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 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standards 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	95.1%	to	4,488
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	9.6%	to	(1,869,725)
Loss for the year attributable to the owners of Environmental Clean Technologies Limited	down	9.6%	to	(1,869,725)

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 $1,869,725 (30 June 2020: $2,067,973).

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'.

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. An unmodified opinion from the auditor is currently expected with a section addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Environmental Clean Technologies Limited for the year ended 30 June 2021 is attached.

12. Signed

As authorised by the Board of Directors

Signed

Date: 27 August 2021

Glenn Fozard
Executive Chairman
Melbourne

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

Major Highlights:

ECT Finance Limited

(i) Equity Lending Facilities

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

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

At 31 July 2020, the total value of the loan book was $2,110,200 (including interest accrued and capitalised, and management fees capitalised to the loans to 31 July 2020). The value of security held was $805,000 (based on a $0.001 share price). The loans in respect of the ESIOA and ESIOB options expired on 31 July 2020. The loans in respect of the unlisted options were due to expire on 31 July 2021, however by mutual agreement between ECTF and the borrowers, the loans were wound up prior to the end of the financial year. Interest rates across each of the loans can vary according to payment methods. For accounting purposes pursuant to accounting standards, the ELF loans and the related shares issued are not recognised but are treated as the issue of options (refer to note 12 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.

Environmental Clean Technologies Limited

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

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

(iii) Capital raising activities

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

(iv) High Volume Test Facility (HVTF)

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

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

The project has been divided into two phases:

Phase 1 - Coldry process scale up:

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

Phase 2 – Char plant installation and integration:

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

Phase 1 of the project is substantially complete .

(v) Expiry of options

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

Financial results:

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

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

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

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

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

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

Depreciation and amortisation decreased by $65,799. This is made up of 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, depreciation on right-of-use assets and depreciation of assets acquired during the financial year. 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 combined movement in the Coldry earn-out creditor (the present value of future commitments associated with the purchase of the Coldry intellectual property in 2009) and the Matmor deferred consideration (the present value associated with the purchase of the Matmor Test Plant assets in 2014). There was a net increase in the combined liabilities resulting in a loss on remeasurement for the year amounting to $470,744.

Coronavirus (COVID-19) Pandemic

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

Matters subsequent to the end of the financial year

Capital restructure

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

Sale of wood briquettes

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

ECTOE options

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

Coronavirus (COVID-19) pandemic

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

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental Clean Technologies Limited

ABN 28 009 120 405

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	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue	1	-	87,454
Other income	2	1,298,452	2,964,770
Interest revenue calculated using the effective interest method		4,488	4,930
Total income		1,302,940	3,057,154
Expenses			
Corporate costs		(1,466,058)	(1,403,054)
Engineering and pilot plant costs		(411,867)	(754,783)
Remeasurement of financial liabilities		(470,744)	53,073
Depreciation and amortisation expense	3	(320,809)	(386,608)
Employee benefits expense	3	(125,860)	(664,634)
Sales and marketing		(107,284)	(145,459)
Finance costs	3	(102,888)	(614,375)
Legal costs		(80,863)	(117,165)
Occupancy expense		(68,996)	(211,018)
Travel and accommodation		(17,296)	(46,117)
Impairment of receivables		-	(109,668)
Loss on debt extinguishment	3	-	(664,297)
Write-off of assets		-	(61,022)
Total expenses		(3,172,665)	(5,125,127)
Loss before income tax expense		(1,869,725)	(2,067,973)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited		(1,869,725)	(2,067,973)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		(1,869,725)	(2,067,973)
		Cents	Cents
Basic loss per share	16	(0.023)	(0.047)
Diluted loss per share	16	(0.023)	(0.047)

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

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

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents		1,014,490	1,104,781
Trade and other receivables	4	2,276,858	966,669
Inventories		84,703	-
Other		49,102	58,413
Total current assets		3,425,153	2,129,863
Non-current assets			
Property, plant and equipment	5	2,551,603	293,370
Right-of-use assets	6	636,702	782,296
Intangibles	7	254,250	-
Total non-current assets		3,442,555	1,075,666
Total assets		6,867,708	3,205,529
Liabilities			
Current liabilities			
Trade and other payables	8	1,757,005	125,582
Borrowings	9	1,285,558	28,930
Lease liabilities		147,871	122,827
Provisions		6,079	-
Other financial liabilities	10	3,857	227
Total current liabilities		3,200,370	277,566
Non-current liabilities			
Borrowings		-	26,519
Lease liabilities		547,324	689,889
Provisions		517	210
Other financial liabilities	11	1,797,532	1,330,418
Total non-current liabilities		2,345,373	2,047,036
Total liabilities		5,545,743	2,324,602
Net assets		1,321,965	880,927
Equity			
Issued capital	12	81,091,892	78,605,405
Reserves	13	118,285	495,698
Accumulated losses		(79,888,212)	(78,220,176)
Total equity		1,321,965	880,927

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

Environmental Clean Technologies Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	73,686,351	444,005	(76,152,203)	(2,021,847)
Loss after income tax expense for the year	-	-	(2,067,973)	(2,067,973)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,067,973)	(2,067,973)
Transactions with owners in their capacity as owners:				
Share-based payments (note 17)	180,021	-	-	180,021
Issue of shares via non-renounceable rights issue, net of costs	4,739,033	-	-	4,739,033
Premium received on ELF options (note 13)	-	51,693	-	51,693
Balance at 30 June 2020	78,605,405	495,698	(78,220,176)	880,927

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	78,605,405	495,698	(78,220,176)	880,927
Loss after income tax expense for the year	-	-	(1,869,725)	(1,869,725)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,869,725)	(1,869,725)
Transactions with owners in their capacity as owners:				
Share-based payments (note 17)	41,667	118,285	-	159,952
Options exercised	294,009	(294,009)	-	-
Issue of shares via placement and purchase plan, net of costs	1,874,598	-	-	1,874,598
Premium received on ELF options (note 13)	276,213	-	-	276,213
Transfer option premium (exercised options)	-	(201,689)	201,689	-
Balance at 30 June 2021	81,091,892	118,285	(79,888,212)	1,321,965

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

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		37,389	133,697
Research and development tax incentive		899,612	1,511,621
Payments to suppliers and employees		(987,943)	(3,329,633)
Government grants (COVID-19)		113,283	83,094
Interest received		4,488	4,622
Interest and other finance costs paid		(102,888)	(210,316)
Net cash used in operating activities	14	(36,059)	(1,806,915)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(3,646,706)	(275,234)
Payments for intangibles	7	-	(48,369)
Proceeds from security deposits		31	-
Insurance recoveries		593,012	1,882,130
Net cash from/(used in) investing activities		(3,053,663)	1,558,527
Cash flows from financing activities			
Proceeds from issue of shares	12	1,894,600	1,770,544
Proceeds from issue of options		-	51,693
Proceeds from borrowings		1,259,039	1,188,270
Repayment of borrowings		(28,930)	(1,958,502)
Repayment of lease liabilities		(125,278)	(86,060)
Net cash from financing activities		2,999,431	965,945
Net increase/(decrease) in cash and cash equivalents		(90,291)	717,557
Cash and cash equivalents at the beginning of the financial year		1,104,781	387,224
Cash and cash equivalents at the end of the financial year		1,014,490	1,104,781

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

Note 1. Revenue

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

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

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

Note 2. Other income

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

Research and development tax incentive
The Company has recognised a receivable related to the research and development tax incentive of $1,971,535 at 30 June 2021 (2020: $899,612) which relates to eligible expenditure. An amount of $1,416,766 of the incentive received or receivable has been deferred and offset against the cost of plant and equipment and intangible asset acquisitions. Refer note 5 and note 7.

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

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

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

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

Note 3. Expenses

	Consolidated 2021 $	Consolidated 2020 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	163,624	177,255
Office equipment	3,833	5,536
Buildings right-of-use assets	153,352	155,448
Total depreciation	320,809	338,239
Amortisation		
Intellectual property - Waste-to-energy	-	48,369
Total depreciation and amortisation	320,809	386,608
Loss on settlement of debt		
Loss on conversion of securitised loans to equity (note 9)	-	192,076
Loss on conversion of convertible notes to equity (note 9)	-	386,712
Net loss on conversion of trade and other payables to equity	-	85,509
Total loss on settlement of debt	-	664,297
Remeasurement of financial liabilities		
Remeasurement of deferred consideration for Matmor assets	(55,055)	(295,513)
Remeasurement of Coldry earn-out provision	525,799	227,803
Loss on fair value remeasurement of convertible note derivatives	-	14,637
Total remeasurement of financial liabilities	470,744	(53,073)
Finance costs		
Interest and finance charges paid/payable on lease liabilities	38,426	46,755
Interest and facility costs	64,462	515,630
Capital raising costs	-	51,990
Finance costs expensed	102,888	614,375
Share-based payments expense		
Share-based payments expense (refer to note 17)	104,183	180,021
Employee benefits expense		
Defined contribution superannuation expense	14,745	53,104
Other employee benefits	111,115	611,530
Total employee benefits expense	125,860	664,634

Note 4. Current assets - trade and other receivables

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

Note 5. Non-current assets - property, plant and equipment

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

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

Consolidated	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2019	232,259	6,261	238,520
Additions	295,802	2,862	298,664
Write off of assets	(61,023)	-	(61,023)
Depreciation expense	(177,255)	(5,536)	(182,791)
Balance at 30 June 2020	289,783	3,587	293,370
Additions	3,644,839	1,867	3,646,706
R&D tax incentive offset	(1,221,016)	-	(1,221,016)
Depreciation expense	(163,624)	(3,833)	(167,457)
Balance at 30 June 2021	2,549,982	1,621	2,551,603

Note 6. Non-current assets - right-of-use assets

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

Reconciliations

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

Consolidated	Land and buildings $	Total $
Balance at 1 July 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
Reassessment of asset on change in terms	7,758	7,758
Depreciation expense	(153,352)	(153,352)
Balance at 30 June 2021	636,702	636,702

Note 7. Non-current assets - intangibles

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

Note 7. Non-current assets - intangibles (continued)

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

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

Right-of-access - mining

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

Note 8. Current liabilities - trade and other payables

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

Note 9. Current liabilities - borrowings

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

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

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 10. Current liabilities - other financial liabilities

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

Refer to note 11 for further details.

Note 11. Non-current liabilities - other financial liabilities

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

Deferred consideration - Matmor

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

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

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

Earn-out provision - Coldry

The earn-out provision represents deferred consideration payable related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of Coldry pellets and is discounted at a rate of 18% (2020: 26%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Note 12. Equity - issued capital

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

Ordinary share capital

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

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

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

During the year, the Company raised $1,500,000 through a placement of 1,500,000,000 fully paid ordinary shares to sophisticated and professional investors at an issue price of $0.001 per share. For every three shares issued under the Placement, the Company issued one free attaching ECTOE option exercisable at $0.003 and expiring 23 February 2023.

ELF share capital

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

Note 12. Equity - issued capital (continued)

All shares issued pursuant to the ELF and which are financed by limited recourse loans are considered, for accounting purposes, to be options issued. As a result, neither the value of the loans receivable, nor the value of shares issued, are recognised in the financial statements. Where the Company receives funds from Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the option reserve until the loan is settled (refer to note 13). Loans expire within 2-3 years from issue and interest is charged at commercial rates of interest.

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

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

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

ELF share capital movements are as follows:

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

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

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

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

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

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

Note 12. Equity - issued capital (continued)

Treasury share capital

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

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

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

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

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

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

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

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

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

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

Note 13. Equity - reserves

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

Note 13. Equity - reserves (continued)

Options reserve
The balance of the options reserve recognises the value of consideration received for options issued that remain unexercised. Such options may include those issued as share-based payments and receipt of principal and interest on ELF loan repayments which are treated as receipt of option premium for accounting purposes (refer to note 12 for further details). Movements in the reserve are provided below.

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

Consolidated	ECTOE options reserve $	ELF reserve $	Total $
Balance at 1 July 2019	-	444,005	444,005
Receipt of premium	-	51,693	51,693
Balance at 30 June 2020	-	495,698	495,698
Exercise of options	-	(294,009)	(294,009)
Expiry of options	-	(201,689)	(201,689)
Share based payments (note 17)	118,285	-	118,285
Balance at 30 June 2021	118,285	-	118,285

ECTOE options reserve

The ECTOE options reserve is used to recognise the value of ECTOE listed options provided to employees, directors and suppliers as part of their compensation for services and/or goods received. Refer to note 12 for details of ECTOE options on issue. Refer to note 17 for details of share-based payments.

ELF reserve

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

Note 14. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax expense for the year	(1,869,725)	(2,067,973)
Adjustments for:		
Depreciation and amortisation	320,809	386,608
Write off of non-current assets	-	61,026
Share-based payments	416,165	180,021
Revaluation of financial liabilities	470,745	(67,709)
Finance costs - non-cash	-	404,060
Inventory write downs	32,146	-
Insurance proceeds classified as investing cash flows	(593,012)	(1,905,560)
Impairment of trade receivables	-	109,668
Loss on revaluation of financial derivatives	-	14,637
Research and development incentives deferred	1,416,766	-
Loss on settlement of debt	-	664,297
Rent concessions	-	(38,968)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,310,189)	634,728
Increase in inventories	(107,575)	-
Increase in prepayments	-	(12,862)
Increase/(decrease) in trade and other payables	1,181,425	(29,460)
Increase/(decrease) in employee benefits	6,386	(139,428)
Net cash used in operating activities	(36,059)	(1,806,915)

Note 15. Changes in liabilities arising from financing activities

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

Note 16. Earnings per share

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

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

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

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

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

Note 17. Share-based payments

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

ECT Shares

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

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

The total number of shares issued during the year relating to the settlement of share-based payment arrangements was 374,679,666 (2020: 85,187,325).

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

Options

ECTOE options provided as share based payments were as follows:

Note 17. Share-based payments (continued)

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

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

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

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

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

(a) Issue of shares to key management personnel

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

(b) Issue of shares for goods and services received

During the year, the Company issued shares to suppliers of goods and services. The total number of shares issued was 148,199,666 which had an aggregate value of $91,400 which was recognised as a share-based payment expense.

(c) Issue of shares for acquisition of plant and equipment

During the year, the Company issued shares to a supplier of plant and equipment attributable to the Bacchus Marsh rebuild. The total number of shares issued was 226,480,000 which had an aggregate value of $226,480. This amount was capitalised to plant and equipment.

(d) Options granted for goods and services received

During the year, the Company issued ECTOE options to suppliers for the acquisition of goods and services. The number of options granted was 106,658,654 with an aggregate value of $118,285 which was recognised as a share-based payment expense. The fair value of the options was determined on grant date using a Binomial options pricing model.

Grant date	Number issued	Fair value	Total
26 May 2021	3,527,766	$0.0011	3,810
30 June 2021	103,130,888	$0.0011	114,475
	106,658,654		118,285

Note 17. Share-based payments (continued)

(e) Shares issued to shareholder suppliers

During 2020, the Company received general support services from a shareholder. The shareholder was remunerated through the release of 41,666,666 shares from their ELF loan facility. As a result, such shares were recognised as issued share capital of the Company. Shares were issued at an average price of $0.0026 and the total value of shares issued was $120,833. Refer to note 12.

During 2020, a shareholder was issued 43,520,659 shares and 17,408,263 ECTOE options with a total value of $59,188. These equities were issued in recognition of the shareholder managing the transfer of equities to contractors involved in the rebuild of the Bacchus Marsh facility. The options have been recognised as a share based payment expense with the balance credited to the options reserve. Refer to note 13.

Note 18. Events after the reporting period

Capital restructure

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

Sale of wood briquettes

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

ECTOE options

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

Coronavirus (COVID-19) pandemic

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

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.