up from COLDry pilot scale including:
  - incorporating a fully bespoke 5-pass conditioning system; construction 95% complete (status: commissioning underway);
  - incorporation of a higher capacity primary processing train (status: construction complete, wet commissioning and system programming underway);
  - incorporating packed bed dryer capacity and efficiency redesigns (status: on hold pending the outcome of primary processing and conditioning system commissioning to finalise design parameters);
- Integration with waste energy application, being the char kiln, to provide drying energy for the COLDry process;
- Utilisation of syngas produced from the char kiln;
- Production of solid fuel COLDry pellets, to target specification;
- Production of char from solid fuel COLDry pellets, to target specification;
- Trial of polyfluoroalkyl substances (PFAS) soil remediation within the same assembly; and
- Integration with downstream hydrogen and formic acid production plant.

Net-zero Hydrogen Refinery Project (Yallourn)

During mid-November 2021, the Company provided an update on its proposed commercial-scale project in Victoria's Latrobe Valley, aimed at delivering a net-zero emission hydrogen refinery.

The purchase of a project site adjacent to the Yallourn mine was announced late November 2021, with the settlement of the transaction occurring during February 2022.

The feasibility study is ongoing, with the outcomes of the COLDry demonstration project at Bacchus Marsh intended to inform the engineering, investment decision and timeframe of the Yallourn project.

ECT TECHNOLOGY

COLDry Process

The COLDry process is a low temperature, low pressure, and therefore a low-cost method of de-watering lignite 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 the 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 lignite from which they are made, providing a compelling emissions abatement solution.

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

Essentially, the COLDry process combines two mechanisms to achieve efficient, cost-effective de-watering; (i) lignite densification; and (ii) waste heat utilisation. Lignite densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within the lignite. 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 Process (previously Matmor)

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-cost lignite instead of expensive coking coal as used in the conventional blast furnace process.

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

The HydroMOR process leverages a fundamentally different chemical pathway compared to the conventional 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 lignite and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending lignite with iron ore or other metal oxide bearing media to form a paste that is dewatered using the COLDry process. The 'composite' pellets are then fed into the Company's simple low cost, low emission, patented retort (vertical shaft furnace) where the remaining moisture is removed, the lignite 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-WTE Waste-to-Energy

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

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

ENVIRONMENT SOCIAL GOVERNANCE

ECT's commitment to ESG is to create consistent, transparent, measurable disclosures that help us contribute to building a more prosperous and fulfilled society and a more sustainable relationship with our planet – in a format that is useful to our stakeholders.

Universal ESG metrics

During FY22, we commenced ESG disclosure against the World Economic Forum's (WEF) Stakeholder Capitalism framework, a universal, comparable and effective means of creating long-term enterprise value whilst addressing the societal priorities enshrined in the United Nations' Sustainable Development Goals (UNSDG's).

The WEF framework comprises 21 core metrics under the four pillars of People, Planet, Prosperity, and principles of Governance that organisations can report on, regardless of size, industry, or region.

Principles of Governance	Planet	People	Prosperity
The definition of governance is evolving as organizations are increasingly expected to define and embed their purpose at the centre of their business. But the principles of agency, accountability and stewardship continue to be vital for truly "good governance".	An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.	An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.	An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.

Environment

As a disruptive technology company, we aim to play a key role in the energy transition to net zero, placing a high emphasis on environmental considerations within ESG as they enable us to identify material risks and opportunities better, leading to better-informed decisions and business outcomes.

- In December 2021, ECT set an interim net-zero target (Scope 1 and 2 Greenhouse Gas [GHG] emissions) for ECT's corporate offices (plus limited Scope 3 GHG emissions to include staff land and air travel, and waste), with a target implementation date by the end of FY22.
- In May 2022, ECT approved the voluntary adoption of the Task Force on Climate-related Financial Disclosures ("TCFD"), demonstrating a commitment to building a more resilient future and safeguarding against current and future climate risks whilst opening future opportunities in the transition to net zero.

  Our TCFD Report is available on our website: https://ectltd.com.au/esg/
- In June 2022, ECT offset its FY22 corporate GHG emissions, based upon the FY19 GHG baseline from its Carbon Audit, by purchasing carbon credits.
- From FY23, the Company will implement sustainability initiatives to reduce the Company's ongoing corporate GHG footprint and will investigate reducing staff GHG emissions at home.
- ECT looks forward to providing updates related to GHG targets and the leading role the Company expects to play in meeting the Paris Agreement and transitioning to net zero.

Social

- Our Purpose is to 'bridge the gap between today's use of resources and tomorrow's zero-emissions future'. We do this through ongoing investment in R&D.
- Investment in R&D can be regarded as a basic universal indicator of a company's efforts to innovate, be fit for the future, and provide prosperity through jobs & fair wage growth and taxation to the government, which in turn generates social or environmental benefits, as measured against the UN Sustainable Development Goals (UNSDG's).
- A company's capacity for further innovation is also driven by the organisation's culture, which helps bridge diversity gaps, attract talent, and drive long-term competitiveness. In addition, the economic well-being of employees through a fair distribution of income is crucial for eliminating inequality and poverty, as is maintaining strong standards of health, safety and labour rights, which can also improve employee productivity and operational efficiency.
- ECT upholds the highest moral, ethical, and legal standards in all we do. Our Modern Slavery Policy was adopted in March 2022 to guide future risk assessments in our supply chain. ECT's Modern Slavery Policy is here.

ECT
ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

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Governance

ECT has adopted a range of policies and procedures to improve corporate governance throughout our organisation and with our stakeholders, including contractors, suppliers, customers, government and the community.

Regular review of material emerging ESG risks and opportunities (especially relating to climate change) by the ECT Executive, ECT's Audit and Risk Committee, combined with Board oversight, is a key priority for the Company.

Our stakeholder engagement process further emphasises what is material to ECT and our stakeholders.

The capabilities and perspectives of ECT's Board members are important for making important strategic decisions. The Board Skills Matrix captures Board competencies related to Governance, including ESG competencies.

Our annual ESG report is available on our website: https://ectltd.com.au/esg/

Our policies can also be found on our website: https://ectltd.com.au/about/corporate-governance/

Task-force on Climate-related Financial Disclosures (TCFD)

ECT formally adopted the TCFD framework, joining a growing number of organisations worldwide seeking to demonstrate a commitment to building a more resilient future and safeguarding against current and future climate risks and opening key opportunities in the transition to net zero.

While the TCFD framework is currently voluntary in Australia, there is an increasing expectation from investors, governments, customers, and the community that businesses assess and disclose physical and transition climate-related risks in a consistent and widely adoptable format. The Company believes this key step further reinforces its position as a 'best-of-peer' ESG company.

The Company also sees many climate-related opportunities through the deployment of its suite of technologies.

Our annual TCFD report is available on our website: https://ectltd.com.au/esg/

Intellectual property

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

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

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

Equity Lending Facilities ('ELF')

An ELF is an investment loan which is offered by ECT Finance Limited ('ECTF' a wholly owned subsidiary of the Company) to approved holders of ECT's options to pay for the exercise of options into fully paid ordinary shares. ELFs can also be secured by the issue of new shares. Loans are for a term of 2-3 years and accrue interest. The ELF borrower owns the shares and the voting rights but cannot trade the stock until the loan and interest is paid in full. The ELF borrower can repay the loan or part thereof, at any time, without penalty during the course of the term. If the borrower does not pay the loan by the expiry, the loan defaults but is settled by ECTF taking control of the security (the ECT shares) and returning it back to ECTs balance sheet via a selective buyback or other similar method. The loan is limited recourse secured by the ECT stock and therefore the borrower is not exposed to any costs of the unpaid loan at the end of the term.

During the year, ECTF continued to manage its portfolio of ELF loans receivable.

The expired ELF which was originally used to convert unlisted options to ordinary shares has continued to be used to satisfy payments to creditors. It was also used in the acquisition of a property at Yallourn with 25,000,000 shares used in partial settlement of the purchase price.

Payments of $650,000 were received during the year in repayment of ELFs that were established in January 2021.

A new ELF was established on 15 September 2021 using the Company's shares as security. This ELF was approved by shareholders at an extraordinary general meeting on 25 June 2021. 35,000,000 fully paid ordinary shares were issued which are held as security for 6 individual ELFs.

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 $5,178,833 (30 June 2021: $1,869,725).

Major Highlights:

Environmental Clean Technologies Limited

(i) Receipt of research and development tax incentive and repayment of R&D loan balance

On 17 November 2021, the Company received the full amount of the research and development tax incentive receivable recognised in the financial statements at 30 June 2021.

(ii) Capital raising activities

During the year, the Company undertook capital raisings via an issue of convertible promissory notes and a share placement. The convertible promissory note issue was completed in September 2021 and raised $3,000,000. The share placement raised $5,000,000 less capital raising fees and was completed in May 2022.

(iii) COLDry Demonstration Project (Bacchus Marsh)

The Company received delivery of a pyrolysis kiln in August 2021, a key element of Phase 2 of the Project. Phase 2 was subsequently paused in October 2021 following a strategic review to allow a re-focus on formalising relationships with potential project partners to enable the Company to accelerate commercialisation and diversify project risk and funding.

Meanwhile, progress of Phase 1 continued during the reporting period, despite residual COVID-related supply chain and labour market constraints, culminating in the successful commencement of wet commissioning of the primary processing train, producing the first COLDry pellets from the system.

Phase 2 of the Project recommenced in April 2022 following the announcement of a joint venture agreement with strategic partner GrapheneX targeting the downstream production of hydrogen, formic acid, dimethyl ether and electricity as part of a net zero hydrogen demonstration.

(iv) Net-zero Hydrogen Refinery Project (Yallourn)

During mid-November 2021, the Company provided an update on its proposed commercial-scale project in Victoria's Latrobe Valley, aimed at delivering a net-zero emission hydrogen refinery.

The purchase of a project site adjacent to the Yallourn mine was announced late November 2021, with the settlement of the transaction occurring during February 2022.

The feasibility study is ongoing, with the outcomes of the COLDry demonstration project at Bacchus Marsh intended to inform the engineering, investment decision and timeframe of the Yallourn project.

(v) Expiry of options

ECTOC options expire 17 February 2023. Information on the expiry of director incentive options is contained in the 'shares under options' section below.

ECT Finance Limited

(vi) Equity Lending Facilities

In 2020, ECT Finance Ltd advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which was initially secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options. This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue made by the Company during that 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.

In 2021, 274,679,966 shares and 106,658,654 ECTOE options were transferred to creditors associated with the Bacchus Marsh rebuild or other general creditors. In 2022, 1,877,417 shares and 19,334,135 options were transferred to creditors in satisfaction of amounts payable and 25,000,000 shares were transferred to the vendors of the property at Yallourn which the Company purchased on 22 February 2022 in partial settlement of this acquisition. These shares were escrowed for 6 months. Refer to note 32 for details.

This ELF loan was due to expire on 10 May 2022 and has been extended by one year. Following the share consolidation on 1 July 2021, the balance of shares held as security for the ELF at balance date was 20,654,587. The remaining ECTOE options that were secured by the ELF were released during the financial year. Refer to note 17.

In February 2021, ELFs were advanced as part of the non-renounceable rights issue and were secured by 1,300,000,000 shares and 520,000,000 ECTOE options. After the 10:1 capital consolidation, the number of such instruments was 130,000,000 shares and 52,000,000 options. In February 2022 payments were received totalling $650,000 which resulted in the release of 65,000,000 shares and 26,000,000 options. The balance of shares and options held as security for the facility at balance date was 65,000,000 shares and 26,000,000 options.

A new ELF was established on 15 September 2021 using the Company's shares as security. This ELF was approved by shareholders at an extraordinary general meeting on 25 June 2021. 35,000,000 fully paid ordinary shares were issued which are held as security for 6 individual ELFs.

Financial results:

	2022 $	2021 $	Change $	Change %
Sales	257,597	-	257,597	-
Other income (excluding interest)	665,182	1,298,452	(633,270)	(49%)
Remeasurement of financial liabilities	99,811	(470,744)	570,555	(121%)
Loss on disposal of plant and equipment (including Wood247 business)	(233,677)	-	(233,677)	-
Share-based payments expense	(1,928,051)	(109,128)	(1,818,923)	1667%
Other operating costs (excluding interest, depreciation and amortisation)	(3,064,191)	(2,169,096)	(895,095)	41%
EBITDA	(4,203,329)	(1,450,516)	(2,752,813)	
Depreciation and amortisation	(675,746)	(320,809)	(354,937)	111%
Finance costs	(311,832)	(102,888)	(208,944)	203%
Interest revenue	12,074	4,488	7,586	169%
Net (loss) for year	(5,178,833)	(1,869,725)	(3,309,108)	

There were no sales of products from the consolidated entity's research and development activities during the year as a result of the ongoing construction of a new facility. Sales of $257,597 related to sale of product from the Wood247 business prior to its disposal (see below).

The 'Other Income' category of $665,182 (2021: $1,298,452) predominantly includes AusIndustry research and development tax incentive income of $598,997 (2021: $554,768). The research and development tax incentive received and receivable on the purchase of qualifying capital items has been offset against asset carrying values and is therefore not recognised as income. The total amount expected to be received from the research and development tax incentive is $1,794,182. Other income in 2021 included insurance proceeds of $593,012 as a result of the Bacchus Marsh plant fire in October 2019.

Total operating costs (excluding impairment and write-off expense, depreciation and amortisation, remeasurement of financial liabilities, share-based payments expense and finance costs) increased by $895,095 due to a significant ramping up of operations as well as costs associated with the Wood247 business.

Finance costs increased by $208,944 as a result of the issue of promissory notes during the year.

Depreciation and amortisation increased by $354,937 as additional plant and equipment becomes utilised at Bacchus Marsh. Depreciation and amortisation are non-cash expense items.

On 17 January 2022, the Company announced its intention to sell the retail recycled hardwood briquette business, Wood247. This decision was made after the completion of its pilot period and a strategic review of the business. It was determined that the Wood247 business was inconsistent with the key strategic objectives of the Company with respect to net zero and hydrogen technologies. The loss on sale of this business was $198,351.

The significant increase in share-based payments compared to the prior year was predominantly due to the issue of the director incentive options which amounted to $1,495,777.

Finally, the change in fair value of financial liabilities represents the combined movement in the COLDry earn-out creditor (the present value of future commitments associated with the purchase of the COLDry intellectual property in 2009) and the HydroMOR deferred consideration (the present value associated with the purchase of the HydroMOR 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 $99,811.

Coronavirus (COVID-19) Pandemic

The financial results for the year ended 30 June 2022 were impacted by COVID-19. The main impacts were disruptions in the procurement of equipment and labour shortages.

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 R&D cashflow loan of $1,968,000 with Invest Victoria has been approved to rollover for a further 12 months, with the loan to be repaid from the FY23 R&D incentive refund. The rollover approval includes a condition that the FY23 refund forecast must remain within the 80% loan to value ratio limit (i.e. the expected refund must be forecast to be greater than $2,460,000), which the Company currently meets. The Company will therefore be able to access the full FY22 refund estimated at $1,794,182 which will be deployed toward further progressing Phase 2 of its COLDry-hydrogen refinery demonstration plant at Bacchus Marsh along with other initiatives previously stated to the market. The interest rate for this loan on 30 June 2022 was 1.015%.

On 25 August 2022, the 25,000,000 shares that were used as part consideration for the purchase of the land and buildings at Yallourn on 22 February 2022 were released from escrow.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

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

Name:	Glenn Fozard
Title:	Managing Director
Qualifications:	B.Bus (Int. Trade), BA (Psych)
Experience and expertise:	Glenn has a strong commercial background and extensive experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the Cleantech and Agricultural sectors, he supports the Company with valuable guidance in the technology development, risk management and capital raising areas. Glenn is the founding partner of Greenard Willing, a specialist financial advisory firm. Glenn held an advisory position with the Company prior to becoming a director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	12,864,750 ordinary shares
Interests in options:	6,122,668 ECTOE options

Name:	James Blackburn
Title:	Non-Executive Director
Qualifications:	BAppSci, GradDip. (Governance)
Experience and expertise:	Mr Blackburn has a strong executive background as a corporate development practitioner with over 20 years' experience in governance, operational, and technical roles across research, investment and corporate services disciplines.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,500,001 ordinary shares
Interests in options:	40,000,000 director incentive options

Name:	Jason Marinko
Title:	Non-Executive Director (appointed 2 September 2021)
Qualifications:	BCom, FFin, GAICD, MBA
Experience and expertise:	Mr Marinko is an experienced public company CEO, Director and Chairman, with expertise in the technology and investment banking industries and a proven track record in leading technologies to commercialisation. His experience includes being the Executive Chairman of geospatial imagery company Spookfish Limited, where he oversaw the company from its ASX listing through to its eventual sale to North American industry leader, EagleView Technologies Inc and its U.S. private equity partners. In addition, Mr Marinko was previously CEO of Little World Beverages Limited and an Executive Director at ASX-listed logistics technology company, Yojee Limited, and is currently a Non-Executive Director of legal tech innovator, Immediation Limited. He has extensive corporate finance experience and holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	Yojee Limited (ASX: YOJ), Spookfish Limited (ASX: SFI)
Special responsibilities:	Chairman of the board
Interests in shares:	5,072,603 ordinary shares
Interests in options:	5,000,000 ECTOE options and 40,000,000 director incentive options

Name:	Tim Wise
Title:	Non-Executive Director (appointed 2 September 2021)
Qualifications:	BSc.
Experience and expertise:	Mr Wise is an experienced entrepreneur and Company Director with particular expertise in the energy, industrial innovation and technology sectors and has more than 20 years' experience in public companies and capital markets. He was the founder and former CEO of Kalina Power Ltd (ASX:KPO) and The Tap Doctor, and is currently an Executive Director at Phos Energy Limited and a Non-Executive Director of Tamaska Oil and Gas Limited (ASX:TMK), Graft Polymer plc and Melchor Pty Ltd. He has a Bachelor of Science from the University of Western Australia.
Other current directorships:	Tamaska Oil and Gas Limited (ASX: TMK)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,536,301 ordinary shares
Interests in options:	2,500,000 ECTOE options and 40,000,000 director incentive options

'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 secretary

Arron Canicais and Kian Tan were appointed joint Company Secretaries on 13 October 2021 and Adam Giles resigned as Company Secretary on the same date. Mr Canicais provides secretarial, accounting and corporate advice to a number of private and public companies and has over fifteen years' experience in chartered accounting. He has a Bachelor of Commerce from the University of Notre Dame Australia, is a Chartered Accountant and is an Associate Member of the Governance Institute of Australia. Mr Tan is a Chartered Accountant with over 9 years of financial reporting, accounting, advisory and auditing experience and completed a Bachelor of Commerce at Curtin University.

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 2022, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Glenn Fozard	21	21	4	5
James Blackburn	21	21	5	5
Jason Marinko	14	14	-	-
Tim Wise	13	14	-	-
Ashley Moore	7	7	-	-
Neil O'Keefe	7	7	-	-

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

Retirement, election and continuation in office of directors

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

At the 2021 AGM of the Company (held on 22 December 2021), James Blackburn was re-elected as director and the appointments of Jason Marinko and Tim Wise were ratified.

Remuneration report (audited)

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure that non-executive directors' remuneration is appropriate and in line with the market.

The aggregate non-executive director remuneration is determined at a general meeting. The maximum cash fee payable to non-executive directors for discharging their duties as directors is capped at $250,000 per annum.

Directors receive $50,000 per annum in cash remuneration. At the Company's AGM held in January 2021, shareholders approved directors receiving half of their remuneration in shares and half in cash. This arrangement commenced 1 February 2021 and ceased 31 January 2022. Shares have been issued at $0.001 per share. As the Company undertook a 10:1 share consolidation in July 2021, subsequent shares were issued at $0.01 per share. At the Company's AGM held on 22 December 2021 and an extraordinary general meeting held on 24 June 2022, shareholders approved the issue of options to non-executive directors. See below for further details.

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 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 may 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 by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration levels.

The short-term incentives ('STI') payments in the form of incentive options may be granted to executives based on specific annual targets and key performance indicators (KPIs) being achieved. KPIs include share price, leadership contribution and project management.

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

Consolidated entity performance and link to remuneration
Remuneration is not directly linked to the performance of the consolidated entity

Use of remuneration consultants
A remuneration consultant was not used during the year ended 30 June 2022.

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')
At the 2021 AGM, 98.2% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. 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:

- 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 2022, the Board has continued to assess its need for additional skilled resources and to measure this need against the additional costs of further appointments.

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

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

Details of remuneration
The KMP of the consolidated entity during the current financial year consisted of the following persons:
- Glenn Fozard – Managing Director
- James Blackburn – Non-Executive Director
- Jason Marinko – Chairman, Non-Executive Director (appointed 2 September 2021)
- Tim Wise – Non-Executive Director (appointed 2 September 2021)
- Ashley Moore – Executive Director (resigned 2 September 2021)
- Neil O'Keefe – Non-Executive Director (resigned 2 September 2021)
- Martin Hill – Chief Financial Officer
- Adam Giles – Marketing and Communications Manager

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	Share-based payments	
2022	Cash salary and fees $	Consulting fees $	Non-monetary $	Super-annuation $	Leave Benefits $	Equity-settled Shares $	Equity-settled Options $	Total $
Non-Executive Directors:								
James Blackburn [iii]	32,197	-	-	3,219	-	14,583	19,877	69,876
Jason Marinko [iv]	37,879	-	-	3,788	-	-	737,949	779,616
Tim Wise [iv]	37,879	-	-	3,788	-	-	737,949	779,616
Neil O'Keefe [iv]	4,167	31,250	-	-	-	14,583	-	50,000
Executive Directors:								
Glenn Fozard [i]	35,417	267,000	-	-	-	14,583	226	317,226
Other KMP:								
Ashley Moore [ii]	4,717	193,158	-	-	-	14,583	-	212,458
Martin Hill	-	215,059	-	-	-	18,774	2,263	236,096
Adam Giles	-	151,327	-	-	-	-	-	151,327
	152,256	857,794	-	10,795	-	77,106	1,498,264	2,596,215

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Share-based payments	
2021	**Cash salary and fees $**	**Consulting fees $**	**Non-monetary $**	**Super-annuation $**	**Leave Benefits $**	**Equity-settled Shares $**	**Equity-settled Options $**	**Total $**
Non-Executive Directors:								
James Blackburn (iii)	36,362	-	-	3,454	-	10,416	-	50,232
Neil O'Keefe (iv)	-	17,674	-	-	-	10,416	-	28,090
David Smith (iv)	24,932	-	-	2,368	-	-	-	27,300
Executive Directors:								
Glenn Fozard (i)	39,800	192,647	-	-	-	16,151	-	248,598
Ashley Moore (ii)	39,817	160,606	-	-	-	10,416	-	210,839
Other KMP:								
Martin Hill	-	193,718	-	-	-	10,583	3,810	208,111
Adam Giles	-	140,385	-	-	-	-	-	140,385
	140,911	705,030	-	5,822	-	57,982	3,810	913,555

(i) Glenn Fozard's remuneration consists of a fixed fee for being a director, consulting fees for the provision of executive services excluding GST.
(ii) Ashley Moore's remuneration consists of a fixed fee for being a director, consulting fees for the provision of executive services, excluding GST, and a 2% interest discount on his ELF loans. Leave benefits paid are the payout of accrued leave entitlements when employment ceased.
(iii) James Blackburn's remuneration consists of a fixed fee.
(iv) Represents remuneration up to time of resignation as director/KMP or from date of appointment as applicable.

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

	Fixed remuneration %		Short term incentives %		Long term incentives %	
Name	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-Executive Directors:						
James Blackburn	72%	100%	-	-	28%	-
Jason Marinko	5%	-	95%	-	-	-
Tim Wise	5%	-	95%	-	-	-
Neil O'Keefe	100%	100%	-	-	-	-
Executive Directors:						
Glenn Fozard	100%	100%	-	-	-	-
Other KMP:						
Ashley Moore	100%	100%	-	-	-	-
Martin Hill	100%	100%	-	-	-	-
Adam Giles	100%	100%	-	-	-	-

Service agreements

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

Name:	Glenn Fozard
Title:	Managing Director
Agreement commenced:	1 July 2020
Term of agreement:	2 years and 3 months
Details:	Executive remuneration consists of a fixed fee of $50,000 for being a director and consulting fees for executive duties which are capped at $25,000 plus GST per month. No leave or superannuation is payable under this contract. The contract may be terminated by either party providing three months written notice.

Name:	Ashley Moore
Title:	Chief Engineer
Agreement commenced:	1 July 2020
Term of agreement:	2 years and 3 months
Details:	Executive remuneration consists of a fixed fee of $50,000 for being a director and consulting fees for executive duties which are capped at $17,500 plus GST per month. No leave or superannuation is payable under this contract. The contract may be terminated by either party providing three months written notice.

Share-based compensation

Issue of shares
During the year, the following shares were issued to KMP as part of their remuneration or in settlement of invoices:

Name	Shares vested	Issue price	$
Glenn Fozard (i)	1,458,334	$0.010	14,583
James Blackburn (i)	1,458,334	$0.010	14,583
Ashley Moore (i)	1,458,334	$0.010	14,583
Neil O'Keefe (i)	1,458,334	$0.010	14,583
Martin Hill (ii)	1,877,417	$0.010	18,774

Notes:
(i) At the Company's 2020 AGM, directors were each granted 25,000,000 shares at $0.001 per share (before a 10:1 share consolidation) in lieu of the payment of $25,000 in cash for directors' fees. Having regard to the share consolidation that occurred on 1 July 2021, the grant is equivalent to 2,500,000 shares each at an issue price of $0.01. All shares were issued on the grant date and vested periodically from 1 February 2021 until 31 January 2022. The shares above are the shares that vested during the year ended 30 June 2022.
(ii) Shares were issued as settlement for an invoice of the same value.

Options (ASX: ECTOE)
The following options were transferred to KMP as part settlement of invoices for consulting services. These options were transferred from an ELF held in the name of a third party and with their consent. The terms and conditions of these options are as follows:

2022

Name	Issue date	Number of options issued	Fair value	Total value $
Glenn Fozard	13 October 2021	20,445	$0.011	226
Martin Hill	13 October 2021	70,555	$0.011	762
Martin Hill	13 October 2021	750,967	$0.002	1,501

ECTOE options have an exercise price of $0.03 and an expiry date of 17 February 2023. These options were granted as part settlement of invoices for consulting services and therefore vested immediately. The grant date of the 750,967 options issued to Martin Hill was 13 October 2021, whereas the grant date for the remaining options in the above table was during the year ended 30 June 2021.

Options (Unlisted director incentive options)
The following director incentive options were issued to directors as part of an incentive scheme and which formed part of their remuneration for the year:

Directors' report
30 June 2022

Name	Grant date	Option Type (i)	Number of options issued	Fair value per option $	Expiry Date	Exercise price $	Total FY22 remuneration $
Jason Marinko	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	195,090
							737,949
Tim Wise	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	195,090
							737,949
James Blackburn	24 Jun 2022	Tranche A	10,000,000	0.0064	27 Mar 2025	0.05	16,833
	24 Jun 2022	Tranche B	10,000,000	0.0019	27 Mar 2025	0.05	1,244
	24 Jun 2022	Tranche C	10,000,000	0.0016	27 Mar 2025	0.05	987
	24 Jun 2022	Tranche D	10,000,000	0.0014	27 Mar 2025	0.05	813
							19,877
							1,495,775

Notes
(i) For Jason Marinko and Tim Wise - Fair value was determined using an option pricing model at the grant date (being the AGM date of 22 December 2021) when the ECT share price was $0.037 per share. All options vest from 12 months after the agreement date which was 15 October 2021 and provided applicable 20-day VWAP targets are met at any time after the agreement date and prior to the expiry date as follows:

Tranche A VWAP - not applicable
Tranche B VWAP - $0.025
Tranche C VWAP - $0.035
Tranche D VWAP - $0.05

The fair value of these tranches has also been based on a 100% probability of vesting after 12 months as all VWAP hurdles had been met at the grant date (i.e. measurement date).

For James Blackburn - Fair value was determined using an option pricing model at the grant date (being the EGM date of 24 June 2022) when the ECT share price was $0.016 per share. All options vest from 12 months after the agreement date which was 27 March 2022 and provided applicable 20-day VWAP targets are met at any time after the agreement date and prior to the expiry date as follows (percentages provided represent probabilities of vesting at grant date used in the valuation):

Tranche A VWAP - not applicable
Tranche B VWAP - $0.06 (22%)
Tranche C VWAP - $0.08 (18%)
Tranche D VWAP - $0.10 (15%)

VWAP targets had not been met at reporting date.

Performance rights
There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Income	934,853	1,302,940	3,057,154	1,760,773	1,838,563
EBITDA	(4,203,329)	(1,450,516)	(1,071,920)	(8,065,329)	(4,052,141)
EBIT	(4,879,075)	(1,771,325)	(1,458,528)	(8,666,333)	(4,930,085)
Loss after income tax	(5,178,833)	(1,869,725)	(2,067,973)	(8,903,016)	(5,133,685)

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

	2022	2021	2020	2019	2018
Share price at financial year end ($)	0.014	0.002	0.001	0.013	0.012
Basic loss per share (cents per share) *	(0.418)	(0.226)	(0.047)	(0.250)	(0.151)

* EPS figures prior to 2021 have not been restated for the effects of the share consolidation that occurred on 1 July 2021.

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. Opening balances have been adjusted for the share 10:1 share consolidation that took place on 1 July 2021.

	Balance at the start of the year	Received as part of remuneration	Additions	Balance at the end of the year
Ordinary shares				
Jason Marinko (ii)	-	-	5,072,603	5,072,603
Tim Wise (ii)	-	-	2,536,301	2,536,301
James Blackburn	1,041,667	1,458,334	-	2,500,001
Neil O'Keefe	1,119,300	1,458,334	-	2,577,634
Glenn Fozard (ii)	7,348,334	1,458,334	4,058,082	12,864,750
Ashley Moore (ii)	15,025,026	1,458,334	4,069,042	20,552,402
Martin Hill (i)	1,748,330	1,877,417	-	3,625,747
Adam Giles	4,278,096	-	-	4,278,096
	30,560,753	7,710,753	15,736,028	54,007,534

(i) Shares received as part of remuneration were as a result of settlement of consulting fee invoices from shares previously held in an ELF.
(ii) Additions were as a result of participation in the Company’s convertible promissory note issue on the same terms and conditions as other shareholders.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below. Opening balances have been adjusted for the share 10:1 share consolidation that took place on 1 July 2021 which affected options also.

	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Jason Marinko (i),(ii)	-	40,000,000	-	5,000,000	45,000,000
Tim Wise (i),(ii)	-	40,000,000	-	2,500,000	42,500,000
James Blackburn (ii)	-	40,000,000	-	-	40,000,000
Glenn Fozard (i),(iii)	2,102,223	-	-	4,020,445	6,122,668
Ashley Moore (i)	1,560,000	-	-	4,000,000	5,560,000
Martin Hill (iii)	552,777	821,522	-	-	1,374,299
Adam Giles	909,808	-	-	-	909,808
	5,124,808	120,821,522	-	15,520,445	141,466,775

(i) Additions (other than those referred to in point 2 below) were from of participation in the Company's convertible promissory note issue on the same terms and conditions as other shareholders.
(ii) Additions represent director incentives.
(iii) Other – options issued on settlement of consulting invoices from options previously held in an ELF.

ELF Loans
KMP did not hold any ELF loans during the financial year or as at the date of this report.

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

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares under option as at the date of this report are as follows:

Option class	Expiry date	Exercise price	Number under option
Listed ordinary options (ECTOE)	17 February 2023	$0.030	1,920,206,487
Unlisted ordinary director incentive options (i)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (ii)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (iii)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (iv)	15 October 2025	$0.025	20,000,000
Unlisted ordinary director incentive options (v)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (vi)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (vii)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (viii)	27 March 2025	$0.050	10,000,000
			2,040,206,487

(i) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest 12 months from the agreement date of 15 October 2021 and expire 3 years from the agreement date (Tranche A)
(ii) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.025 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche B)
(iii) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day VWAP is $0.035 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche C)
(iv) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day VWAP is $0.050 or higher at any time up to expiry which is 4 years from the agreement date (Tranche D)
(v) 10,000,000 options issued to Mr Blackburn which vest 12 months from the agreement date of 27 March 2022 and expire 3 years from the agreement date (Tranche A)
(vi) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.06 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche B)
(vii) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.08 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche C)
(viii) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.10 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche D)

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 current and previous financial years, shares were issued that were financed by the ELF of ECT Finance Ltd. The details of these facilities are disclosed within the Annual Report (refer to note 17 and note 18 of the financial statements for details). Shares issued under the ELFs are held as security and remain restricted from trading by the shareholders until the debt issued to the respective shareholders has been repaid and the shares released. These shares are accounted for as the in-substance issue of options for accounting purposes.

During the reporting period, 35,000,000 shares were issued which are the security for 6 new ELFs. These ELFs were approved by shareholders on 25 June 2021, were drawdown on 15 September 2021 and expire after 3 years.

On 10 May 2020, the Company commenced a new ELF using the remaining 75,000,000 shortfall shares and 30,000,000 shortfall options (post share consolidation quantities) from the non-renounceable rights issue. The term of this ELF was 1 year and has been extended by two years. Since the commencement of this ELF 54,345,413 shares and all options have been released to suppliers in lieu of payments in cash or as partial settlement for the property purchased in Yallourn. Two of these suppliers are Glenn Fozard and Martin Hill who are KMP of the Company (refer to KMP disclosures above). A total of 20,654,587 shares were held as security for this ELF as at 30 June 2022.

A further ELF was established using 916,407,834 shares that were previously used as security for expired ELFs. These shares were subsequently used as security for 4 new ELFs commencing 15 January 2021 for a term of 2 years. At the Company's AGM the issue of a further 383,592,166 shares was approved which would also be used as security for these ELFs. Total shares held as security for these ELFs was 1,300,000,000 (130,000,000 shares post share consolidation). In February 2022, payments for 3 of these ELFs were received and 65,000,000 shares were released leaving 65,000,000 shares securing the remaining ELF at 30 June 2022.

As at 30 June 2022, there were therefore 120,654,587 (2021: 177,532,005 share post share consolidation) shares on issue and held as security where monies (principal and interest loans) are owing to the Company. Should loans remain unpaid at expiry, ECTF has recourse to those shares held as security and may settle the outstanding debt with the borrower via a number of mechanisms including but not limited to a) disposal of shares on the market with the proceeds used to repay the loan and b) selective buy-back in exchange for debt forgiveness by the parent company.

Shares issued on the exercise of performance rights

There were no ordinary shares of Environmental Clean Technologies Limited issued on the exercise of performance rights during the year ended 30 June 2022 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

Jason Marinko
Chairman

20 September 2022
Perth

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

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 20 September 2022

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 20 September 2022. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Revenue	4	257,597	-
Other income	5	665,182	1,298,452
Interest revenue calculated using the effective interest method		12,074	4,488
Total income		934,853	1,302,940
Expenses			
Remeasurement of financial liabilities	6	99,811	(470,744)
Changes in inventories		(125,378)	-
Corporate costs		(3,425,263)	(1,466,058)
Legal costs		(65,460)	(80,863)
Employee benefits expense	6	(277,893)	(125,860)
Sales and marketing		(435,565)	(107,284)
Depreciation and amortisation expense	6	(675,746)	(320,809)
Engineering and pilot plant costs		(542,033)	(411,867)
Occupancy expense		(85,687)	(68,996)
Travel and accommodation		(34,963)	(17,296)
Finance costs	6	(311,832)	(102,888)
Loss on disposal of plant and equipment and Wood247 business	6	(233,677)	-
Total expenses		(6,113,686)	(3,172,665)
Loss before income tax expense		(5,178,833)	(1,869,725)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited		(5,178,833)	(1,869,725)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		(5,178,833)	(1,869,725)
		Cents	Cents
Basic loss per share	31	(0.418)	(0.226)
Diluted loss per share	31	(0.418)	(0.226)

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

Statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Assets			
Current assets			
Cash and cash equivalents		4,403,198	1,014,490
Trade and other receivables	8	2,160,440	2,276,858
Inventories		-	84,703
Other		53,351	49,102
Total current assets		6,616,989	3,425,153
Non-current assets			
Property, plant and equipment	10	4,655,378	2,551,603
Right-of-use assets	9	484,671	636,702
Intangibles	11	203,400	254,250
Total non-current assets		5,343,449	3,442,555
Total assets		11,960,438	6,867,708
Liabilities			
Current liabilities			
Trade and other payables	12	682,440	1,757,005
Borrowings	13	1,968,000	1,285,558
Lease liabilities	14	157,628	147,871
Provisions	15	5,531	6,079
Other financial liabilities	16	23,012	3,857
Total current liabilities		2,836,611	3,200,370
Non-current liabilities			
Lease liabilities	14	389,701	547,324
Provisions	15	1,864	517
Other financial liabilities	16	1,678,567	1,797,532
Total non-current liabilities		2,070,132	2,345,373
Total liabilities		4,906,743	5,545,743
Net assets		7,053,695	1,321,965
Equity			
Issued capital	17	88,943,874	81,091,892
Reserves	18	3,176,866	118,285
Accumulated losses		(85,067,045)	(79,888,212)
Total equity		7,053,695	1,321,965

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

Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	78,605,405	495,698	(78,220,176)	880,927
Loss after income tax expense for the year	-	-	(1,869,725)	(1,869,725)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,869,725)	(1,869,725)
Transactions with owners in their capacity as owners:				
Share-based payments (note 32)	41,667	118,285	-	159,952
Options exercised (note 18)	570,222	(570,222)	-	-
Issue of shares via placement and purchase plan, net of costs	1,874,598	-	-	1,874,598
Transfer option premium (exercised options)	-	(201,689)	201,689	-
Premium received on ELF options (note 18)	-	276,213	-	276,213
Balance at 30 June 2021	81,091,892	118,285	(79,888,212)	1,321,965

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021	81,091,892	118,285	(79,888,212)	1,321,965
Loss after income tax expense for the year	-	-	(5,178,833)	(5,178,833)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,178,833)	(5,178,833)
Transactions with owners in their capacity as owners:				
Equity component of convertible promissory notes (note 17)	384,136	-	-	384,136
Share-based payments (note 32)	989,607	2,267,241	-	3,256,848
Options exercised	865	-	-	865
Issue of shares and options on conversion of promissory (note 17)	1,479,174	791,340	-	2,270,514
Release of shares on repayment of ELF loans (note 17)	650,000	-	-	650,000
Share placement (note 17)	5,000,000	-	-	5,000,000
Share issue costs	(651,800)	-	-	(651,800)
Balance at 30 June 2022	88,943,874	3,176,866	(85,067,045)	7,053,695

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

ECT ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		221,793	37,389
Research and development tax incentive (inclusive of GST)		1,988,683	899,612
Payments to suppliers and employees (inclusive of GST)		(4,494,157)	(1,792,770)
Government grants		14,933	113,283
Interest received		12,074	4,488
Interest and other finance costs paid		(93,194)	(102,888)
Net cash used in operating activities	28	(2,349,868)	(840,886)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,226,365)	(2,821,877)
Insurance recoveries		-	593,012
Proceeds from disposal of plant and equipment and Wood247 business		93,500	-
Net cash used in investing activities		(3,132,865)	(2,228,865)
Cash flows from financing activities			
Proceeds from issue of shares		5,650,865	1,894,600
Payment of equity raising costs		(314,000)	(20,002)
Proceeds from issue of convertible promissory notes		3,000,000	-
Proceeds from other borrowings		1,968,000	1,259,070
Repayment of borrowings		(1,259,039)	(28,930)
Repayment of lease liabilities		(174,385)	(125,278)
Net cash from financing activities		8,871,441	2,979,460
Net increase/(decrease) in cash and cash equivalents		3,388,708	(90,291)
Cash and cash equivalents at the beginning of the financial year		1,014,490	1,104,781
Cash and cash equivalents at the end of the financial year		4,403,198	1,014,490

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

For the financial year ended 30 June 2022, the consolidated entity had an operating net loss after tax of $5,178,833 (2021: $1,869,725), net cash outflows from operating activities of $2,349,868 (2021: net cash outflows of $840,886), net current assets at the reporting date of $3,780,378 (2021: net current assets of $224,783) and net assets of $7,053,695 (2021: net assets of $1,321,965). The consolidated entity currently does not have a material source of revenue and is reliant on receipt of research and development tax incentives, ELF loan repayments, equity capital or loans from third parties to meet its operating costs.

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The reliance on future funding described above indicates a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. The financial statements have been prepared on the basis that the consolidated entity is a going concern which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

To this end, the consolidated entity is expecting to fund ongoing obligations as follows:

- utilisation of its current cash resources;
- drawdowns against a loan facility with Invest Victoria, secured over the Company's entitlements to available future research and development tax incentive receipts;
- principal paid and interest earned from current or new ELF debt arrangements (treated as capital injections); and
- issuance of the Company's securities under ASX Listing Rule 7.1.

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

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

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 25.

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 2022 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'.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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.

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.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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
Trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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 15% (2021: 22%) pursuant to the agreement (refer note 16). In determining the present value of the liability, estimates of expected timing and quantities of production are taken into consideration using a probability weighting.

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

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

Deferred consideration - HydroMOR
The deferred consideration liability has been calculated based on discounted cash flow projections out to February 2023 using a discount rate of 19% (2021: 30%). The projections used in calculating the liability include consideration of events that would trigger a cash outflow pursuant to the deferred consideration structure (refer note 16). 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.

Types of products and services
The principal products and services of each of these operating segments are as follows:

ECT (COLDry, HydroMOR and FEnEx CRC):	ECT represents the consolidated entity's primary activities of investment, research, development and commercialisation of technologies relating to the COLDry and HydroMOR processes and FEnEx CRC participation.
ECT Finance ('ECTF'):	ECTF is a subsidiary of the group and represents the ELF activities of the consolidated group. ECTF lends to shareholders at commercial interest rates allowing them to finance the acquisition of shares in the Company through limited recourse loan arrangements.

ECT provides funding to ECTF via intersegment loan accounts allowing ECTF to then advance funds to ECT shareholders (i.e. ELF borrowers) for the purpose of exercising their ECT options and acquiring shares in ECT. The shares in ECT are held as security by ECTF against the ELF borrowings until such time as principal and interest payments are made. ECTF may release partial allocations of ECT shares on receipt of repayments of ELF borrowings.

The loan made by ECT to ECFT is interest-bearing giving rise to inter-segment revenue generated by ECT and inter-segment interest expense incurred by ECTF. At a consolidated level, all inter-segment loans are eliminated along with the related interest revenue and expense. Furthermore, all ELF borrowings advanced to shareholders, together with the related issue of ECT shares are eliminated as, pursuant to accounting standards, such loans, which are limited recourse borrowings in nature, are deemed to represent the issue of in-substance call options by ECT to shareholders, with any receipts from ECT borrowers that do not result in the release of shares accounted for as the receipt of option premium. Only when shares are released on receipt of loan repayments is an actual issue of share capital recognised.

Note 4. Revenue

	Consolidated	
	2022 $	2021 $
Sales of product	257,597	-

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

	Consolidated	
	2022 $	2021 $
Major product lines		
Sale of wood briquettes	257,597	-
Geographical regions		
Australia	257,597	-
Timing of revenue recognition		
Goods transferred at a point in time	257,597	-

Note 5. Other income

	Consolidated	
	2022 $	2021 $
Net gain on derivatives not qualifying as hedges (refer note 13)	47,995	-
Research and development tax incentive	598,997	554,768
Insurance recoveries	-	593,012
Government grants	14,933	113,283
Other income	3,257	37,389
Other income	665,182	1,298,452

Research and development tax incentive
The Company recognised a receivable related to the research and development tax incentive of $1,794,182 at 30 June 2022 (2021: $1,971,535) which relates to eligible expenditure. An amount of $1,212,333 (2021: $1,416,766) of the incentive received or receivable has been offset against the cost of plant and equipment (2021: plant and equipment and right of access mining intangible asset). Refer note 10 and note 11.

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

Government grants
The consolidated entity received JobKeeper support payments as grants from the Australian Government of $21,350 in the prior year which were passed on to eligible employees. These have been recognised as grant income in the periods in which the related employee benefits were recognised as an expense.

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

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

Note 6. Expenses

	Consolidated	
	2022	2021
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	2,235	-
Plant and equipment	466,525	163,624
Office equipment	4,105	3,833
Buildings right-of-use assets	152,031	153,352
Total depreciation	624,896	320,809
Amortisation		
Right of access to mine	50,850	-
Total depreciation and amortisation	675,746	320,809
Remeasurement of financial liabilities		
Remeasurement of deferred consideration for HydroMOR assets	146,914	(55,055)
Remeasurement of COLDry earn-out provision	(246,725)	525,799
Total remeasurement of financial liabilities	(99,811)	470,744
Loss on disposal of plant and equipment and Wood247 business		
Net loss incurred on disposal of Wood247 business	198,351	-
Loss on sale and write off of other plant and equipment	35,326	-
	233,677	-
Finance costs		
Interest and finance charges paid/payable on lease liabilities	31,404	38,426
Interest and facility costs	61,784	64,462
Interest on convertible promissory notes	218,644	-
Finance costs expensed	311,832	102,888
Employee benefits expense		
Defined contribution superannuation expense	37,375	14,745
Other employee benefits	240,518	111,115
Total employee benefits expense	277,893	125,860

Note 7. Income tax expense

	Consolidated	
	2022	2021
	$	$
Income tax expense		
Deferred tax assets attributable to temporary differences	702,055	607,666
Deferred tax assets attributable to carried forward tax losses	(692,562)	(62,944)
Total deferred tax assets not recognised	(9,493)	(544,722)
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,178,833)	(1,869,725)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,294,708)	(486,129)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Repairs and maintenance	-	(117,000)
Research and development	881,390	1,048,692
Share-based payments	422,099	113,403
Non-taxable government grants	-	(16,250)
Unrealised foreign exchange movements	713	2,006
	9,494	544,722
Current year tax losses not recognised	692,561	62,944
Current year temporary differences not recognised	(702,055)	(607,666)
Income tax expense	-	-

	Consolidated	
	2022	2021
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	28,230,666	25,460,418
Potential tax benefit at 25% (2021: 25%)	7,057,666	6,365,105

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

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

Note 7. Income tax expense (continued)

	Consolidated 2022 $	Consolidated 2021 $
Deferred tax assets net of deferred tax liabilities not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	1,849	1,715
Accrued expenses	3,190	43,790
Plant and equipment	(1,179,634)	(572,298)
Finance costs	28,913	45,219
Intangible assets	2,064,096	2,141,995
Provision for earn-out (Coldry)	316,257	393,056
HydroMOR deferred consideration	(219,152)	(266,116)
Right-of-use asset (net of lease liability)	15,665	15,208
Total deferred tax assets net of deferred tax liabilities not recognised	1,031,184	1,802,569

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

Note 8. Trade and other receivables

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Trade receivables	30,250	-
Other receivables	159,286	-
Research and development tax incentive receivable	1,794,182	1,971,535
	1,953,468	1,971,535
BAS receivable	176,722	305,323
	2,160,440	2,276,858

Allowance for expected credit losses
There were no allowances for expected credit losses on receivables recognised as at reporting date. Amounts written off as not recoverable during the year were $nil (2021: $nil).

Note 9. Right-of-use assets

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Land and buildings - right-of-use	945,502	945,502
Less: Accumulated depreciation	(460,831)	(308,800)
	484,671	636,702

The consolidated entity leases land and buildings for its offices and pilot plant facility at Bacchus Marsh, Victoria. The office lease has a year remaining under the contract with an option to extend for a further 3 years. The Bacchus Marsh lease has 34 months remaining under contract. On renewal, the terms of the leases are renegotiated.

Note 9. 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 (ROU) $
Balance at 1 July 2020	782,296
Reassessment of asset on lease extension	7,758
Depreciation expense	(153,352)
Balance at 30 June 2021	636,702
Depreciation expense	(152,031)
Balance at 30 June 2022	484,671

Note 10. Property, plant and equipment

	Consolidated	
	2022 $	2021 $
Non-current assets		
Land and buildings - at cost	1,026,529	-
Leasehold improvements - at cost	61,593	-
Less: Accumulated depreciation	(2,235)	-
	59,358	-
Plant and equipment - at cost	7,947,274	8,066,712
Less: Accumulated depreciation	(4,392,889)	(5,516,730)
	3,554,385	2,549,982
Fixtures and fittings - at cost	12,102	12,102
Less: Accumulated depreciation	(12,102)	(12,102)
	-	-
Office equipment - at cost	28,489	43,338
Less: Accumulated depreciation	(13,383)	(41,717)
	15,106	1,621
	4,655,378	2,551,603

Note 10. Property, plant and equipment (continued)

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

Consolidated	Land and buildings $	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2020	-	-	289,783	3,587	293,370
Additions	-	-	2,920,106	1,867	2,921,973
R&D tax incentive offset	-	-	(1,221,016)	-	(1,221,016)
Additions - assets under construction	-	-	724,733	-	724,733
Depreciation expense	-	-	(163,624)	(3,833)	(167,457)
Balance at 30 June 2021	-	-	2,549,982	1,621	2,551,603
Additions	1,026,529	61,593	2,903,520	19,482	4,011,124
Disposals (plant and equipment and other assets related to Wood247)	-	-	(130,288)	-	(130,288)
R&D tax incentive offset	-	-	(1,210,441)	(1,892)	(1,212,333)
Write off of assets	-	-	(91,863)	-	(91,863)
Depreciation expense	-	(2,235)	(466,525)	(4,105)	(472,865)
Balance at 30 June 2022	1,026,529	59,358	3,554,385	15,106	4,655,378

Sale of Wood247 business
On 17 January 2022, the Company announced its intention to sell the retail recycled hardwood briquette business, Wood247. This decision was made after the completion of its pilot period and a strategic review of the business. It was determined that the Wood247 business was inconsistent with the key strategic objectives of the Company with respect to net zero and hydrogen technologies.

Site Purchased for Proposed Hydrogen Refinery Project
On 22 February 2022, the Company settled the purchase of a site in Yallourn at a total cost of $1,026,529 that will be suitable for its proposed hydrogen refinery project. Refer to the 'Review of Operations' section in the directors' report for further details.

Note 11. Intangibles

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
COLDry IP - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(4,800,000)	(4,800,000)
Less: Impairment	(4,800,000)	(4,800,000)
	-	-
Waste-to-energy IP - at cost	48,369	48,369
Less: Accumulated amortisation	(48,369)	(48,369)
	-	-
Right of access to mine	254,250	254,250
Less: Accumulated amortisation	(50,850)	-
	203,400	254,250
	203,400	254,250

Note 11. Intangibles (continued)

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	Right of access - mining $
Balance at 1 July 2020	-
Additions	450,000
R&D tax incentive offset	(195,750)
Balance at 30 June 2021	254,250
Amortisation expense	(50,850)
Balance at 30 June 2022	203,400

COLDry intellectual property ('COLDry IP')

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

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

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

Right-of-access - mining

During the 2021 financial year, the Company entered into an agreement with Energy Australia to secure a supply of lignite. The consideration paid to Energy Australia was used to upgrade its plant to facilitate product supply to the Company. The agreement included the cost to repair and commission the outfeed delivery system at a cost of $450,000 of which $195,750 was claimed as part of the R & D tax incentive last financial year. The remaining balance of $254,250 is being amortised over 5 years.

Note 12. Trade and other payables

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Trade payables	625,995	1,544,142
Other payables	56,445	212,863
	682,440	1,757,005

Refer to note 19 for further information on financial instruments.

Note 13. Borrowings

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Invest Victoria R&D funding Loan	1,968,000	1,259,039
Equipment finance	-	26,519
	1,968,000	1,285,558

Refer to note 19 for further information on financial instruments.

Invest Victoria R&D funding loan
The funding loan relates to a facility agreement that provided for funding based on the value of the anticipated AusIndustry Tax Incentive program for the respective financial year and is secured by the research and development tax rebate provided to the Company under the research and development tax incentive program. The current interest rate for this loan is 1.015%.

The total principal of the loan to $1,968,000. The loan is secured by the Company's expected 2021/22 R&D tax incentive. Subsequent to balance date, the entire loan has been approved by Invest Victoria to be rolled over for a further 12 months such that it will be repaid from the research and development refund relating to the financial year ended 30 June 2023. The rollover approval includes a condition that the FY23 refund forecast must remain within the 80% LVR limit (i.e. >$2.46m), which the Company currently meets. The interest rate for this loan at balance date was 1.015%.

Convertible promissory notes
On 7 September 2021, the Company raised $3,000,000 through the issue of convertible promissory notes to sophisticated investors. On issue, the notes were initially recognised in the following components:

	Consolidated 2022 $
Debt component recognised at amortised cost	1,799,863
Derivative liability component	300,000
Equity component	564,137
Share-based payments reserve	336,000
Convertible promissory notes capital raised	3,000,000

Note 13. Borrowings (continued)

The debt component was measured using a discounted cash flow methodology where future contractual cash flows were discounted at a rate of 38.6%. This rate represents an estimated rate of interest applied at issue date by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option, as well as amortising the transaction costs associated with the issue of the notes.

The term of the convertible promissory notes was 24 months and they entitled the holder to interest at a rate of 5% p.a. (uncompounded). Redemption was facilitated whereby the holder issued a redemption notice to the Company within 1 month following the 2021 AGM or Second Meeting date (defined as on or before a date that is 6 months following the date of the 2021 Annual General Meeting). The amount payable was equivalent to the total face value of the note plus capitalised interest ('outstanding amount') plus 10% of the face value. A redemption notice could also be issued by the holder within 1 month following any other General Meeting Date in which case the amount payable would be equivalent to the outstanding amount plus 20%. As the Company does not have an unconditional right to avoid settlement within 12 months of balance date, the notes were classified as current liabilities in the Company's interim financial report for the period ended 31 December 2021.

The notes are convertible into ordinary shares at the lower of $0.01 or a 20% discount to the volume weighted average price. The derivative liability component indicated above represents the Company's obligation to convert such notes at a 20% discount should holders exercise such an option and is measured at fair value. The equity component represents the value inherent in the ability of holders to exercise at $0.01. The conversion into shares included accrued interest whereas the conversion into options is based upon the initial convertible promissory note amount hence the number of shares and options issued is different.

On 21 December 2021, notes with a carrying value of $1,919,764 (principal plus accrued interest) were converted into ordinary shares and ECTOE options of the Company. This resulted in the issue of 290,152,877 ordinary shares ($1,395,339) and 286,000,000 ECTOE options ($524,425) (refer to note 17). The value of the derivative liability calculated as being extinguished at that time was $239,668.

On 21 January 2022, notes with a carrying value of $66,208 (principal plus accrued interest) were converted into ordinary shares and ECTOE options of the Company. This resulted in the issue of 8,646,713 shares ($51,130) and 8,500,000 ECTOE options ($15,078) (refer to note 17). The value of the derivative liability calculated as being extinguished at that time was $7,310.

On 4 March 2022, the remaining notes were converted into 5,631,096 ordinary shares ($32,705) and 5,500,000 ECTOE options ($12,168) of the Company (refer to note 17). The value of the derivative liability calculated as being extinguished at that time was $5,027.

The total gain on the remeasurement of the derivative liability for the financial year was $47,995.

Note 14. Lease liabilities

	Consolidated	
	2022 $	2021 $
Current liabilities		
Lease liability	157,628	147,871
Non-current liabilities		
Lease liability	389,701	547,324
	547,329	695,195

Refer to note 19 for further information on financial instruments.

Note 15. Provisions

	Consolidated	
	2022	2021
	$	$
Current liabilities		
Annual leave	5,531	6,079
Non-current liabilities		
Long service leave	1,864	517
	7,395	6,596

Note 16. Other financial liabilities

	Consolidated	
	2022	2021
	$	$
Current liabilities		
Earn-out provision - COLDry	-	3,857
Deferred consideration - HydroMOR	23,012	-
	23,012	3,857
Non-current liabilities		
Earn-out provision - COLDry	1,265,027	1,507,894
Deferred consideration - HydroMOR	413,540	289,638
	1,678,567	1,797,532
	1,701,579	1,801,389

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 15% (2021: 22%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Deferred consideration - HydroMOR (previously Matmor)
As part of the consideration for the acquisition of the HydroMOR 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 a 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 the exercise of ECT Options up to a cash amount of $1 million
(b) a minimum of 15% of proceeds received by the Company from the exercise of ECT Options thereafter
(c) $500,000 on signing a binding contract for construction of the HydroMOR Pilot Plant
(d) $500,000 on the HydroMOR Pilot Plant operations achieving an agreed steady state as well as conversion targets
(e) $1 million on the signing of a binding contract for the construction of a commercial scale HydroMOR plant
(f) the first collection of revenue in any form from the commercialisation of HydroMOR technology

At the reporting date, a total of $2,000,215 (2021: $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 has 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 the discount rate is recognised as a finance cost.

Note 16. Other financial liabilities (continued)

	Earn-out creditor COLDry $	Deferred consideration HydroMOR $	Total $
Opening balance as at 1 July 2021	1,511,751	289,638	1,801,389
Remeasurement to fair value (charge to profit or loss)	(246,725)	146,914	(99,811)
Closing balance as at 30 June 2022	1,265,026	436,552	1,701,578

Note 17. Issued capital

	Consolidated			
	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	1,595,597,090	10,000,929,918	88,943,874	81,091,892
Treasury shares	-	55,000,000	-	-
ELF shares	120,654,587	1,775,320,034	-	-
	1,716,251,677	11,831,249,952	88,943,874	81,091,892

Ordinary share capital

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

On 1 July 2021, the Company has (following shareholder approval) consolidated its issued capital on a 1 for 10 basis.

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.

Note 17. Issued capital (continued)

Details	Date	Shares Issued	Issue price	$
Balance	1 July 2020	7,843,920,316		78,605,405
Release of ELF shares	31 July 2020	35,704,636	$0.008	294,009
Issue of new shares (director remuneration - vested)	4 March 2021	41,666,664	$0.001	41,667
Issue of new shares (director remuneration - not vested)	4 March 2021	58,333,336	$0.000	-
Release from ELF (share-based payment)	16 March 2021	3,066,666	$0.002	4,600
Issue of new shares (share placement)	15 April 2021	1,500,000,000	$0.001	1,500,000
Release from ELF (share-based payment)	30 April 2021	34,550,000	$0.001	34,550
Release from ELF (share-based payment)	21 May 2021	226,480,000	$0.001	226,480
Release from ELF (share-based payment)	26 May 2021	10,583,300	$0.001	10,583
Issue of new shares (share purchase plan)	15 June 2021	246,625,000	$0.002	394,600
Equity raising costs		-	$0.000	(20,002)
Balance	30 June 2021	10,000,929,918		81,091,892
Consolidation of share capital	1 July 2021	(9,000,836,396)	$0.000	-
Share-based payments	1 July 2021	1,000,000	$0.010	10,000
Share-based payments	30 August 2021	9,000,000	$0.010	90,000
Equity component of convertible promissory notes	7 September 2021	-	$0.000	384,136
Share-based payments	4 October 2021	18,000,000	$0.010	180,000
Share-based payments	14 October 2021	1,877,415	$0.010	18,774
Exercise of options	26 November 2021	2,000	$0.030	60
Exercise of options	10 December 2021	26,800	$0.030	805
Conversion of convertible promissory notes	21 December 2021	290,152,877	$0.010	1,395,339
Conversion of convertible promissory notes	21 January 2022	8,646,713	$0.006	51,130
Share-based payment	31 January 2022	-	$0.010	58,333
Release of ELF shares	15 February 2022	65,000,000	$0.010	650,000
Part settlement of acquisition of Yallourn property	22 February 2022	25,000,000	$0.019	475,000
Conversion of convertible promissory notes	4 March 2022	5,631,096	$0.006	32,705
Wood247 sale	8 April 2022	4,500,000	$0.035	157,500
Share placement	3 May 2022	166,666,667	$0.030	5,000,000
Equity raising costs		-	$0.000	(651,800)
Balance	30 June 2022	1,595,597,090		88,943,874

Share placements
During the year ended 30 June 2021, the Company raised $1,500,000 through a placement of 1,500,000,000 fully paid ordinary shares to sophisticated and professional investors at an issue price of $0.001 per share. For every three shares issued under the Placement, the Company issued one free attaching ECTOE option exercisable at $0.003 and expiring 17 February 2023.

During the year ended 30 June 2022, the Company raised $5,000,000 through a placement of 166,666,667 fully paid ordinary shares to sophisticated and professional investors at an issue price of $0.03 per share. For every three shares issued under the Placement, the Company issued two (2) free attaching ECTOE options exercisable at $0.03 and expiring 17 February 2023. Funds were raised for the following: $3,500,000 to fund ECT obligations under a joint venture agreement being the installation of the pyrolysis kiln and site preparation for the turbine, formic acid process and Hydrogen Hub; $1,200,000 for general working capital; and $300,000 in capital raising costs.

Convertible Promissory Notes
During the year ended 30 June 2022, the Company issued and allotted 304,430,686 fully paid ordinary shares and 300,000,000 ECTOE options upon the conversion of promissory notes as approved by shareholders at the Company's AGM in December 2021.

Note 17. Issued capital (continued)

Release of Shares from Escrow
On 15 February 2022, 65,000,000 fully paid ordinary shares and 26,000,000 ECTOE options were released from escrow following receipt of $650,000 which repaid the ELFs issued to Challenge Bricks and Roofing Pty Ltd and nominees. Refer to ASX announcement 9 February 2022.

A further 18,261,835 ECTOE options were released from another ELF in the name of Iain McEwin. These options were released to Mr McEwin in lieu of a performance fee for arranging the early repayment of the ELF issued to Challenge Bricks and Roofing Pty Ltd and nominees. On 13 October 2021, 321,333 shares were also released from this ELF which related to the settlement of creditors from the prior financial year. 750,967 were released which relates to the settlement of creditors for the current financial year. This ELF has therefore released all options from escrow.

At the Company's 2020 AGM, directors were each granted 25,000,000 shares at $0.001 per share (2,500,000 shares at a price of $0.01 post a 10:1 share consolidation) in lieu of the payment of $25,000 in cash for directors' fees. All shares were issued, placed in escrow and vested periodically from 1 February 2021 until 31 January 2022. In the prior financial year, 1,041,667 shares were released from escrow and 1,458,333 shares were released from escrow in the current financial year.

ELF share capital

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

All shares issued pursuant to the ELF and which are financed by limited recourse loans are considered, for accounting purposes, to be options issued. As a result, neither the value of the loans receivable, nor the value of shares issued, are recognised in the financial statements. Where the Company receives funds from Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the option reserve until the loan is settled (refer to note 18). Loans expire within 2-3 years from issue and interest is charged at commercial rates of interest.

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

The face value of limited recourse loans that had been issued at the reporting date was $1,556,546 (2021: $2,050,000) and interest and management fees accrued on such loans was $321,015 (2021: $85,050).

As at reporting date, there are 120,654,587 (2021: 1,775,320,034) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

ELF share capital movements (i.e. number of shares) are as follows:

	Consolidated	
	2022	2021
Details		
Opening balance of ELF shares on issue	1,775,320,034	1,757,112,470
Consolidation of share capital	(1,597,788,032)	-
Shares released during year (i),(ii)	(90,000,000)	(310,384,602)
Share-based payments	(1,877,415)	-
ELF shares issued during year	35,000,000	1,300,000,000
Transfers to Treasury Shares on expiry of ELF Loans	-	(971,407,834)
Closing balance of ELF shares on issue	120,654,587	1,775,320,034

(i) Shares were released on receipt of $650,000 and payment of $250,000 as part settlement of the property purchased at Yallourn both of which occurred in February 2022.
(ii) Included in the release of shares during 2021 are shares issued to suppliers to the Bacchus Marsh rebuild. The value of services was valued at $276,213 (note 18) and such amount was applied to the full settlement of ELF loans thereby releasing share capital. Refer to items designated as 'Release from ELF (share-based payment)' in the ordinary share capital reconciliation table above.

Note 17. Issued capital (continued)

During the year, the Company established ELFs with six nominees of Kaai Capital who was appointed as the Lead Manager for the Company's share placement that occurred during April and May 2021. The Company issued 35,000,000 (post-share consolidation) shares to Kaai's nominees. The term of the ELFs is 3 years, during which time the nominees may elect to pay out their ELF at a deemed price of $0.02 per share) plus any interest and fees, subject to the terms of the ELF, to satisfy the loan and have the holding lock lifted. If the nominees do not pay out their ELFs by the due date, the loan defaults but is settled by ECTF taking control of the security (the ECT shares).

The following ELF shares were on issue at reporting date:

ELF issue details	Effective exercise price	No. of shares 2022	No. of shares 2021 (i)
Issue date 10 May 2020, expiry date 10 May 2023	$0.01	20,654,587	47,532,003
Issue date 15 January 2021, expiry date 15 January 2023	$0.01	65,000,000	130,000,000
Issue date 15 September 2021, expiry date 15 September 2024	$0.02	35,000,000	-
		120,654,587	177,532,003

Note:
(i) Number of shares adjusted for the share consolidation that occurred on 1 July 2021.

Treasury share capital
Treasury shares are shares in the Company that are held by ECT Finance Ltd, a subsidiary of the Company, prior to their allocation to shareholders which may be used in equity loan facility (ELF) arrangements or used to satisfy liabilities.

Details	Date	Shares
Balance	1 July 2020	-
Transfer from ELF expired loan arrangements	31 July 2020	916,407,834
Transfer from treasury shares to ELF	4 March 2021	(916,407,834)
Transfer from ELF expired loan arrangements	30 June 2021	55,000,000
Balance 30 June 2021		55,000,000
Consolidation of share capital	1 July 2021	(49,500,000)
Release of shares	1 July 2021	(1,000,000)
Release of shares – Sale of Wood247*	30 April 2022	(4,500,000)
Balance 30 June 2022		-

* Shares have been released from treasury shares but are still held in escrow pending receipt of the final payments from the sale of the Wood247 business which are due by 31 October 2022.

Options on issue (ASX: ECTOE)

ECTOE options on issue have an exercise price of $0.03. On 1 July 2021, the Company's share capital and options were consolidated on the basis of 1 share/option for every 10 on issue.

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

Note 17. Issued capital (continued)

Details	Date of issue	No. of options
Balance of ECTOE options on issue as at 1 July 2021		2,440,206,487
Consolidation	1 July 2021	(2,196,185,753)
Placement	14 July 2021	50,000,000
Share-based payments (lead manager fee – share placement)	30 August 2021	75,000,000
Share-based payments (lead manager fee – share placement)	30 August 2021	3,000,000
Share-based payments (lead manager fee – convertible promissory notes)	4 October 2021	150,000,000
Share-based payments (lead manager fee – convertible promissory notes)	4 October 2021	15,000,000
Exercise of options	26 November 2021	(2,000)
Exercise of options	10 December 2021	(26,800)
Issue and placement (convertible promissory notes)	30 December 2021	286,000,000
Share-based payments (issue of options to lead manager)	30 December 2021	3,000,000
Issue of shares & options from promissory notes	21 January 2022	8,500,000
Options issued on conversion of promissory notes	4 March 2022	5,500,000
Issue of shares & options from share placement	4 May 2022	55,555,556
Issue of options to lead managers re share placement	4 May 2022	10,200,000
Second tranche of options from share placement	24 June 2022	55,555,556
		961,303,046

Included in the number of ECTOE options on issue are 26,000,000 (2021: 725,880,234) that are restricted on the basis that they are held within an ELF.

Options on issue (Unlisted director incentive options)

Unlisted director incentive options were issued during the year as part of an incentive scheme and which formed part of their remuneration.

Issue date	Number issued	Exercise price	Expiry date	Terms	Balance on issue at year end
30 Dec 2021	20,000,000	$0.025	15 Oct 2024	note (i)	20,000,000
30 Dec 2021	20,000,000	$0.025	15 Oct 2024	note (ii)	20,000,000
30 Dec 2021	20,000,000	$0.025	15 Oct 2024	note (iii)	20,000,000
30 Dec 2021	20,000,000	$0.025	15 Oct 2025	note (iv)	20,000,000
24 Jun 2022	10,000,000	$0.05	27 Mar 2025	note (v)	10,000,000
24 Jun 2022	10,000,000	$0.05	27 Mar 2025	note (vi)	10,000,000
24 Jun 2022	10,000,000	$0.05	27 Mar 2025	note (vii)	10,000,000
24 Jun 2022	10,000,000	$0.05	27 Mar 2025	note (viii)	10,000,000
					120,000,000

(i) Exercise is subject to vesting (12 months from issue date)
(ii) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.025 or higher at any time prior to expiry
(iii) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.035 or higher at any time prior to expiry
(iv) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.05 or higher at any time prior to expiry
(v) Exercise is subject to vesting (12 months from issue date)
(vi) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.06 or higher at any time prior to expiry
(vii) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.08 or higher at any time prior to expiry
(viii) Exercise is subject to vesting which may occur no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day Volume Weighted Share Price of the Company (VWAP) is $0.10 or higher at any time prior to expiry

Note 17. Issued capital (continued)

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

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

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

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

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

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

The capital risk management strategy remains unchanged from 2021.

Note 18. Reserves

	Consolidated	
	2022	2021
	$	$
Share-based payments reserve	1,495,775	-
Options reserve	1,681,091	118,285
	3,176,866	118,285

Options reserve
The balance of the options reserve recognises the value of consideration received for options issued that are exercisable at reporting date, including the value of options issued on settlement of convertible promissory notes. Such options may include those that have been issued as a share-based payment and which have vested in the optionholder as at reporting date (refer to note 17 for further details). Movements in the reserve are provided below.

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

Share-based payments reserve
The balance of the reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration which have not fully vested in the recipient as at reporting date. Movements in the reserve are provided in the table below.

Note 18. Reserves (continued)

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

Consolidated	Options reserve $	ELF reserve $	Share-based payments reserve $	Total $
Balance at 1 July 2020	-	495,698	-	495,698
Receipt of premium	-	276,213	-	276,213
Exercise of options (refer note 17)	-	(570,222)	-	(570,222)
Expiry of options	-	(201,689)	-	(201,689)
Share-based payments (note 32)	118,285	-	-	118,285
Balance at 30 June 2021	118,285	-	-	118,285
Issue of options on settlement of convertible promissory notes	791,340	-	-	791,340
Share-based payments (note 32)	771,466	-	1,495,775	2,267,241
Balance at 30 June 2022	1,681,091	-	1,495,775	3,176,866

Note 19. 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.

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.

Note 19. Financial instruments (continued)

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

Liquidity risk

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

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

Financing arrangements

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

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 - 2022	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	-	625,995	-	-	-	625,995
Other payables	-	56,445	-	-	-	56,445
Deferred consideration (HydroMOR)	-	-	23,012	367,963	45,577	436,552
Interest-bearing - variable						
Earn-out provision (COLDry)	0.850%	-	-	36,812	1,228,214	1,265,026
Interest-bearing - fixed rate						
Lease liability	5.000%	181,420	183,636	230,393	-	595,449
R&D funding loan	1.015%	-	1,968,000	-	-	1,968,000
Total non-derivatives		863,860	2,174,648	635,168	1,273,791	4,947,467

Consolidated - 2021	Interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,544,142	-	-	-	1,544,142
Other payables	-	212,863	-	-	-	212,863
Deferred consideration (HydroMOR)	-	-	-	156,493	133,145	289,638
Interest-bearing - variable						
Earn-out provision (COLDry)	0.250%	3,856	8,166	438,617	1,061,112	1,511,751
Interest-bearing - fixed rate						
Lease liability	5.000%	179,276	181,417	414,018	-	774,711
R&D funding loan	12.000%	1,259,039	-	-	-	1,259,039
Total non-derivatives		3,199,176	189,583	1,009,128	1,194,257	5,592,144

Note 19. Financial instruments (continued)

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

Cash flows related to settlement of the COLDry earn-out provision are based on timing of forecast production output upon which payment is calculated. Future cash flows have been discounted at 15% (2021: 22%) in determining the recognised carrying value within the financial statements.

Settlement of the HydroMOR 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 19% (2021: 30%) in determining the recognised carrying value within the financial statements.

Note 20. 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 - 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - HydroMOR	-	-	436,552	436,552
Earn-out provision - COLDry IP	-	-	1,265,026	1,265,026
Total liabilities	-	-	1,701,578	1,701,578

Consolidated - 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - HydroMOR	-	-	289,638	289,638
Earn-out provision - COLDry IP	-	-	1,511,751	1,511,751
Total liabilities	-	-	1,801,389	1,801,389

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 20. 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	Derivative liability - Convertible promissory notes $	Deferred consideration HydroMOR $	Earn-out provision COLDry IP $	Total $
Balance at 1 July 2020	-	344,693	985,952	1,330,645
Remeasurement recognised in profit or loss	-	(55,055)	525,799	470,744
Balance at 30 June 2021	-	289,638	1,511,751	1,801,389
Initial recognition	300,000	-	-	300,000
Remeasurement to fair value	(47,995)	-	-	(47,995)
Settlement on conversion of promissory notes	(252,005)	-	-	(252,005)
Losses recognised in profit or loss	-	123,902	(223,712)	(99,810)
Balance at 30 June 2022	-	413,540	1,288,039	1,701,579

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

Description	Unobservable inputs	Potential range	Sensitivity
COLDry earn-out provision	Discount rate	10% - 20% (15% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $331,689 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $475,417 (and increasing the loss).
	Timing of production to discharge liability	July 2022 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 next 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 $247,776.
HydroMOR deferred consideration	Discount rate	14% - 24% (19% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $91,298 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $111,661 (and increasing the loss).
	Timing of significant trigger events	July 2022 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 $34,747.

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

Note 21. 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 2022 $	Consolidated 2021 $
Short-term benefits	1,010,050	845,941
Post-employment benefits	10,795	5,822
Share-based payments	1,575,370	61,792
	2,596,215	913,555

As approved at the Company's 2020 Annual General Meeting (AGM) held on 15 January 2021, shares in the Company were issued to each director in lieu of $25,000 of directors' fees that would have been paid in cash. The shares were held in escrow and released to directors monthly in arrears commencing 1 February 2021 and concluding 31 January 2022. The grant date fair value of the shares issued was $0.01 ($100,000 in aggregate) which vested over 12 months. The shares have now fully vested. The share-based expense for the year relating to this grant of shares is $58,333 (2021: $41,667). Two of the recipients of these director fees ceased being a director on 2 September 2021. The board agreed to continue to make the share-based payments to these two directors in lieu of consulting invoices until the arrangement ended on 31 January 2022. Included in the share-based payment of $58,333 for this financial year was $21,264 which related to the settlement of consulting invoices. Refer to note 24 and the directors' report for further details.

Note 22. 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 2022 $	Consolidated 2021 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	109,441	95,285

Note 23. Commitments

	Consolidated 2022 $	Consolidated 2021 $
Equipment finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	30,920
Total commitment	-	30,920
Less: Future finance charges	-	(4,401)
Net commitment recognised as liabilities	-	26,519
*Patent commitments **		
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	40,496	56,192
More than five years	24,299	12,356
	64,795	68,548

* Patent commitments represent maintenance payments pursuant to the registered patents of both COLDry and HydroMOR.

Note 23. Commitments (continued)

Royalty commitments

The Company has entered into agreements that require it to pay certain royalties on production of its COLDry and HydroMOR 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 $0.50 per tonne, which is increased by CPI each anniversary of the agreement. For 2022, this now stands at $0.5344 per tonne (2021: $0.5182). This royalty is payable for a period of twenty years following the commencement of payments; and
- from revenue achieved through commercialisation and deployment of HydroMOR technology, less valid deductions as required under any technology licence, the Company should pay 3%. This royalty is payable in perpetuity.

Coal supply agreement with EnergyAustralia
On 28 May 2021, the Company signed a coal supply agreement with EnergyAustralia for the supply of lignite from EnergyAustralia'a Yallourn mine (refer ASX announcement dated 3 June 2021). The agreement requires that EnergyAustralia supply at least 50,000 tonnes (or other agreed amounts) to the Company for the next 5 years to support the Company's COLDry activities. There is no minimum purchase commitment incurred by the Company.

Note 24. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

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

	Consolidated 2022 $	Consolidated 2021 $
Payment for other expenses:		
Payment of forklift rent to key management personnel (i)	9,000	9,000

Notes:
(i) The Company rents a forklift from Glenn Fozard on a monthly basis for $750 (plus GST) per month. This arrangement replaced a prior rental agreement for a less suitable and older forklift with another supplier.

Receivable from and payable to related parties
There were no trade receivables from related parties at reporting date.

	Consolidated 2022 $	Consolidated 2021 $
Current payables:		
Trade payables to key management personnel (i)	-	33,264

Note 24. Related party transactions (continued)

(i) The following trade payables (inclusive of GST) were owing to related parties at reporting date:
- to Glenn Fozard for the hire of a forklift $nil (2021: $825)
- to Adam Giles for consulting fees $nil (2021: $14,524)
- to Ashley Moore for director's fees and reimbursement of expenses $nil (2021: $3,329)
- to Martin Hill for consulting fees $nil (2021: $14,586)

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

On 30 September 2021, Glenn Fozard borrowed $40,000 from the Company to fund his subscription to the convertible promissory note issue. The loan was interest-bearing at a rate of 4.52% p.a. and was repaid at $5,000 per month. At 30 June 2022, the loan had been fully repaid. Interest accrued on the loan during the financial year was $308. Shares issued that related to the loan were escrowed until payment was made and have since been released from escrow.

On 30 September 2021, Ashley Moore borrowed $20,000 from the Company to fund his subscription to the convertible promissory note issue. The loan was interest-bearing at a rate of 4.52% p.a. and was being repaid at $3,333 per month. At 30 June 2022, the loan had been fully repaid. Interest accrued on the loan during the financial year was $911. Shares issued that related to the loan were escrowed until payment was made and have since been released from escrow.

Note 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	$	$
Loss after income tax	(5,153,782)	(1,195,574)
Total comprehensive loss	(5,153,782)	(1,195,574)

Statement of financial position

	Parent	
	2022	2021
	$	$
Total current assets	6,301,140	3,083,889
Total assets	11,644,225	6,526,444
Total current liabilities	2,757,389	3,121,146
Total liabilities	4,827,521	5,466,519
Equity		
Issued capital	87,853,670	80,001,690
Share-based payments reserve	1,495,775	-
Options reserve	1,485,784	(77,022)
Accumulated losses	(84,018,525)	(78,864,743)
Total equity	6,816,704	1,059,925

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 2022 and 30 June 2021.

Note 25. Parent entity information (continued)

Capital and other commitments
The parent entity has operating lease, patent, equipment finance and royalty commitments payable (not recognised as liabilities). Refer to note 23 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 26. 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 2022 %	Ownership interest 2021 %
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 27. Interests in joint ventures

As announced to the market in April 2022, the Company has entered into a binding joint venture agreement (JVA) with GrapheneX. (i)

The JVA aims to pursue a net-zero commercial-scale hydrogen refinery and electricity plant in the Latrobe Valley. The focus will be on establishing the demonstration plant at the Company's Bacchus Marsh facility where the Company will commit $3.5m to the JVA to fund a pyrolysis kiln and associated plant to produce char and syngas from COLDry pellets. GrapheneX will supply a 39MW turbine and funding of $3.5m for its installation along with formic acid process equipment which will produce formic acid from the syngas product stream.

The formic acid will be used as a favourable hydrogen carrier but can also be used as a livestock feed preservative among other uses. The syngas produced will be used as feedstock to produce low-emission electricity. The JVA will also produce hydrogen derivative products from lignite and waste biomass blends.

The JVA is in its early stage formation and is reliant upon key events including regulatory approvals and the installation and completion of the plant by the respective parties as mentioned above. At this point in time, there is therefore a degree of uncertainty associated with the progression of the arrangement to a fully economically viable production facility at both Bacchus Marsh and longer-term, in the Latrobe Valley.

Should the facility enter production, the Company has committed to acquire from GrapheneX $8m p.a. of electricity on a 'take or pay' basis. However, GrapheneX must also commit to paying the Company $8m p.a. in license fees associated with using Company facilities. The Company's purchase of electricity may be sold back into the electricity grid with net revenues shared equally between the partners. Offtake and Licence Agreements were not finalised as at the date of this report.

The Company will have no claim over any IP generated from the formic acid process or turbine demonstration and GrapheneX will have no claim over any IP generated from the COLDry-pyrolysis kiln demonstration or the char and syngas generation. Each party will continue to have legal ownership over the assets contributed to the JVA.

Works are set to commence as soon as the partners complete the project execution plan.

The Company has completed a share placement to raise $5m, $3.5m of which was to fund investment into the JVA.

Note 27. Interests in joint ventures (continued)

Notes:
(i) GrapheneX works in partnership with leading national and international industries and research organisations in developing innovative manufacturing processes and material technologies capable of powering industry. These carbon materials enable energy storage and sensing, to create smart materials and devices for the aerospace, agriculture, automotive, defence, energy, information technology and transportation sectors.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax expense for the year	(5,178,833)	(1,869,725)
Adjustments for:		
Depreciation and amortisation	675,746	320,809
Net loss incurred on disposal of plant and equipment and sale of Wood247 business (i)	233,677	-
Share-based payments	1,770,548	416,165
Revaluation of financial liabilities	(99,811)	470,745
Finance costs - non-cash	218,644	-
Inventory write downs	-	32,146
Insurance proceeds classified as investing cash flows	-	(593,012)
Gain on revaluation of financial derivatives	(47,995)	-
Research and development incentives deferred	1,212,333	1,416,766
Equity raising costs	-	20,002
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	206,006	(1,310,189)
Increase in inventories	(78,112)	(116,847)
Decrease in prepayments	-	9,272
(Decrease)/increase in trade and other payables	(1,262,870)	356,596
Increase in employee benefits	799	6,386
Net cash used in operating activities	(2,349,868)	(840,886)

Notes:
(i) Loss figure includes $157,500 of equity-settled share-based payments expense.

Note 29. Non-cash investing and financing activities

	Consolidated 2022 $	Consolidated 2021 $
Shares and options issued on conversion of promissory notes	2,654,649	-
Shares and options issued - capital raising costs	853,800	-
Shares issued - acquisition of land and buildings	475,000	-
Acquisition of plant and equipment - payables	361,436	824,829
Right-of-use assets - reassessment	-	7,758
Right of access to mine (net of R&D incentive receivable)	-	254,250
Disposal of plant and equipment - receivables (Wood247)	(122,975)	-
	4,221,910	1,086,837

Note 30. Changes in liabilities arising from financing activities

Consolidated	R&D Funding loans $	Lease liabilities $	Equipment finance $	Total $
Balance at 1 July 2020	-	812,716	55,449	868,165
Net cash from financing activities	1,259,039	-	-	1,259,039
Interest accrued	-	38,426	4,801	43,227
Lease repayments	-	(162,478)	(33,731)	(196,209)
Other changes	-	6,531	-	6,531
Balance at 30 June 2021	1,259,039	695,195	26,519	1,980,753
Loans received	1,968,000	-	-	1,968,000
Loans repaid	(1,259,039)	-	-	(1,259,039)
Interest accrued	-	31,404	4,401	35,805
Lease repayments	-	(179,270)	(30,920)	(210,190)
Balance at 30 June 2022	1,968,000	547,329	-	2,515,329

Note 31. Earnings per share

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(5,178,833)	(1,869,725)
	Cents	**Cents**
Basic loss per share	(0.418)	(0.226)
Diluted loss per share	(0.418)	(0.226)

At 30 June 2022, there were 120,654,587 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.

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	1,237,572,517	826,388,458
Weighted average number of ordinary shares used in calculating diluted loss per share	1,237,572,517	826,388,458

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

The weighted average number of ordinary shares for 2021 has been restated for the effect of the 1 for 10 share consolidation that occurred on 1 July 2021 in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	8,269,794,193
Adjustment required by AASB 133 'Earnings per share'	(7,443,405,735)
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	826,388,458

Note 32. Share-based payments

Share-based payments made by the consolidated entity are described below. Such share-based payment arrangements were settled through delivery or issue of ECT shares, ECTOE options and unlisted incentive options. Such transaction impacted the financial statements in the following manner:

Impact on financial statements of share-based payments	2022 $	2021 $
Corporate costs expense	1,925,493	61,795
Engineering and pilot plant expense	-	47,333
Sales and marketing expense	2,558	-
Cost for year	1,928,051	109,128
Promissory notes cost	516,000	-
Property, plant and equipment capitalised	475,000	327,037
Increase in net assets	991,000	327,037
Reflected in equity as		
Share-based payments reserve	(1,495,778)	-
Options reserve	(771,466)	(118,285)
Share capital (issued)	(989,607)	(317,880)
Cost of share capital raised	337,800	-
	(2,919,051)	(436,165)

Further details in relation to share-based payments transactions are as follows:

(a) Issue of ECT shares to key management personnel

As approved at the Company's 2020 Annual General Meeting (AGM) held on 15 January 2021, shares in the Company were issued to directors in lieu of $25,000 of directors' fees that would have been paid in cash. The shares were issued in February 2021 but held in escrow and released to directors periodically in arrears. The grant date fair value of the shares issued was $0.001 each or $100,000 in aggregate which was expensed over the vesting period of 1 year. After consideration of the share consolidation, each director was entitled to 2,500,000 shares at an issue price of $0.01.

In addition, Martin Hill was issued shares as settlement for consulting services provided during the current year.

The total corporate expense for the year relating to such shares was $77,106 (2021: $41,664). Details of shares issued are as follows:

	Number of shares vested	Fair value $
2022		
Directors		
Glenn Fozard	1,458,334	14,583
Ashley Moore	1,458,334	14,583
Jim Blackburn	1,458,334	14,583
Neil O'Keefe	1,458,334	14,583
KMP		
Martin Hill	1,877,417	18,774
Total (i)	7,710,753	77,106
2021 *(disclosed on post-share consolidation basis)*		
Directors		
Glenn Fozard	1,041,666	10,416
Ashley Moore	1,041,666	10,416
Jim Blackburn	1,041,666	10,416
Neil O'Keefe	1,041,666	10,416
Total	4,166,664	41,664

Note 32. Share-based payments (continued)

Note
(i) Of the 7,710,753 shares vesting, 1,877,417 represented transfers from an established ELF facility whilst 5,833,336 were issued by the Company.

(b) Issue of ECTOE options for KMP consulting fees

2022
The following options were transferred to KMP as part settlement of invoices for consulting services (corporate expenses). These options were transferred from an ELF held in the name of a third party and with their consent. The terms and conditions of these options are as follows:

Name	Issue date	Number of options issued	Fair value	Total value $
Glenn Fozard	13 October 2021	20,445	$0.011	226
Martin Hill	13 October 2021	70,555	$0.011	762
Martin Hill	13 October 2021	750,967	$0.002	1,501
		841,967		2,489

The fair value of options issued was based on their observable listed market price at their grant date. The grant date of 750,967 options issued to Martin Hill was 13 October 2021, whereas the grant date for the remaining options in the above table was during the year ended 30 June 2021. These amounts were recognised as a corporate expense with an increase in the options reserve.

(c) Issue of unlisted director incentive options

2022
The following director incentive options were issued to directors as part of an incentive scheme and which formed part of their remuneration (corporate expenses) for the year.

Name	Grant date	Option Type (i)	Number of options issued	Fair value per option $	Expiry Date	Exercise price $	Total FY22 remuneration $
Jason Marinko	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	195,090
			40,000,000				737,949
Tim Wise	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	195,090
			40,000,000				737,949
James Blackburn	24 Jun 2022	Tranche A	10,000,000	0.0064	27 Mar 2025	0.05	16,833
	24 Jun 2022	Tranche B	10,000,000	0.0019	27 Mar 2025	0.05	1,244
	24 Jun 2022	Tranche C	10,000,000	0.0016	27 Mar 2025	0.05	987
	24 Jun 2022	Tranche D	10,000,000	0.0014	27 Mar 2025	0.05	813
			40,000,000				19,877
Total			120,000,000				1,495,775

Note 32. Share-based payments (continued)

Notes
(i) All options vest from 12 months after agreement date and provided that applicable 20-day VWAP targets are met at any time after that date. The VWAP targets associated with each Tranche of option are as specified below in the valuation methodology. VWAP targets for the options issued to Mr Marinko and Mr Wise have been met. The agreement date for Mr Marinko and Mr Wise was 15 October 2021. The agreement date for Mr Blackburn was 27 March 2022.

Option valuation methodology

The fair value of options on grant date was determined using a Black Scholes option valuation model adjusted, as applicable, for the probability of the share price reaching specified 20-day VWAP targets as determined at grant date. The inputs to the valuation model therefore include, agreement date, grant date (being date of issue and measurement), expiry date and exercise price as specified in the table above, as well as the following inputs:

Jason Marinko / Tim Wise options	
Share price at grant date:	$0.036
Share price volatility:	100%
Risk-free rate:	0.93%

Tranche A - no VWAP targets applicable
Tranche B - VWAP target $0.025 (probability of reaching VWAP target 100%)
Tranche C - VWAP target $0.035 (probability of reaching VWAP target 100%)
Tranche D - VWAP target $0.05 (probability of reaching VWAP target 100%)

A 100% probability weighting has been used at the grant date (i.e. date of measurement) on the basis that the VWAP targets specified had been met at that date for all option tranches based on their terms of issue.

James Blackburn options	
Share price at grant date:	$0.016
Share price volatility:	100%
Risk-free rate:	2.93%

Tranche A - no VWAP targets applicable
Tranche B - VWAP target $0.06 (probability of reaching VWAP target 22%)
Tranche C - VWAP target $0.08 (probability of reaching VWAP target 18%)
Tranche D - VWAP target $0.10 (probability of reaching VWAP target 15%)

(d) Issue of ECT shares and ECTOE options for cost of capital raisings

2022

In August 2021, the company issued 78,000,000 ECTOE options and 9,000,000 ECT shares to Kaai Capital for costs incurred in relation to a share placement that was made in April 2021. The listed market price of ECTOE options on the date of issue was $0.002 for total consideration of $156,000. The listed market price of ECT shares on the date of issue was $0.01 for total consideration of $90,000. These amounts were treated as a cost related to the share capital raising and therefore netted off against the share capital raised.

On 4 October 2021, the Company issued 168,000,000 ECTOE options and 18,000,000 ECT shares to Kaai Capital as Lead Manager of the Promissory Note Raising. The listed market price of ECTOE options on the date of issue was $0.002 for total consideration of $336,000. The listed market price of ECT shares on the date of issue was $0.01 for total consideration of $180,000. These amounts were treated as a cost incurred for raising debt and therefore netted against the amount of debt capital raised.

On 3 May 2022, the Company made a $5m share placement. Kaai Capital and Peak Asset Management were joint lead managers. Total remuneration for the lead managers was the issue of 10,200,000 ECTOE options and $300,000 in cash. The listed market price of ECTOE options on the date of issue was $0.002 for total consideration of $91,800. This amount was treated as a cost related to the share capital raising and therefore netted off against the share capital raised.

Note 32. Share-based payments (continued)

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

2022

During the year, 18,261,835 ECTOE options were released from an ELF in the name of Iain McEwin. These options were released to in lieu of a performance fee for arranging the early repayment of the ELF held by Challenge Bricks and Roofing Pty Ltd and nominees. The listed market price of ECTOE options on the date of issue was $0.01 for total consideration of $182,623. This amount was treated as a corporate expense.

On 13 October 2021, 321,333 ECTOE options were also released from an ELF which related to the settlement of creditors. The listed market price of ECTOE options on the date of issue was $0.01 for total consideration of $3,292. This amount was treated as a sales and marketing cost.

On 14 October 2021, 1,877,417 shares and 750,967 ECTOE options were released from an ELF in settlement of payments to creditors. The value of the shares and options on the date of release was $18,774 and $1,502 respectively. These amounts were treated as a corporate expense.

On 1 July 2021, 1,000,000 ECT shares were issued in satisfaction of the receipt of general support services received. The shares were issued on that date at $0.01 for total consideration of $10,000. This amount was treated as a corporate expense.

2021

During the prior year, the Company transferred ECT shares and ECTOE options to suppliers of goods and services from the ELF that was established specifically for this purpose.

The total number of shares transferred was 274,679,966 with an aggregate value of $317,880 and which was either recognised as a share-based payment expense in profit or loss or capitalised depending on the nature of the good or service provided.

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

(f) Sale of Wood247

As part of the arrangement for the disposal of the Wood247 division during the financial year, 4,500,000 ECT shares were transferred to the acquirer from treasury shares (refer note 17). The listed market price of ECT shares at the date of issue was $0.035 for total value delivered of $157,500. This amount was treated as a corporate expense for the year.

(g) Issue of ECT shares for partial acquisition of Yallourn property

25,000,000 ECT shares were transferred to the vendors of the property at Yallourn which the Company purchased on 22 February 2022 in partial settlement of this acquisition. The listed market price of ECT shares on the date of issue was $0.019 for total consideration of $475,000. These shares were escrowed for 6 months. This amount was capitalised to the cost of acquisition with a corresponding increase to share capital. These shares were transferred from an existing ELF loan.

Note 33. Events after the reporting period

The Company's R&D cashflow loan of $1,968,000 with Invest Victoria has been approved to rollover for a further 12 months, with the loan to be repaid from the FY23 R&D incentive refund. The rollover approval includes a condition that the FY23 refund forecast must remain within the 80% loan to value ratio limit (i.e. the expected refund must be forecast to be greater than $2,460,000), which the Company currently meets. The Company will therefore be able to access the full FY22 refund estimated at $1,794,182 which will be deployed toward further progressing Phase 2 of its COLDry-hydrogen refinery demonstration plant at Bacchus Marsh along with other initiatives previously stated to the market. The interest rate for this loan on 30 June 2022 was 1.015%.

On 25 August 2022, the 25,000,000 shares that were used as part consideration for the purchase of the land and buildings at Yallourn on 22 February 2022 were released from escrow.

No other matter or circumstance has arisen since 30 June 2022 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.

Directors' declaration
30 June 2022

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 2022 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

Jason Marinko
Chairman

20 September 2022
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of Environmental Clean Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Environmental Clean Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

Key audit matters

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

Valuation of the COLDry earn-out provision & HydroMOR deferred consideration

Key audit matter	*How the matter was addressed in our audit*
Note 16 discloses the Group's current and non-current other financial liabilities. Note 2 "Earn-out provision - COLDry" and "Deferred consideration - HydroMOR" discloses the critical accounting judgments, estimates and assumptions. The valuation and completeness of the COLDry earn-out provision and HydroMOR 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.	Our procedures included, but were not limited to: • Reviewing the calculations (discounted cash flow models) prepared by management in relation to both the COLDry earn-out provision and HydroMOR deferred consideration to ensure the methodology adopted is consistent with requirements of AASB 9 *Financial Instruments*. • Assessing, with the assistance from our internal BDO corporate finance experts the appropriateness of the discount factors used in the discounted cash flow models. • Checking the mathematical accuracy of the calculations of 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 HydroMOR 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 HydroMOR deferred consideration.

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

Key audit matter	*How the matter was addressed in our audit*
Note 5 discloses the "Research and development ("R&D") tax incentive" and note 1 discloses the accounting policy used by the Group for its recognition of the R&D tax refund. 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.	Our procedures included, but were not limited to: • Updating our understanding of the R&D revenue recognition policies to ensure continued compliance with applicable Accounting Standards and consistent application from previous financial years. • Assessing the adequacy of procedures and key internal controls surrounding the recording of R&D tax incentive. • Vouching samples of R&D expenditure claimed to underlying supporting documents. • Reviewing, with the assistance from our R&D tax specialist the R&D Tax Rebate calculations prepared by management's independent expert to ensure the calculations have been performed on a reasonable basis. • Reviewing the adequacy of the disclosures in the financial report and agreed these to the calculation.

BDO

Accounting treatment for convertible notes ($3 million promissory notes)

Key audit matter	*How the matter was addressed in our audit*
Note 13 discloses the liability component and note 17 the equity component of convertible promissory notes. We have considered this area as a key audit matter due to the significance of the amounts involved; and the inherent complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both as well as the subsequent measurement of the individual components of the liability based on the terms and conditions of the agreement. The assessment includes significant judgement and there is a high degree of estimation applied in determining the fair value of the separate components of the liability.	Our procedures included, but were not limited to: • Obtaining an understanding of the terms and conditions of the convertible promissory note agreement to determine if the convertible promissory notes are to be accounted for as equity, a liability or a combination of both. • With assistance from our internal BDO IFRS advisory team, assessing the appropriateness of the accounting treatment applied and evaluated the results of their work. • Reviewing the calculations prepared by management in relation to the convertible notes to ensure the methodology adopted is consistent with requirements of AASB 9 *Financial Instruments*. • Reviewing managements' assessment of the movements in fair value of the convertible promissory notes, ensured that all transactions have been treated appropriately. • Reviewing the adequacy of the disclosures in the financial report and agreed these to the calculation.

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 2022, 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 10 to 17 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO
Katherine Robertson

Katherine Robertson
Director

Melbourne, 20 September 2022

ECT ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Shareholder information
30 June 2022

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in the Annual Report. The information provided is current as at 5 October 2022.

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued
1 to 1,000	440	0.01	37	-
1,001 to 5,000	686	0.13	84	0.03
5,001 to 10,000	618	0.29	59	0.05
10,001 to 100,000	2,623	6.35	227	1.16
100,001 and over	1,368	93.22	388	98.76
	5,735	100.00	795	100.00
Holding less than a marketable parcel	2,893	1.66	548	3.75

Equity security holders

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

ECT Ordinary shares

	Number of ordinary shares held	% of total ordinary shares issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	220,000,000	12.82
Chunyan Niu	53,268,986	3.04
Superior Coatings (Aust) Pty Ltd	50,000,000	2.91
Iain Robert McEwin	40,654,587	2.37
Challenge Bricks & Roofing Pty Ltd	37,066,543	2.16
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing Pty Ltd SF A/C)	35,600,302	2.07
Cameron Lloyd Thomson	29,350,000	1.71
AH Super Pty Ltd (The AH Super Fund No 3 A/C)	29,000,000	1.69
Godin Corp Pty Ltd (Seven A/C)	26,237,574	1.53
Romfal Sifat Pty Ltd (The Fizmail Family A/C)	23,411,873	1.36
Maddingley Brown Coal Pty Ltd (Maddingley Mine A/C)	21,989,196	1.28
Bin Liu	21,000,000	1.22
Davy Corp Pty Ltd (Davy Investment A/C)	17,608,904	1.03
A & K Moore Nominees Pty Ltd (Moore Superannuation A/C)	17,580,380	1.02
Citicorp Nominees Pty Ltd	16,481,763	0.96
Challenge Roofing Pty Ltd (Thompson Family A/C)	16,017,600	0.93
Benefico Pty Ltd	15,300,000	0.89
Kojin Pty Ltd	14,600,000	0.85
Tellaro Pty Ltd	14,387,500	0.84
Arkyn Pty Ltd (Kovani A/C)	14,387,500	0.84
	713,942,708	41.52

Shareholder information
30 June 2022

ECTOE Options

	Number of ECTOE options held	% of total ECTOE options issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	76,133,334	7.92
Romfal Sifat Pty Ltd (The Fizmail Family A/C)	74,000,000	7.70
Godin Corp Pty Ltd (Seven A/C)	68,327,231	7.11
Arkyn Pty Ltd (Kovani A/C)	62,104,167	6.46
Tellaro Pty Ltd	59,250,000	6.16
Chunyan Niu	55,422,222	5.77
Bin Liu	33,139,754	3.45
Iain Robert McEwin	24,000,000	2.50
Alexander Jesuran Thanbirajah	22,150,000	2.30
Superior Coatings (Aust) Pty Ltd	21,000,000	2.18
Challenge Bricks & Roofing Pty Ltd	18,218,260	1.90
Davy Corp Pty Ltd (Davy Investment A/C)	14,833,334	1.54
Elgar Park Pty Ltd (Elgar Park Super Fund A/C)	14,377,421	1.50
Citicorp Nominees Pty Ltd	12,101,660	1.26
Ronald Raymond Thompson & Brittany Reed Joyce (Challenge Roofing PL SF A/C)	12,000,000	1.25
Goldfire Enterprises Pty Ltd	10,000,000	1.04
Sunset Tidal Pty Ltd <Sunset Tidal Investment A/C>	10,000,000	1.04
Through2 Investments Pty Ltd	10,000,000	1.04
Benefico Pty Ltd	10,000,000	1.04
Conspicuous Capital Pty Ltd (Conspicuous A/C)	10,000,000	1.04
	617,057,383	64.20

Substantial holders
Substantial holders in the Company are set out below:

	Number of ordinary shares held	% of total ordinary shares issued
LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C)	223,500,000	13.02%
Challenge Bricks and Roofing Pty Ltd	109,684,446	5.28%
Superior Coatings (Aust) Pty Ltd	88,684,446	5.17%

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

Ordinary shares, including those held within an equity loan funding (ELF) arrangement
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.

Restricted securities and securities subject to voluntary escrow

Class	Expiry date for restriction	Number of securities
ECT ordinary shares	22 August 2022	25,000,000
ECT ordinary shares	31 October 2022	4,500,000
ECT ordinary shares	15 January 2023	65,000,000
ECTOE options	15 January 2023	26,000,000
ECT ordinary shares	9 May 2023	20,654,587
ECT ordinary shares	14 September 2024	35,000,000
Unlisted options	Refer directors' report	120,000,000

Stock Exchange Listing
Quotation has been granted for 1,716,251,678 ordinary shares and 961,303,046 ECTOE Quoted Options on the ASX.

Buy-back
There is no on-market buy back.

Electronic Communications
The Company encourages shareholders to receive information electronically. Electronic communications allow the Company to communicate with shareholders quickly and reduce the Company's paper usage.
Shareholders who currently receive information by post can log in at https://investor.automic.com.au/#/signup to provide their email address and elect to receive electronic communications.

The Company emails shareholders when important information becomes available such as financial results, notices of meeting, voting forms and annual reports.

The Company will issue notices of annual and general meetings and the annual report electronically where a shareholder has provided a valid email address, unless the shareholder has elected to receive a paper copy of these documents.

Recent legislative changes to the Corporations Act 2001 (Cth) effective 1 April 2022 mean there are new options available to shareholders as to how they elect to receive their communications. An important notice regarding these rights is available on the Company's website at https://ectltd.com.au/esg/right-to-receive-documents/

For further information, please contact the Company's share registry, Automic, at hello@automic.com.au

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