Environmental Clean Technologies Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Environmental Clean Technologies Limited
ABN:	28 009 120 405
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the year ended 30 June 2020. The Accounting Standard was adopted using a modified retrospective approach and as such comparatives have not been restated.

				$
Revenues from ordinary activities	down	60.9%	to	92,384
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	76.8%	to	(2,067,972)
Loss for the year attributable to the owners of Environmental Clean Technologies Limited	down	76.8%	to	(2,067,972)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $2,067,972 (30 June 2019: $8,903,016).

Refer to the 'Review of operations' within the Directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.011	(0.054)

Net tangible assets includes right-of-use lease assets recognised pursuant to AASB 16 'Leases' as permitted under current ASX guidance on the basis that the underlying assets leased are tangible assets.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited. It is anticipated that the final audit report will contain an 'emphasis of matter' paragraph relating to preparation of the financial statements on a going concern basis.

11. Attachments

Details of attachments (if any):

The unaudited financial statements of Environmental Clean Technologies Limited for the year ended 30 June 2020 and the notes to those financial statements are attached.

12. Review of operations

The loss for the consolidated entity after providing for income tax amounted to $2,067,972 (30 June 2019: $8,903,016).

Major Highlights:

(i) ECT Finance Ltd

In July and August 2017 the consolidated entity's subsidiary, ECT Finance Ltd, entered into limited recourse loans with option-holders allowing them to obtain finance to exercise ESIOA and ESIOB options. As at 30 June 2020 there were 941,779,136 shares held as security for these loans. Loans secured by 929,386,588 shares defaulted as at 31 July 2020, being the expiry date of the loan arrangements, as borrowers decided not to repay the loans and ECTF is in the process of taking possession of such shares. Where the principal balance of the loan at the end of the loan term was less than the initial loan balance, shares were released to the borrower. 12,392,548 shares were released to borrowers in these circumstances.

During the year, ECT Finance Ltd advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which is secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options. This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue made by the Company during the year. This subscription was made under arrangement with ECT with the intention of subsequently transferring the shares and options issued to him to service providers contracted to rebuild the Bacchus Marsh facility.

During the year, ECT Finance Ltd received $40,726 in loan payments which was made up of principal and interest. Any cash receipts received through repayment of principal and interest over the loan period were available to the Company to finance ongoing working capital.

At 31 July 2020, the total value of the loan book was $2,110,200 (including interest accrued and capitalised, and management fees capitalised to the loans to 30 July 2020). The value of security held was $805,000 (based on a $0.001 share price). The loans in respect of the ESIOA and ESIOB options expired on 31 July 2020. The loans in respect of the unlisted options are due to expire on 31 July 2021. The loan to Mr McEwin is due to expire on 10 May 2021. Interest rates across each of the loans can vary according to payment methods. For accounting purposes pursuant to accounting standards, the ELF loans and the related shares issued are not recognised but are treated as the issue of options (refer to notes 23 and 24 to the financial statements for further details). Notwithstanding this, the loans represent funds owed to ECT Finance Ltd by shareholders pursuant to commercial and legal contracts.

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

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

(iii) High Volume Test Facility (HVTF)

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

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

The project will be divided into two phases:

Phase 1 - Coldry process scale up:

(1) Design, construction, installation and individual commissioning of each key stage of the process, including primary processing train, conditioning system and drying system; and
(2) Integration of the plant and equipment across each key stage of the process to establish continuous, steady state operations.
(3) Trial of alternative applications utilising existing process assembly (e.g. polyfluoroalkyl substances remediation)

Phase 2 – Char plant installation and integration:

(1) Design, procurement, installation and individual commissioning of the char kiln; and
(2) Integration of the char kiln with the Coldry process to establish continuous, steady state operations and waste energy utilisation for drying.

(iv) Expiry of options

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

Financial results:

The reportable loss for the consolidated entity was lower at $2,067,973 compared to the prior year loss of $8,903,016.

	2020 $	2019 $	Change $	Change %
Sales	87,454	207,472	(120,018)	(58%)
Other income (excluding interest)	2,964,770	1,524,227	1,440,543	95%
Impairment and write offs	(170,690)	(4,800,000)	4,629,310	(96%)
Remeasurement of financial liabilities	53,072	342,538	(289,466)	(85%)
Loss on debt extinguishment	(578,788)	-	(578,788)	-
Other operating costs (excluding interest, depreciation and amortisation)	(3,427,737)	(5,339,567)	1,911,830	(36%)
EBITDA	(1,071,919)	(8,065,330)	6,993,411	
Depreciation and amortisation	(386,608)	(601,004)	214,396	(36%)
Finance costs	(614,375)	(265,756)	(348,619)	131%
Interest revenue	4,930	29,074	(24,144)	(83%)
Net (loss) for year	(2,067,972)	(8,903,016)	6,835,044	

There were limited sales of by-products from the consolidated entity’s research and development activities during the year as a result of the fire at the high volume test facility at Bacchus Marsh in October 2019. In the prior year, sales included the supply of Coldry test product to its first ‘steam and boiler package’ customer.

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

Total operating costs (excluding impairment and write off expense, depreciation and amortisation, remeasurement of financial liabilities, loss on debt extinguishment and finance costs) decreased by $1,911,828 due to the fire at our Bacchus Marsh facility which resulted in production activities ceasing and the COVID-19 pandemic which saw the Company implement its business continuity plan in order to preserve cash resources.

During the year, the consolidated entity converted a significant amount of debt, including convertible notes and securitised loans, to equity. As a result of favourable terms provided to those debt providers, an expense of $578,788 was incurred, however, these arrangements have significantly improved the financial position of the consolidated entity. Finance costs increased by $348,619 as a result of the increased borrowings during the year.

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

Finally, the change in fair value of financial liabilities represents the remeasurement of the derivative liability attached to a convertible notes liability and the combined movement in the Coldry earn-out creditor (the present value of future commitments, associated with the purchase of the Coldry intellectual property in 2009) and the Matmor deferred consideration (the present value associated with the purchase of the Matmor Test Plant assets in 2014). There was a net reduction in the combined liabilities resulting in a gain on remeasurement for the year amounting to $53,072.

Coronavirus (COVID-19) Pandemic

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

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

Trends

Due to the nature of the Company's operations and the current project to rebuild the Bacchus Marsh facility, there are no trends evident in relation to performance.

Segments

There are no segments of the business that are significant to an understanding of the business as a whole.

13. Signed

As authorised by the Board of Directors

Signed Date: 31 August 2020

Glenn Fozard
Executive Chairman
Melbourne

Environmental Clean Technologies Limited

ABN 28 009 120 405

Unaudited Annual Financial Report - 30 June 2020

Environmental Clean Technologies Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	4	87,454	207,472
Other income	5	2,964,770	1,524,227
Interest revenue calculated using the effective interest method		4,930	29,074
Total income		3,057,154	1,760,773
Expenses			
Remeasurement of financial liabilities	6	53,073	342,538
Corporate costs		(1,196,845)	(1,198,057)
Legal costs		(117,165)	(345,275)
Employee benefits expense	7	(664,634)	(1,104,761)
Sales and marketing		(125,083)	(101,964)
Depreciation and amortisation expense	7	(386,608)	(601,004)
Impairment of assets	7	-	(4,800,000)
Impairment of receivables		(109,668)	-
Share-based payments	38	(325,356)	(332,399)
Engineering and pilot plant costs		(741,520)	(1,755,900)
Occupancy expense		(211,018)	(239,748)
Travel and accommodation		(46,117)	(261,463)
Loss on debt extinguishment	7	(578,788)	-
Write-off of assets		(61,022)	-
Finance costs	7	(614,375)	(265,756)
Total expenses		(5,125,126)	(10,663,789)
Loss before income tax expense		(2,067,972)	(8,903,016)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	25	(2,067,972)	(8,903,016)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Environmental Clean Technologies Limited		(2,067,972)	(8,903,016)
		Cents	Cents
Basic earnings per share	37	(0.047)	(0.250)
Diluted earnings per share	37	(0.047)	(0.250)

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

Environmental Clean Technologies Limited
Statement of financial position
As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents		1,104,781	387,224
Trade and other receivables	9	966,669	1,711,375
Other	10	58,413	49,735
Total current assets		2,129,863	2,148,334
Non-current assets			
Property, plant and equipment	11	293,370	238,520
Right-of-use assets	12	782,296	-
Total non-current assets		1,075,666	238,520
Total assets		3,205,529	2,386,854
Liabilities			
Current liabilities			
Trade and other payables	14	125,581	558,748
Borrowings	15	28,930	2,069,859
Lease liabilities	16	122,827	-
Derivative financial instruments	17	-	186,654
Provisions	18	-	66,391
Other financial liabilities	19	227	1,043
Total current liabilities		277,565	2,882,695
Non-current liabilities			
Borrowings	20	26,519	55,449
Lease liabilities	21	689,889	-
Provisions		210	73,247
Other financial liabilities	22	1,330,418	1,397,310
Total non-current liabilities		2,047,036	1,526,006
Total liabilities		2,324,601	4,408,701
Net assets/(liabilities)		880,928	(2,021,847)
Equity			
Issued capital	23	78,460,070	73,686,351
Reserves	24	641,033	444,005
Accumulated losses	25	(78,220,175)	(76,152,203)
Total equity/(deficiency)		880,928	(2,021,847)

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

Environmental Clean Technologies Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018	70,244,766	1,333,081	(67,249,187)	4,328,660
Loss after income tax expense for the year	-	-	(8,903,016)	(8,903,016)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(8,903,016)	(8,903,016)
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	332,399	-	-	332,399
Premium received on ELF options (note 24)	-	2,220,110	-	2,220,110
Shares released on repayment of ELF loans	1,973,166	(1,973,166)	-	-
Transfer unlisted option premium (exercised options) net of adjustments	1,136,020	(1,136,020)	-	-
Balance at 30 June 2019	73,686,351	444,005	(76,152,203)	(2,021,847)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	73,686,351	444,005	(76,152,203)	(2,021,847)
Loss after income tax expense for the year	-	-	(2,067,972)	(2,067,972)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,067,972)	(2,067,972)
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	180,021	145,335	-	325,356
Premium received on ELF options (note 24)	-	51,693	-	51,693
Issuance of shares via non-renounceable rights issue	4,593,698	-	-	4,593,698
Balance at 30 June 2020	78,460,070	641,033	(78,220,175)	880,928

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

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		133,697	168,906
Research and development tax incentive		1,511,621	1,673,978
Payments to suppliers and employees		(3,269,809)	(4,911,426)
Government grants (COVID-19)		83,094	-
Interest received		4,622	1,004
Interest and other finance costs paid		(210,316)	(190,773)
Net cash used in operating activities	35	(1,747,091)	(3,258,311)
Cash flows from investing activities			
Payments for property, plant and equipment		(275,234)	(120,734)
Payments for intangibles	13	(48,369)	-
Insurance recoveries		1,882,130	-
Proceeds/(payments) from/(of) security deposits		-	(548)
Net cash from/(used in) investing activities		1,558,527	(121,282)
Cash flows from financing activities			
Proceeds from issue of shares		1,710,720	1,806,323
Proceeds from issue of options		51,693	275,014
Proceeds from borrowings		1,188,270	3,296,731
Repayment of borrowings		(1,958,502)	(2,223,002)
Repayment of lease liabilities		(86,060)	-
Net cash from financing activities		906,121	3,155,066
Net (decrease)/increase in cash and cash equivalents		717,557	(224,527)
Cash and cash equivalents at the beginning of the financial year		387,224	611,751
Cash and cash equivalents at the end of the financial year		1,104,781	387,224

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

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

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

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions
The consolidated entity has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that meet the conditions of the standard as being variable lease payments. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished, and interest continues to accrue for that period. The consolidated entity has applied the practical expedient to all rent concessions that meet the criteria and the profit or loss impact from the adoption of this amendment is detailed in note 5.

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

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

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

Note 1. Significant accounting policies (continued)

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

Going concern

For the financial year ended 30 June 2020, the consolidated entity had an operating net loss of $2,067,973 (2019: $8,903,016), net cash outflows from operating activities of $1,747,091 (2019: net cash outflows of $3,258,311), net current assets at the reporting date of $1,902,297 (2019: net current liabilities of $734,361) and net assets of $880,927 (2019: net liabilities of $2,021,847). The consolidated entity currently does not have a material source of revenue and is reliant on receipt of research and development tax incentives, ELF loan repayments, equity capital or loans from third parties to meet its operating costs.

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

To this end, the consolidated entity is expecting to fund ongoing obligations as follows:
- utilisation of its current cash resources;
- drawdowns against expected new lending facilities;
- principal paid and interest earned from current or new ELF debt arrangements (treated as capital injections);
- issuance of the Company's securities under ASX Listing Rule 7.1;
- government grants; and
- revenue from Bacchus Marsh once the rebuild is completed..

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

The reliance on future funding described above indicates a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods

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

Rendering of services

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

Derivative financial instruments

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

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

Property, plant and equipment

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 1. Significant accounting policies (continued)

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

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

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

Earn-out provision - Coldry
The earn-out provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of the reporting date using a discount rate of 26% (2019: 32%). In determining the present value of the liability, estimates of expected timing and quantities of production are taken into consideration.

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

Deferred consideration - Matmor
The deferred consideration liability has been calculated based on discounted cash flow projections out to February 2023 using a discount rate of 26% (2019: 21%). The projections used in calculating the liability include consideration of events as disclosed at note 22 that would trigger a cash outflow pursuant to the deferred consideration structure. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

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

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity operates predominantly in the environmental and energy industry, and a single geographic segment being Australia.

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

Note 4. Revenue

	Consolidated	
	2020 $	2019 $
Sales of product	87,454	207,472

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

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

Note 5. Other income

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

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

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

Note 5. Other income (continued)

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

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

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

Note 6. Remeasurement of financial liabilities

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

Note 7. Expenses

	Consolidated	
	2020	2019
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	177,255	119,242
Office equipment	5,536	1,762
Buildings right-of-use assets	155,448	-
Total depreciation	338,239	121,004
Amortisation		
Intellectual property - Coldry	-	480,000
Intellectual property - Waste-to-energy	48,369	-
Total amortisation	48,369	480,000
Total depreciation and amortisation	386,608	601,004
Impairment		
Intellectual property - Coldry (note 13)	-	4,800,000
Loss on settlement of debt		
Loss on conversion of securitised loans to equity (note 15)	192,076	-
Loss on conversion of convertible notes to equity (note 15)	386,712	-
Total loss on settlement of debt	578,788	-
Finance costs		
Interest and finance charges paid/payable on lease liabilities	46,755	-
Interest and facility costs	515,630	265,756
Capital raising costs	51,990	-
Finance costs expensed	614,375	265,756
Leases		
Minimum lease payments	-	156,244
Employee benefits expense		
Defined contribution superannuation expense	53,104	96,226
Other employee benefits	611,530	1,008,535
Total employee benefits expense	664,634	1,104,761

Note 8. Income tax expense

	Consolidated	
	2020	2019
	$	$
Income tax expense		
Deferred tax assets attributable to temporary differences	33,670	(1,401,463)
Deferred tax assets attributable to carried forward tax losses	(52,401)	(439,802)
Deferred tax assets attributable to movement for prior periods	-	23,080
Total deferred tax assets not recognised	18,731	1,818,185
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,067,972)	(8,903,016)
Tax at the statutory tax rate of 27.5%	(568,692)	(2,448,329)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Legal expenses	-	42,206
Research and development	314,448	536,461
Options issued	252,665	91,410
Non-taxable government grants	(17,188)	-
Sundry items	36	168
	(18,731)	(1,778,084)
Current year tax losses not recognised	52,401	439,806
Current year temporary differences not recognised	(33,670)	1,338,278
Adjustment recognised for prior periods	-	(23,080)
Deferred tax movement not recognised	-	23,080
Income tax expense	-	-

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

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

Note 8. Income tax expense (continued)

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

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

Note 9. Current assets - trade and other receivables

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

Allowance for expected credit losses
There were no impaired receivables recognised during the financial year. During the year an amount of $109,668 was written off as not recoverable.

Note 10. Current assets - other

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

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

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

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

Consolidated	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2018	238,790	-	238,790
Additions	112,711	8,023	120,734
Depreciation expense	(119,242)	(1,762)	(121,004)
Balance at 30 June 2019	232,259	6,261	238,520
Additions	295,802	2,862	298,664
Write off of assets	(61,023)	-	(61,023)
Depreciation expense	(177,255)	(5,536)	(182,791)
Balance at 30 June 2020	289,783	3,587	293,370

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

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

Note 12. Non-current assets - right-of-use assets (continued)

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

Consolidated	Land and buildings $	Total $
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Additions	973,384	973,384
Reassessment of asset on lease extension	(35,640)	(35,640)
Depreciation expense	(155,448)	(155,448)
Balance at 30 June 2020	782,296	782,296

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

Such assets represent the value of rights conveyed to the consolidated entity pursuant to its leases of land and buildings for its offices (remaining lease term, including option for extension of 72 months as at 30 June 2020) and pilot plant facility (remaining lease term, including option for extension of 58 months as at 30 June 2020).

Note 13. Non-current assets - intangibles

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

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

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

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

Coldry intellectual property ('Coldry IP')

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

The recognition and value of the Coldry IP, being an intangible asset, must be considered annually in accordance with the requirements of AASB 136 'Impairment of Assets'. An impairment test must be conducted if there are indicators of impairment, in which case the entity shall estimate the recoverable amount of the asset. The recoverable amount shall be the higher of the fair value less cost of sale and value in use. Assessments performed under AASB 136 using a value-in-use model did not support the carrying value of the Coldry IP. The asset has been fully impaired on the basis of the Company's share price, the withdrawal of NMDC Limited from the India project and the Company's decision to subsequently terminate the memorandum of understanding.

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

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

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

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2020 $	2019 $
Trade payables	85,227	379,666
Other payables	40,354	179,082
	125,581	558,748

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings

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

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings (continued)

Innovation Structured Finance Co. (Brevet Capital) loan
The Brevet loan relates to a facility agreement that provided for funding based on the value of the anticipated AusIndustry Tax Incentive program for the respective financial year and is secured by the research and development tax rebate provided to the Company under the research and development tax incentive program. There was no loan outstanding at 30 June 2020.

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

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

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

Convertible notes
The lender had issued ECTF a 12 month $800,000 debt instrument by way of a convertible note. Interest was calculated daily at the rate of 15% per annum on the outstanding balance. The lender had the option to convert the loan amount into fully paid Environmental Clean Technology (ECT) ordinary shares at any time of their choosing prior to expiry. The rate of conversion was set at the lesser of: $0.015 per ECT share; and a 20% discount to the 30-day volume weighted average price (VWAP) of ECT shares prior to requesting to convert the loan. The conversion feature of the notes represents a derivative financial liability which was accounted for separately (refer to note 17 and note 26). During the year, the loan was fully converted into shares and options in the Company through the lender subscribing for shares and options in the non-renounceable rights issue.

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

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

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

Note 15. Current liabilities - borrowings (continued)

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

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

Note 16. Current liabilities - lease liabilities

	Consolidated	
	2020 $	2019 $
Lease liability	122,827	-

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - derivative financial instruments

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

Refer to note 26 for further information on financial instruments.

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

Note 18. Current liabilities - provisions

	Consolidated	
	2020 $	2019 $
Annual leave	-	66,391

Note 19. Current liabilities - other financial liabilities

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

Refer to note 22 for further details.

Note 20. Non-current liabilities - borrowings

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

Refer to note 26 for further information on financial instruments.

Assets pledged as security
The assets pledged as security for such borrowings is represented by the underlying assets subject to financing. Financing is over two items of plant and equipment and is repayable within terms ranging from 2 to 5 years at interest rates of approximately 6%.

Note 21. Non-current liabilities - lease liabilities

	Consolidated	
	2020 $	2019 $
Lease liability	689,889	-

Refer to note 26 for further information on financial instruments.

Note 22. Non-current liabilities - other financial liabilities

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

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

Deferred consideration - Matmor

As part consideration for the acquisition of the Matmor asset, deferred consideration of $3.5 million of cash was incurred. The timing of paying consideration up to the cash amount of $3.5 million to Matmor Steel is dependent upon if, and when, issued options of the Company are exercised as well as the various milestones being met. The consideration will become payable through combination of any of the following triggers, and at the amounts attributed to each trigger, until the liability has been satisfied:

(a) 50% of proceeds received by the Company from exercise of ECT Options up to a cash amount of $1 million
(b) a minimum of 15% of proceeds received by the Company from exercise of ECT Options thereafter
(c) $500,000 on signing a binding contract for construction of the Matmor Pilot Plant
(d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state as well as conversion targets
(e) $1 million on signing of a binding contract for construction of a commercial scale Matmor plant
(f) first collection of revenue in any form from commercialisation of Matmor technology

At reporting date a total of $2,000,215 (2019: $2,000,215) has been repaid under triggers (a) and (b) which are now satisfied. In measuring the value of the liability, management have estimated when the remaining milestones will likely be achieved. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

Earn-out provision - Coldry

The earn-out provision represents deferred consideration payable related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of Coldry pellets and is discounted at a rate of 26% (2019: 32%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Note 23. Equity - issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	7,843,920,316	3,726,737,257	78,460,070	73,186,354
Deferred share capital	-	25,000,000	-	499,997
ELF share capital	1,007,112,470	1,048,779,136	-	-
	8,851,032,786	4,800,516,393	78,460,070	73,686,351

Note 23. Equity - issued capital (continued)

Ordinary shares

Details	Date	Shares Issued	$
Balance	1 July 2018	3,445,932,123	69,851,168
Transferred premium from options reserve on exercise of unlisted options	year to 30 June 2019	-	1,136,020
Release of ELF shares (iii)	6 December 2018	16,000,000	166,844
Release of ELF shares (ii)	31 December 2018	95,000,000	452,298
Release of ELF shares (iv)	year to 30 June 2019	149,805,134	1,354,024
Release of ELF shares (v)	25 June 2019	20,000,000	226,000
Balance	30 June 2019	3,726,737,257	73,186,354
Release of ELF shares	19 July 2019	8,333,333	33,333
Transfer from deferred share capital	27 July 2019	25,000,000	499,997
Release of ELF shares	13 August 2019	12,500,000	50,000
Release of ELF shares	12 September 2019	8,333,333	25,000
Release of ELF shares	13 November 2019	12,500,000	12,500
Issue of shares via non-renounceable rights issue	10 May 2020	4,050,516,393	4,673,755
Costs of non-renounceable rights issue	10 May 2020	-	(80,057)
Share based payments	10 May 2020	-	59,188
Balance	30 June 2020	7,843,920,316	78,460,070

Deferred share capital

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

***ELF share capital** (i)*

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

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 23. Equity - issued capital (continued)

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

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

Notes

(i) There were originally 1,188,020,073 shares in the Company issued on exercise of ESIOA and ESIOB options pursuant to option-holders acquiring limited recourse loans in the ELF administered by ECT Finance Ltd, a subsidiary of the Company. In accordance with the requirement of accounting standards, the issue of shares financed by way of limited recourse loans (also issued by the consolidated entity) represents an in-substance issue of options (ELF Options), as effectively there has been a replacement of one type of option with another. Despite the actual ordinary shares in the Company being issued in the name of the ELF participant, the value of share capital is not recognised for accounting purposes and has been excluded from issued capital. Such shares will be deemed as issued only upon repayment of ELF loans by the participant at which time the shares will be released from being held as security.
(ii) During 2019, 170 million unlisted options were exercised pursuant to the ELF program. Of this amount, as a result of settlement of ELF loans, 95 million shares were released from a trading lock. An amount of 75 million shares (of the 170 million shares issued during the year) remain held within the ELF program whereby shareholders do not have unrestricted access until ELF loan accounts are settled.
(iii) During 2019, there were 16,000,000 shares released on exercise of ELF Options as a result of an ELF loan being settled as part of an arrangement with a debt provider (Challenge Bricks & Roofing Pty Ltd) who provided a $1,000,000 debt facility to the consolidated entity.
(iv) During 2019, a partial loan discount was offered to the holders of ELF loans as an incentive to make repayments.
(v) On 25 June 2019, the Company released 20,000,000 shares which were held as security for an ELF loan. The shares were released as consideration for services provided to the Company.
(vi) During the year, ECT Finance Ltd, a subsidiary of the Company, established an ELF loan to the value of $750,000 to Mr Iain McEwin which is secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options. This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue. This has been done under arrangement with ECT with the intention of subsequently transferring the shares and options issued to him to service providers contracted to rebuild the Bacchus Marsh facility.

Deferred share capital
The account was used to recognise partly paid equity issued to employees that were held as security and subject to a deferred settlement arrangement. Refer to note 38 'Share based payments' for further information. The balance of this account has been transferred to share capital.

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

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

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

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

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.

Note 23. Equity - issued capital (continued)

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

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

Note 24. Equity - reserves

	Consolidated	
	2020 $	2019 $
Options reserve	641,033	444,005

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

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

(a) ECTOC Options (Issue date 21 July 2017; Expiry date 21 July 2019)

	Exercise price	Movement	Closing balance
Initial issue	$0.045	846,088,751	846,088,751
Expiry	$0.045	(846,088,751)	-

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

(b) ECTOE Options (Issue date 17 February 2020; Expiry date 17 February 2023)

ECTOE options were issued to shareholders during the year attached to shares issued pursuant to the non-renounceable rights issue. There were 1,920,206,557 options issued with an exercise price of $0.003 and which expire on 17 February 2023. Limited amount of options issued were recognised as share based payments on the basis that they were provided in exchange for goods and services received. These options were recognised as an amount of $145,335. The remaining options were issued for no consideration and therefore no amount is recognised in the financial statements.

Equity Lending Facility options (ELF Options)

(c) ELF Options (Issue date 31 July 2017; Expiry date 31 July 2020)

	Exercise price	Movement	Closing balance
Initial issue	$0.012	1,187,785,273	1,187,785,273
Exercised during year ended 30 June 2018	$0.012	(31,246,943)	1,156,538,330
Exercised during year ended 30 June 2019	$0.012	(162,759,194)	993,779,136
Exercised during year ended 30 June 2020	$0.003	(41,666,666)	952,112,470

(d) ELF Options (Issue date 31 July 2018; Expiry date 31 July 2021)

Note 24. Equity - reserves (continued)

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

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

All shares issued and the respective ELF loans are considered, for accounting purposes, to be options issued ('ELF Options'). As a result, neither the value of the loans receivable nor the value of shares issued are recognised in the financial statements. Shares issued will only be recognised in equity after a participant's loan is repaid and shares are released to the holder. The face value of limited recourse loans issued at reporting date was $13,386,069 (2019: $13,386,069) and interest accrued on such loans was $2,745,625 (2019: $2,578,456).

As at reporting date there are 1,007,112,470 (2019: 1,048,779,136) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

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

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

Consolidated	Share-based payments $	ELF options $	Unlisted options $	ECTOE Options $	Total $
Balance at 1 July 2018	-	197,061	1,136,020	-	1,333,081
Receipt of premium	-	2,220,110	-	-	2,220,110
Exercise of options	-	-	(1,136,020)	-	(1,136,020)
Current year share based payments expense	332,399	-	-	-	332,399
Transfer to partly paid share capital	(106,399)	-	-	-	(106,399)
Transfer to share capital	(226,000)	-	-	-	(226,000)
Transfer released ELF Shares to share capital	-	(1,973,166)	-	-	(1,973,166)
Balance at 30 June 2019	-	444,005	-	-	444,005
Receipt of premium	-	51,693	-	-	51,693
Current year share based payments expense	325,356	-	-	-	325,356
Transfer to ECTOE options reserve	(180,021)			-	(180,021)
Transfer to share capital	(145,335)	-	-	145,335	-
Balance at 30 June 2020	-	495,698	-	145,335	641,033

Note 25. Equity - accumulated losses

	Consolidated	
	2020 $	2019 $
Accumulated losses at the beginning of the financial year	(76,152,203)	(67,249,187)
Loss after income tax expense for the year	(2,067,972)	(8,903,016)
Accumulated losses at the end of the financial year	(78,220,175)	(76,152,203)

Note 26. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

The consolidated entity has minimal exposure to interest rate risk.

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

Credit risk

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

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

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

Liquidity risk

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

Note 26. Financial instruments (continued)

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

Financing arrangements
Unused borrowing facilities at the reporting date:

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

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

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

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

Note 26. Financial instruments (continued)

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	379,666	-	-	-	379,666
Other payables	-	179,081	-	-	-	179,081
Deferred consideration (Matmor)	-	-	208,274	448,307	-	656,581
Interest-bearing - variable						
Earn-out provision (Coldry)	1.50%	1,043	14,756	317,036	408,937	741,772
Interest-bearing - fixed rate						
Convertible notes payable	15.00%	603,982	-	-	-	603,982
Equipment finance	6.00%	33,731	33,731	30,919	-	98,381
Innovation Structured Finance Co. Loan	12.21%	1,028,806	-	-	-	1,028,806
Securitised loan payable	16.60%	500,000	-	-	-	500,000
Total non-derivatives		2,726,309	256,761	796,262	408,937	4,188,269
Derivatives						
Convertible note derivative	-	186,654	-	-	-	186,654
Total derivatives		186,654	-	-	-	186,654

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

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

Settlement of the Matmor deferred consideration is dependent upon commercial outcomes, the actual timing of which cannot be determined. The timing of liability payments provided in the table above is consistent with the assumptions made in calculation of the liability. Future cash flows have been discounted at 26% (2019: 21%) in determining recognised carrying values within the financial statements.

Note 27. Fair value measurement

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

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

Note 27. Fair value measurement (continued)

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

There were no transfers between levels during the financial year.

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

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

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

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

Consolidated	Deferred consideration Matmor assets $	Earn-out provision Coldry IP $	Conversion derivative in convertible note $	Total $
Balance at 1 July 2018	1,125,375	615,516	-	1,740,891
Additions	-	-	186,654	186,654
(Gains)/losses recognised in profit or loss	(468,794)	126,256	-	(342,538)
Balance at 30 June 2019	656,581	741,772	186,654	1,585,007
Disposals	-	-	(186,654)	(186,654)
(Gains)/losses recognised in profit or loss	(311,888)	244,180	-	(67,708)
Balance at 30 June 2020	344,693	985,952	-	1,330,645

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 27. Fair value measurement (continued)

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

Description	Unobservable inputs	Potential range	Sensitivity
Coldry earn-out provision	Discount rate	21% - 31% (26% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $200,875 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $265,524 (and increasing the loss).
	Timing of production to discharge liability	July 2020 onwards	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to commence this year from small production, escalating in forward years through commercial scale up. A change in timing of the commercial scale commencement of + 1 year from that currently forecast would reduce the loss and liability by $114,180.
Matmor deferred consideration	Discount rate	21% - 31% (26% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $97,250 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $127,670 (and increasing the loss).
	Timing of significant trigger events	July 2020 to February 2023	Should the next major trigger event and subsequent events be delayed by + 1 year from that currently forecast, that would reduce the loss and liability by $15,736.

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

Note 28. Key management personnel disclosures

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

	Consolidated	
	2020 $	2019 $
Short-term employee benefits	701,357	760,624
Post-employment benefits	22,963	46,361
Long-term benefits	75,765	-
Share-based payments	18,000	106,399
	818,085	913,384

Note 29. Remuneration of auditors

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

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

The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective entities.

Note 30. Contingent liabilities

Perpetual Royalty Liability
In addition to the Matmor deferred consideration liability recognised, the consolidated entity has incurred a future obligation to remit a perpetual royalty to Matmor Steel, the originator of the Matmor technology, at an amount calculated at 3% of licensing income received by the consolidated entity after allowing for deductions. If licensing income is generated in the future, any royalty payments on that income will be recognised.

Note 31. Commitments

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

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

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

Note 31. Commitments (continued)

Royalty commitments

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

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

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

- from production utilising the Coldry technology of Coldry pellets, a royalty rate of $A0.50 per tonne, which is increased by CPI each anniversary of the agreement. For 2020, this now stands at $A0.5321 per tonne. This royalty is payable for a period of twenty years following commencement of payments; and
- from revenue achieved through commercialisation and deployment of Matmor technology, less valid deductions as required under any technology licence, the Company should pay 3%. This royalty is payable in perpetuity (refer note 30).

Note 32. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

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

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

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

* Represents amounts paid to Mecrus Pty Ltd, an entity controlled by Barry Richards, for engineering support services. Such payments were on commercial terms.
** Represents payments that were due to Mr Glenn Fozard for provision of consulting services in August and September 2019 that were settled by crediting his ELF rather than being settled in cash.

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

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

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

Note 32. Related party transactions (continued)

- Glenn Fozard was advanced $450,000 under the ELF for the exercise of 50,000,000 options at $0.009 each. Principal paid during the year was $26,926 (2019: $nil). Interest paid during the year was $nil (2019: $13,146). Movements in the loan balance during the year consisted of management fees incurred and principal repaid. Interest was payable on the outstanding balance at a rate of 7.39% calculated daily. The number of shares released to Glenn Fozard during the year was nil (2019: nil). The balance of the ELF loans at year end was $433,550 (2019: $452,080).
- Ashley Moore was previously advanced $339,249 under the ELF for the exercise of 36,073,950 options at $0.009 each and 972,223 options at an exercise price of $0.015 each. Principal paid during the year was $nil (2019: $337,727 of which $101,318 was an incentive which was offered to all ELF holders on the same terms). Interest paid during the year was $nil (2019: $21,678). Movements in the loan balance during the year consisted of interest incurred. Interest was payable on the outstanding balance at a rate of 0.89% calculated daily. The number of shares released to Ashley Moore during the year was nil (2019: 36,073,950).The balance of the ELF loan at year end was $1,529 (2019: $1,522).

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $	2019 $
Loss after income tax	(1,027,485)	(14,667,866)
Total comprehensive income	(1,027,485)	(14,667,866)

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	2,680,619	2,129,384
Total assets	3,756,285	2,367,903
Total current liabilities	272,562	4,252,673
Total liabilities	2,319,598	5,778,679
Equity		
Issued capital	82,235,988	76,442,268
Options reserve	813,023	639,935
Accumulated losses	(81,612,324)	(80,492,979)
Total equity/(deficiency)	1,436,687	(3,410,776)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
For contingent liabilities of the parent entity, refer to note 30.

Capital and other commitments
The parent entity has operating lease, patent, equipment finance and royalty commitments payable (not recognised as liabilities). Refer to note 31 for details.

Note 33. Parent entity information (continued)

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 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Asia Pacific Coal and Steel Pty Ltd	Australia	100.00%	100.00%
Enermode Pty Ltd	Australia	100.00%	100.00%
Maddingley Coldry Unit Trust	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%
ECT Fuels Pty Ltd	Australia	100.00%	100.00%
ECT China Limited	Hong Kong	100.00%	100.00%
Coldry Demonstration Plant Pty Ltd	Australia	100.00%	100.00%
Coldry Master Lic. 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 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax expense for the year	(2,067,972)	(8,903,016)
Adjustments for:		
Depreciation and amortisation	386,608	601,004
Impairment of non-current assets	-	4,800,000
Write off of non-current assets	61,023	-
Share-based payments	325,356	-
Movement in Coldry and Matmor provisions	(67,709)	-
Finance costs - non cash	404,060	74,984
Share-based payments	-	332,399
Insurance proceeds classified as investing cash flows	(1,905,560)	-
Impairment of trade receivables	109,668	-
Loss on revaluation of financial derivatives	14,637	-
Interest received - non cash	-	(28,069)
Loss on settlement of debt	578,788	-
Rent concessions	(38,968)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	634,728	90,384
Decrease/(increase) in prepayments	(12,862)	26,625
Decrease in trade and other payables	(29,460)	(237,832)
Decrease in employee benefits	(139,428)	(14,790)
Net cash used in operating activities	(1,747,091)	(3,258,311)

Note 36. Changes in liabilities arising from financing activities

Consolidated	Innovation Structured Finance Co. (Brevet) $	Securitised loan payable $	Convertible note $	Lease liabilities $	Equipment finance $	Total $
Balance at 1 July 2018	1,179,283	-	-	-	150,809	1,330,092
Net cash from/(used in) financing activities	(150,477)	500,000	790,636	-	(66,430)	1,073,729
Prepaid interest	-	(91,859)	-	-	-	(91,859)
Balance at 30 June 2019	1,028,806	408,141	790,636	-	84,379	2,311,962
Net cash used in financing activities	(1,028,806)	-	-	-	(28,930)	(1,057,736)
Recognition on adoption of AASB 16	-	-	-	973,384	-	973,384
Lease repayments	-	-	-	(86,060)	-	(86,060)
Conversion to equity	-	(408,141)	(790,636)	-	-	(1,198,777)
Lease reassessment	-	-	-	(35,640)	-	(35,640)
Rent concessions	-	-	-	(38,968)	-	(38,968)
Balance at 30 June 2020	-	-	-	812,716	55,449	868,165

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 37. Earnings per share

	Consolidated	
	2020	2019
	$	$
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(2,067,972)	(8,903,016)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	4,358,959,986	3,554,562,696
Weighted average number of ordinary shares used in calculating diluted earnings per share	4,358,959,986	3,554,562,696
	Cents	Cents
Basic earnings per share	(0.047)	(0.250)
Diluted earnings per share	(0.047)	(0.250)

At 30 June 2020, there were 1,048,779,136 shares held as security which are subject to the repayment of ELF loans. For accounting purposes, these ELF loans and the related shares issued are treated as an in-substance issue of options. The ELF shares issued are therefore not included in the Basic EPS calculation. All options were considered anti-dilutive and excluded from the calculations above. All partly paid shares on issue are also treated in the same way as options and hence considered dilutive for the purposes the calculation.

Note 38. Share-based payments

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

	Consolidated	
	2020	2019
	$	$
Share-based loan expense - J. Blackburn	-	106,399
Share raising expenses	-	226,000
Options issued to trade suppliers	127,335	-
Options issued to KMP	18,000	-
Shares issued to shareholder suppliers	180,021	-
Total share-based payment expense	325,356	332,399

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

Services received from shareholders
During the year, the Company received services from a shareholder in relation to general support services. The shareholder was remunerated through the release of 41,666,666 shares from his ELF loan facility. Such shares are now recognised as issued share capital of the Company. Shares were issued at an average price of $0.0026 and the total value of shares issued was $120,833. Refer note 24. In addition, a shareholder was issued 43,520,659 shares and 17,408,263 ECTOE options with a total value of $59,188. These options have been recognised as a share based payment expense with the balance credited to the options reserve. Refer to note 23.

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

Services received from trade suppliers
During the year, the Company received services related to corporate costs, pilot plant and engineering and sales and marketing expenses that were settled by the issue of share capital with a fair value of $145,335.

Services received from KMP
During the year, Glenn Fozard was issued shares in satisfaction of invoices payable for consulting services provided to the Company amounting to $18,000.