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 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

	2023 $	2022 $	Change $	Change %
Revenues from ordinary activities	36,610	269,671	(233,061)	(86%)
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	(4,416,859)	(5,178,833)	761,974	(15%)
Loss for the year attributable to the owners of Environmental Clean Technologies Limited	(4,416,859)	(5,178,833)	761,974	(15%)

	2023 Cents	2022 Cents
Basic loss per share	(0.277)	(0.418)
Diluted loss per share	(0.277)	(0.418)

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 $4,416,859 (30 June 2022: $5,178,833).

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	0.207	0.433

Net tangible assets excludes right-of-use lease assets and liabilities 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.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

The financial statements have been audited. The auditor's report contains an unqualified audit opinion with a paragraph addressing material uncertainty related to going concern.

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11. Attachments

Details of attachments (if any):

The Annual Financial Report of Environmental Clean Technologies Limited for the year ended 30 June 2023 is attached.

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12. Signed

As authorised by the Board of Directors

Jason Marinko
Chairman
Perth

31 August 2023

Environmental Clean Technologies Limited

ABN 28 009 120 405

Annual Financial Report - 30 June 2023

Directors	Jason Marinko – Chairman, Non-Executive Director James Blackburn - Non-Executive Director Sam Rizzo – Executive Director
Company secretary	Kian Tan
Registered office	Suite 37, 209 Toorak Road South Yarra, VIC, 3141 Australia
Principal place of business	Suite 37, 209 Toorak Road South Yarra, VIC, 3141 Australia
Share register	Automic Registry Services Suite 5, Level 12, 530 Collins Street Melbourne VIC 3000 Phone 1300 288 664 (within Australia); +61 2 9698 5414 (outside Australia) www.automic.com.au
Auditor	BDO Audit Pty Ltd Tower 4, Level 18 727 Collins Street Melbourne, VIC, 3008
Bankers	National Australia Bank Limited 3/330 Collins Street Melbourne, VIC, 3000
Stock exchange listing	Environmental Clean Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: ECT)
Website	www.ectltd.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Environmental Clean Technologies Limited in an ethical manner and in accordance with the highest standards of corporate governance. Environmental Clean Technologies Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Company's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, as well as the ASX Appendix 4G, are released to the ASX on the same date the Annual Report is released. The Corporate Governance Statement and Committee Charters can be found on the Company's website at http://www.ectltd.com.au/about-us/corporate-governance/

The directors present their report together with the financial statements of Environmental Clean Technologies Limited ('the Company' or 'parent entity') and its controlled entities (collectively 'the consolidated entity' or 'group') for the year ended 30 June 2023.

Directors

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

- Glenn Fozard - Managing Director (resigned 15 August 2023) *
- James Blackburn - Non-Executive Director
- Jason Marinko – Chairman, Non-Executive Director
- Tim Wise – Non-Executive Director (resigned 15 August 2023)
- Sam Rizzo – Executive Director (appointed 15 August 2023)

* Glenn Fozard was appointed Chief Operating Officer on 15 August 2023

Principal activities

During the financial period, the principal continuing activities of the consolidated entity consisted of investment, research, development, and the commercialisation of technologies which bridge the gap between today's use of low-grade and waste resources and tomorrow's zero-emissions future with an emphasis on producing clean energy, soil health and battery carbon products for the energy and resource sectors. Such activities included:

- continuing to develop the Bacchus March plant (BM Project);
- developing commercial opportunities for the Company's commercial site at Yallourn; and
- managing the development of, and extracting value from, the consolidated entity's intellectual property.

Bacchus Marsh

Phase 1 of the BM Project focused on demonstrating the capacity of COLDry at a scale of 25,000 tonnes per annum, aiming to de-risk the technology scale-up of COLDry ahead of integrating with pyrolysis to produce value added products like syngas and char, which is the commercial demonstration phase (Phase 2). Phase 1 commenced in July 2020.

The continuation of Phase 1, over the reporting period, focused on completing the construction of the scaled-up COLDry plant and the commencement of commissioning. During this time, the Company trialled a new waste heat source from a data server farm installed on-site by a third party. This trial confirmed the suitability of this waste heat source to provide consistent low-temperature drying energy to the COLDry process and allowed for deployment ahead of other sources of waste heat, like the rotary kiln. Detailed engineering is currently being undertaken to integrate and expand the utilisation of waste heat from these other sources.

Phase 1 of the BM Project achieved the successful wet commissioning of the primary processing train during December 2022 and included successful end-user trials of the COLDry pellets produced.

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

Yallourn & Other Opportunities

Over the reporting period, ECT investigated opportunities for the Yallourn commercial site as well as other opportunities in the broader Latrobe Valley area.

The decision was made to suspend developing direct opportunities at Yallourn until there was greater clarity on the future of lignite supply for the Yallourn mine, currently servicing the Yallourn Power Station and scheduled for closure in 2028. ECT continued to consider tenants for the iconic Yallourn Production Centre building built in 1923.

In March 2023, the Japanese Hydrogen Energy Supply Chain (HESC) consortia announced their commitment to invest $2.6B into hydrogen production from lignite at Loy Yang mine. ECT continues to prepare itself for the vendor selection process for the drying of lignite feedstock supplying this project.

COLDry Process

The COLDry process is a low temperature, low pressure, and therefore a low-cost method of de-watering lignite to produce an upgraded black coal equivalent. The process has progressed from pilot-scale to demonstration-scale allowing techno-economic validation ahead of the intended broader commercial roll-out.

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

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

Essentially, the COLDry process combines two mechanisms to achieve efficient, cost-effective de-watering; (i) lignite densification; and (ii) waste heat utilisation. Lignite densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within the lignite. Waste heat utilisation provides 'free' evaporative energy to remove the moisture, thereby minimising paid energy input, resulting in net energy uplift and net CO_2 reductions.

HydroMOR (previously Matmor) Process

HydroMOR is an improved version of the previously named Matmor process, which is a cleaner, lower-emission, one-step process for producing high-grade primary iron, using low-cost lignite instead of expensive coking coal as used in the conventional blast furnace process.

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

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

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

The HydroMOR process operates below 900 degrees Celsius, compared to a blast furnace which operates at around 1500 degrees Celsius. Lower temperature operation requires less energy input and results in less thermal stress on the plant, enabling lower-cost materials to be used in its construction.

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

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

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

Intellectual property

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

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

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

During the period, the Company was granted patents for HydroMOR in Europe, Australia, and Russia, with patents pending in Poland, USA, Canada, India, China, and Indonesia.

Equity Lending Facilities ('ELF')

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

During the year, ECTF continued to manage its portfolio of ELF loan receivables. Refer to 'Review of operations' (subparagraph (iv) below) for details of ELF movements.

Dividends

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

Review of operations

The Company announced the appointment of a new Managing Director, Mr Sam Rizzo, and a further update to the development strategy, aimed at taking advantage of near-term revenue-generating opportunities, whilst continuing to conduct feasibility studies on longer-term projects. Broadly, the revised strategy to bring the Bacchus Marsh COLDry project into production can be split into four distinct phases (which the Company intends to pursue concurrently):

- Finalise design and engineering of the installation of the pyrolysis kiln, and subject to further funding, install the kiln which will enable the Company to produce and sell char;
- Conduct further feasibility to better understand the return between char and COLDry pellets and progress discussions with potential off takers;
- Conduct feasibility to increase production at Bacchus Marsh of both COLDry pellets and char;
- Conduct feasibility on using syngas and other fuels which provide low-cost, low emissions energy to critical industrial sectors.

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

The R&D objectives of the project include:

- Completing scale-up from COLDry pilot scale:
  - incorporating a fully bespoke 5-pass conditioning system; construction complete (status: commissioning complete);
  - incorporation of a higher capacity primary processing train (status: construction complete, wet commissioning complete);
  - incorporating packed bed dryer capacity and efficiency redesigns (status: scheduled for delivery under Phase 2);
- Integration with waste energy application (e.g., the char kiln and server farm) to provide drying energy for the COLDry process;
- The utilisation of syngas produced from the char kiln;
- Production of solid fuel COLDry pellets, to target specification;
- Production of char from solid fuel COLDry pellets, to target specification; and
- Integration with downstream hydrogen and formic acid (or similar hydrogen carrier chemicals) production plant.

The Company announced late last year the signing of a term sheet for the field trial of the Panasonic hydrogen fuel cell technology as part of its COLDry Project at JBD Industrial Park in Bacchus Marsh. Panasonic selected the Company for a trial of their hydrogen fuel cell in support of their global rollout of this technology.

- The fuel cell is capable of turning hydrogen into on-site electricity and power.
- The Company will demonstrate the Panasonic H2 fuel cell operations as part of a 3-year trial.
- The clean hydrogen for this demonstration may be supplied by the Company.
- Optimal Group Australia ('Optimal') is in partnership with Panasonic to install, commission, maintain and provide training to the Company on the operation of the fuel cell.
- During the year, the Company paid a deposit of $62,366 and the fuel cell was delivered to Optimal ahead of installation and commissioning works at Bacchus Marsh.

Major Highlights:

Environmental Clean Technologies Limited

(i) Receipt of research and development tax incentive

On 22 October 2022, the Company received the full amount of the research and development tax incentive receivable recognised in the financial statements at 30 June 2022 amounting to $1,794,182.

(ii) Progress of Phase 1 continued during the reporting period, despite residual COVID-related supply chain and labour market constraints, culminating in the successful completion of wet commissioning of the primary processing train in December 2022.

During November 2022, the Company announced the signing of a term sheet for the field trial of the Panasonic Hydrogen Fuel Cell technology as part of its COLDry and Net Zero Hydrogen Project at JBD Industrial Park in Bacchus Marsh, northwest of Melbourne.

A presentation, approved by Optimal and Panasonic, provides an overview of the technology and trial and is available on the Company's website.

(iii) Expiry of options

ECTOE options expired on 17 February 2023. Some options were converted to ordinary shares which were used as security for ELFs. Refer 'Equity Lending Facilities' section below. Information on the expiry of director incentive options is contained in the 'shares under options' section below.

ECT Finance Limited

(iv) Equity Lending Facilities

In 2020, ECT Finance Ltd advanced an ELF loan to the value of $750,000 to Mr Iain McEwin which was initially secured by 750,000,000 ECT fully paid ordinary shares and 300,000,000 ECTOE options (being pre the July 2021 share consolidation). This loan enabled Mr McEwin to subscribe for the balance of the shortfall of shares and options in connection to the non-renounceable rights issue made by the Company during that year.

Since then, these shares and options have been mostly used for transfer to creditors in satisfaction of amounts payable and for transfer to vendors of the property at Yallourn which was purchased on 22 February 2022.

In 2021, 274,679,966 shares and 106,658,654 ECTOE options were transferred to creditors. In 2022, 1,877,417 shares and 19,334,135 options were transferred to creditors in satisfaction of amounts payable and 25,000,000 shares were transferred to the vendors of the property at Yallourn, which the Company purchased on 22 February 2022, in partial settlement of this acquisition. Refer to note 33 for details. In 2023, a further 5,389,159 shares were transferred to creditors in satisfaction of amounts payable.

This ELF loan was due to expire on 10 May 2023 and has been extended by one year. 6,988,053 shares were released from escrow from this ELF to pay creditors and executives in lieu of cash payments. The balance of shares held as security for the ELF at balance date was 15,265,428.

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

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

Following shareholder approval at the Company's annual general meeting ('AGM') in November 2022, ECTF announced a new ELF for the holders of ECTOE options. All option holders holding at least 333,334 ECTOE options were eligible to participate in the ELF. Applications for 50 new ELFs were received which resulted in 760,358,891 ECTOE options being converted to the same number of ordinary shares. These shares are held as security for the ELFs, are escrowed, and cannot be traded by ELF holders until the ELF is repaid. The ELFs were drawn down on 17 February 2023 and expire after 3 years. The total initial value of the ELFs was $22,810,767. One of the ELFs has since been forfeited with the 1,598,894 shares that were securing the ELF subsequently used to pay creditors leaving 758,759,997 shares as security for the remaining 49 ELFs.

At the end of the reporting period there was a total of 874,025,425 shares that are used as security for ELFs and are therefore escrowed.

Financial results:

The reportable loss for the consolidated entity was more favourable at $4,416,859 compared to the prior year loss of $5,178,833.

	2023 $	2022 $	Change $	Change %
Revenue	-	257,597	(257,597)	(100%)
Other income (excluding interest)	838,218	665,182	173,036	26%
Change in inventories	(8,921)	(125,378)	116,457	(93%)
Impairment and write offs	(280,435)	-	(280,435)	-
Remeasurement of financial liabilities	62,690	99,811	(37,121)	(37%)
Loss on disposal of plant and equipment (including Wood247 business)	-	(233,677)	233,677	(100%)
Share-based payments expense	(845,164)	(1,928,786)	1,083,622	(56%)
Other operating costs (excluding interest, depreciation and amortisation)	(3,067,129)	(2,938,078)	(129,051)	4%
EBITDA	(3,300,741)	(4,203,329)	902,588	
Depreciation and amortisation	(1,056,496)	(675,746)	(380,750)	56%
Finance costs	(96,232)	(311,832)	215,600	(69%)
Interest revenue	36,610	12,074	24,536	203%
Net (loss) for year	(4,416,859)	(5,178,833)	761,974	

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

The 'Other Income' category of $838,218 (2022: $665,182) predominantly includes AusIndustry research and development tax incentive income of $734,967 (2022: $598,997).

The research and development tax incentive received and receivable on the purchase of qualifying capital items has been offset against asset carrying values and is therefore not recognised as income. The offset for the year was $562,471 (2022: $1,212,333). The total amount expected to be received from the research and development tax incentive is $1,294,899 at year end.

Total cash operating costs excluding net finance costs (i.e., excludes impairment and write-off expense, depreciation and amortisation, remeasurement of financial liabilities, change in inventories and share-based payments expense) was $3,067,129 (2022: $2,938,078), an increase of $129,051. This increase is largely due to the greater usage of engineering consultants during the year and the reduced use of share-based payments to pay suppliers.

Depreciation and amortisation increased by $380,750 as additional plant and equipment is placed in service at Bacchus Marsh. Depreciation and amortisation are non-cash expense items.

The remeasurement of the financial liabilities amounting to $62,690 consists of an increase in the COLDry earn-out provision of $373,862 netted against a gain on remeasuring the HydroMOR liability of $436,552. The latter occurred due to the Company's decision to focus all short-term efforts on the commercialisation of COLDry technologies and putting a temporary pause to the development of HydroMOR. This has resulted in the future payments of deferred consideration relating to HydroMOR being considerably delayed resulting in the associated liability being remeasured down to an immaterial value.

Business risks

Provided below are the principal risks and uncertainties associated with the consolidated entity that could adversely affect its financial performance and growth potential in future years. The Company maintains a risk matrix with each risk subject to regular review by the Audit and Risk Committee. All risks on the matrix are given a risk rating to assess their probability and impact. New risks are added to the matrix as they are identified.

Environmental risks

The Company's operations are subject to a number of broader environmental risks, including (i) climate change which includes changes in weather patterns, rising sea levels, and extreme weather events. These risks could have a significant impact on the Company's operations, supply chain, and financial performance; (ii) water scarcity which could lead to increased costs for water and disruptions to operations; and (iii) waste management whereby the Company's operations could generate a significant amount of waste which could lead to environmental damage, regulatory fines, and reputational risks. With respect to specific activities, the Company is not the subject of environmental regulations. However, as the Company considers commencement of operations through the COLDry plant, this status will change. Appropriate planning is in place to manage this transition.

Social Risks
The Company's operations are subject to a number of social risks, including (i) labour relations, the insufficient management of which could lead to operational disruptions; (ii) human rights, whereby the related risks could expose the Company to human rights violations, lawsuits, regulatory fines, and damage to the Company's reputation; and (iii) product safety given that the Company's pilot technologies are still in development phases and the outputs contain various volatiles associated with varying degrees of handling risk. Such risks could lead to financial losses, damage to the Company's reputation, and lawsuits. The Company engages experts in employment law on any matter deemed to present a specific risk to the Company.

Governance Risks
The Company's operations are subject to a number of governance risks, including (i) corruption - this could lead to financial losses, damage to the Company's reputation, and regulatory fines; (ii) board oversight - the Company's Board oversees the Company's management. However, there is a risk that the Board may not be effective in carrying out this responsibility. This could lead to financial losses, damage to the Company's reputation, and regulatory fines; (iii) shareholder activism - the Company is exposed to the risks of shareholder activism. This could lead to changes in the Company's strategy, management, or governance structure. The Company has a number of policies and procedures in place to mitigate these risks. The Company also monitors these risks on an ongoing basis.

Macroeconomic and funding risks
The business is subject to macroeconomic risks such as a slowdown in economic growth, inflation, and rising interest rates. These can impact the Company by increasing the prices of the supplies of plant and equipment, labour and other inputs used in the construction of the Company's plant and general operations of the Company. Debt funding to the Company becomes more expensive as interest rates rise which can place cash flow pressures on operations. The business mitigates funding risks by being significantly financed using R&D incentive rebates as well as using borrowings against such receivables at favourable interest rates. It maintains close relationships with equity brokers and shareholders who have to date shown confidence in the Company's objectives to allow for significant funding via share placements, and debt funding arrangements that contain features allowing for the conversion of such debt to equity in the Company thereby preserving cash balances. The Company expects to finalise offtake and supply agreements ahead of completing construction at Bacchus Marsh and these agreements are expected to form the basis of new debt funding arrangements. In addition, should the Company’s share price increase, the Company is expected to have access to funds from the repayment of ELFs.

Strategic risks
Strategic risk is the risk associated with the implementation of the consolidated entity’s strategic research and development programs including the risk associated with failing to execute its strategy effectively or in a timely manner. The consolidated entity invests resources in the execution of initiatives that are aligned with its strategy, including programs focused on delivering to-market carbon emission mitigating technologies. There is a risk that these programs may not realise some or all of their anticipated benefits. The consolidated entity’s response is to ensure appropriate project governance measures are in place for all major initiatives and to track associated benefits that are derived. All significant technologies are protected by copyright and patents globally. The Company updates its strategy to align future plans with available resources. This was done most recently following the recruitment of the Company’s new Managing Director.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. The consolidated entity takes a risk-based approach to the management of operational risk and obligations. This enables it to appropriately identify, assess, manage and escalate operational risk-related exposures.

Cyber risk, privacy and data breach
Safeguarding the confidentiality and protection of all data encompassing that of our partners, staff, and company, remains of paramount importance. There has been a persistent rise in cyber-attacks targeting both individuals and organisations. The character of these cyber-attacks is perpetually changing and may encompass sophisticated phishing schemes as well as attempts to penetrate essential infrastructure. Additionally, the privacy and security of our data could be compromised by violations of our information technology (IT) security, as well as unintentional or unauthorised data disclosures resulting from human error, malware, or espionage.

The consolidated entity handles personal and sensitive information through its technology systems and networks. The consolidated entity maintains continuous vigilance over cybersecurity threats and have engaged an external IT provider to implement robust security controls for our IT systems, infrastructure and data. These endeavours are based around industry best practices on how to mitigate cybersecurity risks. In addition, we also provide educational updates and training so that our people can recognise and properly respond to potential attacks.

Competitive market and changes to market trends
The consolidated entity operates in a competitive market with competition from other research and development entities around the world developing technologies that may achieve the same or better outcomes as those sought after by the consolidated entity. The consolidated entity’s response is to continue to refine its developing technologies so that they achieve maximum design efficiencies and minimise capital construction outlays. The Company is in the process of completing construction of its Bacchus Marsh facility which will help mitigate the risk of a competitor commercialising a product that may be of greater appeal to our potential customers.

Workplace, health and safety (‘WHS’)
The consolidated entity has a zero-risk tolerance for serious safety incidents. During the financial year, the consolidated entity continued to improve its WHS practices by using the existing safety culture across the business to continue to develop and train its workforce on WHS matters. Staff responsible for WHS undertake specific training.

Reliance on key personnel
The consolidated entity engaged in activities during the financial year to develop the skills and experience of potential successors as part of its succession planning initiatives. The Company recently hired a new Managing Director but retained the services of the previous Managing Director. The Company also retained the services of our previous Chief Operating Officer who is now a non-executive director. These decision were made to retain the considerable skills of these individuals within the Company.

Regulatory compliance
Represents the risk of failure to act in accordance with laws, regulations, industry standards and internal policies. The consolidated entity maintains sufficient internal controls to ensure continued compliance. From time to time, the Company is exposed to a regulatory compliance breach of which appropriate remedial steps are undertaken on a timely basis with employees and (if relevant) third parties. The Company regularly obtains external advice on any matter that presents specific risks to the entity on matters such as capital raising and employment law.

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

Matters subsequent to the end of the financial year
Board restructure
On 15 August 2023, Glenn Fozard and Tim Wise resigned from the Board of the Company. Sam Rizzo was appointed on this date as Managing Director of the Company and Glenn Fozard was appointed as Chief Operations Officer.

Capital raising
On 17 August 2023, the Company announced that it had received firm commitments to raise $2.0 million through the issue of 363,636,363 fully paid ordinary shares at an issue price of $0.0055 per share (Placement). The Placement was offered to sophisticated and professional investors and was strongly supported by existing shareholders. Proceeds will support engineering works at the Company's Bacchus Marsh production facility under a revised strategy designed to capture near-term commercial opportunities.

The Placement has resulted in the issuing of 349,126,363 new shares with the settlement proceeds received. The new shares rank equally with existing shares on issue and are issued using the Company's existing capacities under ASX Listing Rules 7.1 and 7.1A, accordingly shareholder approval was not required. The remaining 14,510,000 shares to be issued are subject to shareholder approval at the Company's next AGM as the shares are intended to be issued to related parties.

Kaai Capital acted as Lead Manager to the Placement and was paid a fee of 6% of the amount raised which Kaai elected to receive in the form of 21,818,182 shares at the Placement price. They were also issued 50 million options, each with an exercise price of $0.011 expiring 3 years from issue. These securities were issued under the Company's ASX Listing Rule 7.1 capacity and accordingly shareholder approval was not required.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

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

Name:	Jason Marinko
Title:	Non-Executive Director
Qualifications:	BCom, FFin, GAICD, MBA
Experience and expertise:	Mr Marinko is an experienced public company CEO, Director and Chairman, with expertise in the technology and investment banking industries and a proven track record in leading technologies to commercialisation. He is also currently a Non-Executive Director of legal tech innovator, Immediation Limited. Mr Marinko has extensive corporate finance and corporate strategy experience and holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Board
Interests in shares:	10,072,603 ordinary shares; 867,097 unissued ordinary shares
Interests in options:	40,000,000 director incentive options

Name:	James Blackburn
Title:	Non-Executive Director
Qualifications:	BAppSci, GradDip. (Governance)
Experience and expertise:	Mr Blackburn has a strong executive background as a corporate development practitioner with over 20 years' experience in governance, operational, and technical roles across research, investment and corporate services disciplines.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	2,500,001 ordinary shares; 867,097 unissued ordinary shares
Interests in options:	40,000,000 director incentive options

Name:	Sam Rizzo
Title:	Executive Director (appointed 15 August 2023)
Qualifications:	BA (Urban and Regional). Grad Dip (Honours) in Urban and Regional Town Planning
Experience and expertise:	Mr Rizzo is a highly regarded project leader with more than 11 years' experience delivering complex projects, renewable energy and supporting infrastructure to deliver optimal value and return on investment. He was most recently Regional Program Leader Europe for global energy transition leader, Fortescue Future Industries. This role led strategic corporate agreements for complex multi-billion-dollar projects, which involved entering contractual arrangements with a national utility provider as well as active green renewable entities.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	None

Name:	Glenn Fozard (resigned 15 August 2023)
Title:	Managing Director
Qualifications:	B.Bus (Int. Trade), BA (Psych)
Experience and expertise:	Glenn has a strong commercial background and extensive experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the Cleantech and Agricultural sectors, he supports the Company with valuable guidance in the technology development, risk management and capital raising areas. Glenn is the founding partner of Greenard Willing, a specialist financial advisory firm. Glenn held an advisory position with the Company prior to becoming a director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	18,987,418 ordinary shares; 7,196,970 unissued ordinary shares
Interests in options:	None

Name:	Tim Wise (resigned 15 August 2023)
Title:	Non-Executive Director
Qualifications:	BSc.
Experience and expertise:	Mr Wise is an experienced entrepreneur and Company Director with particular expertise in the energy, industrial innovation and technology sectors and has more than 20 years' experience in public companies and capital markets. He was the founder and former CEO of Kalina Power Ltd (ASX:KPO) and The Tap Doctor, and is currently an Executive Director at Phos Energy Limited and a Non-Executive Director of Tamaska Oil and Gas Limited (ASX:TMK), Graft Polymer plc and Melchor Pty Ltd. He has a Bachelor of Science from the University of Western Australia.
Other current directorships:	Tamaska Oil and Gas Limited (ASX: TMK)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	5,036,301 ordinary shares; 867,097 unissued ordinary shares
Interests in options:	40,000,000 director incentive options

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

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

Company secretary
Kian Tan is Company Secretary of the Company. Mr Tan is a Chartered Accountant with over 10 years of financial reporting, accounting, advisory and auditing experience and has a Bachelor of Commerce from Curtin University. The Company previously had joint company secretaries with Arron Canicais resigning on 31 July 2023.

Meetings of directors
The number of meetings of the Company's Board and of the Audit and Risk Committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Glenn Fozard	15	15	4	4
James Blackburn	12	15	4	4
Jason Marinko	15	15	-	-
Tim Wise	14	15	-	-

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

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

At the 2022 AGM of the Company (held on 18 November 2022), Jason Marinko was re-elected as director.

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive directors' remuneration

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

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

Directors receive $50,227 per annum in director fees. During the year directors agreed, subject to shareholder approval at the next AGM, to take a portion of their remuneration in shares. For non-executive directors, fees of $7,955 per director remain unpaid and for the executive director consulting fees of $65,000 remain unpaid. If shareholder approval is given to issue shares to settle these fees, the price of the shares will be the volume-weighted average price (VWAP) for the month in which the services were provided.

The Company maintains the following Non-Executive Directors' and Executive Directors' Remuneration Policy with respect to the provision of extra services on behalf of the Company or its business.

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

Executive remuneration

The Board is responsible for determining remuneration and nomination policies in respect of KMP. In establishing such policies, the Board is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the Company's operations. The remuneration levels are reviewed regularly to ensure the Company remains competitive as an employer.

Executive remuneration and reward framework

The executive remuneration and reward framework has four components which may comprise an executive's total remuneration:

- base pay and non-monetary benefits;
- consulting fees;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

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

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

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

Use of remuneration consultants
A remuneration consultant was not used during the year ended 30 June 2023.

Voting and comments made at the Company's 2022 AGM
At the 2022 AGM, 99.3% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

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

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

- The Company, under guidance of the Board, periodically reviews its current and future staffing structure and executive leadership which supports the Company's strategic plan.
- Any planned or additional executive recruitment programs will continue to be implemented in consultation with professional recruitment firms who, as part of this service, benchmark employee salaries to specific industries and broader market measures.

Throughout the financial year 2023, the Board has continued to assess its need for additional skilled resources and to measure this need against the additional costs of further appointments.

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

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

Details of remuneration
The KMP of the consolidated entity during the current financial year consisted of the following persons:
- Glenn Fozard – Managing Director (resigned as Managing Director and appointed Chief Operating Officer on 15 August 2023)
- James Blackburn – Non-Executive Director
- Jason Marinko – Chairman, Non-Executive Director
- Tim Wise – Non-Executive Director (resigned 15 August 2023)
- Ashley Moore - Chief Engineer
- Martin Hill – Chief Financial Officer
- Adam Giles – Marketing and Communications Manager

Sam Rizzo was appointed Managing Director on 15 August 2023.

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

2023	Short-term benefits: Cash salary and fees $	Short-term benefits: Consulting fees $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Leave Benefits $	Share-based payments: Equity-settled Shares $	Share-based payments: Equity-settled Options $	Total $
Non-Executive Directors:								
James Blackburn (i)	37,499	-	-	4,773	-	7,955	58,740	108,967
Jason Marinko (i)	37,499	-	-	4,773	-	7,955	306,049	356,276
Tim Wise (i)	37,499	-	-	4,773	-	7,955	306,049	356,276
Executive Directors:								
Glenn Fozard (ii)	50,000	225,340	-	-	-	65,000	-	340,340
Other KMP:								
Ashley Moore	-	220,413	-	-	-	20,000	-	240,413
Martin Hill	-	226,687	-	-	-	3,500	-	230,187
Adam Giles	-	133,846	-	-	-	14,725	-	148,571
	162,497	806,286	-	14,319	-	127,090	670,838	1,781,030

(i) Non-Executive directors' remuneration consists of a fixed fee. Each director has agreed to be paid $7,955 of their fixed fee in shares subject to shareholder approval at the next AGM. The issue price of the shares is the VWAP of the Company's shares for each month (April to June 2023). Such remuneration is disclosed as an equity-settled share-based payment.

(ii) Glenn Fozard's remuneration consists of a fixed fee for being a director and consulting fees for the provision of executive services excluding GST. Mr Fozard has agreed to be paid $65,000 of his consulting fees in shares subject to shareholder approval at the next AGM. The issue price of the shares is the VWAP of the Company's shares for each month (March to June 2023). Such remuneration is disclosed as an equity-settled share-based payment.

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

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

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

	Fixed remuneration %		Short term incentives %		Long term incentives %	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
James Blackburn	46%	72%	-	-	54%	28%
Jason Marinko	14%	5%	86%	95%	-	-
Tim Wise	14%	5%	86%	95%	-	-
Neil O'Keefe	-	100%	-	-	-	-
Executive Directors:						
Glenn Fozard	100%	100%	-	-	-	-
Other KMP:						
Ashley Moore	100%	100%	-	-	-	-
Martin Hill	100%	100%	-	-	-	-
Adam Giles	100%	100%	-	-	-	-

Service agreements
The Company has no service agreements with KMP.

Share-based compensation

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

Name	Grant date	Number issued	Number issuable	Issue price $	Value $
Glenn Fozard (i)	Approval date - 2023 AGM	-	7,196,970	0.009	65,000
James Blackburn (i)	Approval date - 2023 AGM	-	867,097	0.009	7,955
Jason Marinko (i)	Approval date - 2023 AGM	-	867,097	0.009	7,955
Tim Wise (i)	Approval date - 2023 AGM	-	867,097	0.009	7,955
Ashley Moore	30 June 2023	1,610,001	-	0.009	15,000
Ashley Moore (i)	30 June 2023	-	625,000	0.009	5,000
Adam Giles	30 June 2023	1,575,611	-	0.009	14,725
Martin Hill (i)	30 June 2023	-	437,500	0.008	3,500
		3,185,612	10,860,761		127,090

Notes:
(i) During the year, directors and KMP agreed to take a portion of their remuneration in shares. For non-executive directors, fees of $7,955 per director remain unpaid and for the executive director consulting fees of $65,000 remain unpaid. The issue of shares to directors is subject to shareholder approval. KMP are also owed amounts of $5,000 and $3,500 per the above table. Per the arrangement, the number of shares to be issued to settle the amounts payable is based on the actual volume-weighted average price (VWAP) for the month in which the services were provided. The average issue price overall represents the issue price displayed.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Grant date	Option Type(i)	Number of options issued	Fair value per option $	Expiry Date	Exercise price $	Total FY23 remuneration $
Jason Marinko	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	80,910
							306,051
Tim Wise	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	0.025	75,047
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	0.025	80,910
							306,051
James Blackburn	24 Jun 2022	Tranche A	10,000,000	0.0064	27 Mar 2025	0.05	47,166
	24 Jun 2022	Tranche B	10,000,000	0.0019	27 Mar 2025	0.05	4,730
	24 Jun 2022	Tranche C	10,000,000	0.0016	27 Mar 2025	0.05	3,750
	24 Jun 2022	Tranche D	10,000,000	0.0014	27 Mar 2025	0.05	3,090
							58,736
							670,838

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

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

The fair value of these tranches has also been based on a 100% probability of vesting after 12 months as all VWAP hurdles had been met at the grant date (i.e. measurement date). As such, all options vested during the year ended 30 June 2023.

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

Tranche A VWAP - not applicable - all such options vested during the year ended 30 June 2023.
Tranche B VWAP - $0.06 (22%) - Vesting period is 3 years from grant date and subject to target VWAP being met.
Tranche C VWAP - $0.08 (18%) - Vesting period is 3 years from grant date and subject to target VWAP being met.
Tranche D VWAP - $0.10 (15%) - Vesting period is 3 years from grant date and subject to target VWAP being met.

VWAP targets had not been met at reporting date.

Performance rights
There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 $	2022 $	2021 $	2020 $	2019 $
Income	874,828	934,853	1,302,940	3,057,154	1,760,773
EBITDA	(3,300,741)	(4,203,329)	1,450,516	(1,071,920)	(8,065,329)
EBIT	(4,357,237)	(4,879,075)	1,771,325	(1,458,528)	(8,666,333)
Loss after income tax	(4,416,859)	(5,178,833)	1,869,725	(2,067,973)	(8,903,016)

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

	2023	2022	2021	2020*	2019*
Share price at financial year end ($)	0.007	0.014	0.002	0.001	0.013
Basic loss per share (cents per share) *	(0.277)	(0.418)	(0.226)	(0.047)	(0.250)

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

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

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Balance at the end of the year
Ordinary shares				
Jason Marinko (ii),(iii)	5,072,603	867,097	5,000,000	10,939,700
Tim Wise (ii),(iii)	2,536,301	867,097	2,500,000	5,903,398
James Blackburn (iii)	2,500,001	867,097	-	3,367,098
Glenn Fozard (ii),(iii)	12,864,750	7,196,970	6,122,668	26,184,388
Ashley Moore (i),(ii),(iii)	20,552,402	2,235,001	5,560,000	28,347,403
Martin Hill (ii),(iii)	3,625,747	437,500	1,374,299	5,437,546
Adam Giles (i),(ii)	4,278,096	1,575,611	909,808	6,763,515
	51,429,900	14,046,373	21,466,775	86,943,048

(i) Shares received as part of remuneration were as a result of settlement of consulting fee invoices from shares previously held in an ELF.
(ii) Additions were as a result of participation in the ELF where ECTOE options were converted to ordinary shares that are held in escrow as security for the ELF.
(iii) Certain KMP and directors have agreed to receive part of their consulting fees as shares at year-end (subject to shareholder approval for directors). These have been recognised as share-based payments for the year. Shares will be issued based on a VWAP of the share price for the period March to June 2023. The average VWAP for that period has been determined to be $0.009 and the shares issuable are as follows: Fozard 7,196,970 ECT shares (total value $65,000). Each of Blackburn, Marinko and Wise 867,097 ECT shares (total value per KMP $7,955), Moore 625,000 ECT shares (total value $5,000), Hill 437,500 ECT shares (total value $3,500).

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

Options over ordinary shares	Balance at the start of the year	Issued as compensation	Exercised during year	Other changes	Balance at the end of the year	Number held that have vested
Jason Marinko (i)	45,000,000	-	(5,000,000)	-	40,000,000	40,000,000
Tim Wise (i)	42,500,000	-	(2,500,000)	-	40,000,000	40,000,000
James Blackburn	40,000,000	-	-	-	40,000,000	10,000,000
Glenn Fozard (i)	6,122,668	-	(6,122,668)	-	-	-
Ashley Moore (i)	5,560,000	-	(5,560,000)	-	-	-
Martin Hill (i)	1,374,299	-	(1,374,299)	-	-	-
Adam Giles (i)	909,808	-	(909,808)	-	-	-
	141,466,775	-	(21,466,775)	-	120,000,000	90,000,000

(i) Options were exercised on 17 February 2023 and converted to escrowed ordinary shares which are held as security for the ELF that was open to all option-holders holding at least 333,334 options.

ELF loans granted to allow exercise of ECTOE options held by KMP (including interest accrued to 30 June 2023):-	$
Jason Marinko (i)	157,159
Tim Wise (ii)	78,579
Glenn Fozard (iii)	192,446
Ashley Moore (iv)	174,761
Martin Hill	43,197
Adam Giles (v)	28,597
	674,739

(i) Loan is in the name of Tessobel Pty Ltd
(ii) Loan is in the name of Finind Pty Ltd
(iii) Loans are in the name of Glenn Fozard or Anne Fozard
(iv) Loans are in the name of A & K Moore Nominees Pty Ltd and Perl M&C Pty Ltd
(v) Loan is in the name of Caracob Pty Ltd

Other transactions with key management personnel and their related parties
The Company entered into a rental agreement for a new forklift with Mr Fozard in a prior financial year. The agreement was for a 12-month term with monthly payments of $750 per month plus GST which has since been extended on a month-to-month basis. This arrangement replaced a prior rental agreement for a less suitable and older forklift with another supplier which was costing the Company $753 per month. The rental agreement was terminated in April 2023 after 10 payments had been made in the current financial year.

This concludes the remuneration report, which has been audited.

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

Option class	Expiry date	Exercise price	Number under option
Unlisted ordinary director incentive options (i)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (ii)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (iii)	15 October 2024	$0.025	20,000,000
Unlisted ordinary director incentive options (iv)	15 October 2025	$0.025	20,000,000
Unlisted ordinary director incentive options (v)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (vi)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (vii)	27 March 2025	$0.050	10,000,000
Unlisted ordinary director incentive options (viii)	27 March 2025	$0.050	10,000,000
Unlisted options (ix)	28 August 2026	$0.011	50,000,000
			170,000,000

(i) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest 12 months from the agreement date of 15 October 2021 and expire 3 years from the agreement date (Tranche A)
(ii) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day VWAP is $0.025 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche B)
(iii) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day VWAP is $0.035 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche C)
(iv) 10,000,000 options issued to both Mr Marinko and Mr Wise which vest no earlier than 12 months from the agreement date of 15 October 2021 if the 20-day VWAP is $0.050 or higher at any time up to expiry which is 4 years from the agreement date (Tranche D)
(v) 10,000,000 options issued to Mr Blackburn which vest 12 months from the agreement date of 27 March 2022 and expire 3 years from the agreement date (Tranche A)
(vi) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.06 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche B)
(vii) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.08 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche C)
(viii) 10,000,000 options issued to Mr Blackburn which vest no earlier than 12 months from the agreement date of 27 March 2022 if the 20-day VWAP is $0.10 or higher at any time prior to expiry which is 3 years from the agreement date (Tranche D)
(ix) 50,000,000 options were issued to Kaai Capital Pty Ltd on 28 August 2023 exercisable at $0.011 and expiring 3 years from issue date as part remuneration for acting as lead manager for a share placement.

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

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

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

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

During the reporting period, 760,358,891 shares were issued which were the security for 50 new ELFs. The shares were issued from the conversion of ECTOE options. These ELFs were drawn down on 17 February 2023 and expire after 3 years. One of these ELFs has since been forfeited with the 1,598,894 shares securing this ELF subsequently used to pay creditors leaving 758,759,997 shares as security for the remaining 49 ELFs.

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

On 10 May 2020, the Company commenced an ELF using the remaining 75,000,000 shortfall shares and 30,000,000 shortfall options (post share consolidation quantities) from a non-renounceable rights issue. The term of this ELF was 1 year and has been extended by three years. Since the commencement of this ELF 59,734,572 shares and all options have been released to suppliers in lieu of payments in cash or as partial settlement for the property purchased in Yallourn. In the current financial year, two of these suppliers were Ashley Moore and Adam Giles who are KMP of the Company (refer to KMP disclosures above). A total of 15,265,428 shares were held as security for this ELF as at 30 June 2023.

A further ELF was established using 916,407,834 shares that were previously used as security for expired ELFs. These shares were subsequently used as security for 4 new ELFs commencing 15 January 2021 for a term of 2 years. The issue of a further 383,592,166 shares was approved at a prior AGM which were also used as security for these ELFs. Total shares held as security for these ELFs was 1,300,000,000 (130,000,000 shares post share consolidation). In February 2022, payments for 3 of these ELFs were received and 65,000,000 shares were released leaving 65,000,000 shares securing the remaining ELF on 30 June 2023. The remaining ELF has had its term extended by one year.

As at 30 June 2023, there were therefore 874,025,425 (2022: 120,654,587) shares on issue and held as security where monies (principal and interest loans) are owing to the Company. Should loans remain unpaid at expiry, ECTF has recourse to those shares held as security and may settle the outstanding debt with the borrower via a number of mechanisms including but not limited to a) disposal of shares on the market with the proceeds used to repay the loan and b) selective buy-back in exchange for debt forgiveness by the parent company.

Shares issued on the exercise of performance rights
There were no ordinary shares of Environmental Clean Technologies Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

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

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

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

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

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

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

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

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

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

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

On behalf of the directors

Jason Marinko
Chairman

31 August 2023
Perth

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

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 31 August 2023

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General information

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

Environmental Clean Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 37, 209 Toorak Road
South Yarra, VIC, 3141
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023. The directors have the power to amend and reissue the financial statements.

Environmental Clean Technologies Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	4	-	257,597
Other income	5	838,218	665,182
Interest revenue calculated using the effective interest method		36,610	12,074
Total income		874,828	934,853
Expenses			
Remeasurement of other financial liabilities	6	62,690	99,811
Changes in inventories		(8,921)	(125,378)
Corporate costs		(2,616,232)	(3,425,263)
Legal costs		(94,844)	(65,460)
Employee benefits expense	6	(375,034)	(277,893)
Sales and marketing		(198,973)	(435,565)
Depreciation and amortisation expense	6	(1,056,496)	(675,746)
Impairment of assets	10	(148,435)	-
Impairment of receivables	8	(132,000)	-
Engineering and pilot plant costs		(437,172)	(542,033)
Occupancy expense		(134,443)	(85,687)
Travel and accommodation		(55,595)	(34,963)
Finance costs	6	(96,232)	(311,832)
Loss on disposal of plant and equipment and Wood247 business	6	-	(233,677)
Total expenses		(5,291,687)	(6,113,686)
Loss before income tax expense		(4,416,859)	(5,178,833)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited		(4,416,859)	(5,178,833)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		(4,416,859)	(5,178,833)
		Cents	Cents
Basic loss per share	32	(0.277)	(0.418)
Diluted loss per share	32	(0.277)	(0.418)

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 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents		1,286,235	4,403,198
Trade and other receivables	8	1,665,401	2,160,440
Other		56,769	53,351
Total current assets		3,008,405	6,616,989
Non-current assets			
Property, plant and equipment	10	4,636,921	4,655,378
Right-of-use assets	9	384,312	484,671
Intangibles	11	152,550	203,400
Total non-current assets		5,173,783	5,343,449
Total assets		8,182,188	11,960,438
Liabilities			
Current liabilities			
Trade and other payables	12	692,510	682,440
Borrowings	13	1,968,000	1,968,000
Lease liabilities	14	138,097	157,628
Provisions	15	19,877	5,531
Other financial liabilities	16	-	23,012
Total current liabilities		2,818,484	2,836,611
Non-current liabilities			
Lease liabilities	14	273,354	389,701
Provisions	15	18,412	1,864
Other financial liabilities	16	1,638,889	1,678,567
Total non-current liabilities		1,930,655	2,070,132
Total liabilities		4,749,139	4,906,743
Net assets		3,433,049	7,053,695
Equity			
Issued capital	17	88,961,632	88,943,874
Reserves	18	2,273,681	3,176,866
Accumulated losses		(87,802,264)	(85,067,045)
Total equity		3,433,049	7,053,695

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 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021	81,091,892	118,285	(79,888,212)	1,321,965
Loss after income tax expense for the year	-	-	(5,178,833)	(5,178,833)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,178,833)	(5,178,833)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	384,136	-	-	384,136
Share-based payments (note 33)	989,607	2,267,241	-	3,256,848
Options exercised	865	-	-	865
Issue of shares and options on conversion of promissory (note 17)	1,479,174	791,340	-	2,270,514
Release of shares on repayment of ELF loans (note 17)	650,000	-	-	650,000
Share placement (note 17)	5,000,000	-	-	5,000,000
Share issue costs	(651,800)	-	-	(651,800)
Balance at 30 June 2022	88,943,874	3,176,866	(85,067,045)	7,053,695

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	88,943,874	3,176,866	(85,067,045)	7,053,695
Loss after income tax expense for the year	-	-	(4,416,859)	(4,416,859)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,416,859)	(4,416,859)
Transactions with owners in their capacity as owners:				
Share-based payments (note 33)	-	777,906	-	777,906
Issue of shares (net) (note 17)	17,758	-	-	17,758
Transfer expired options (note 18)	-	(1,681,640)	1,681,640	-
Premium received on ELF options (note 18)	-	549	-	549
Balance at 30 June 2023	88,961,632	2,273,681	(87,802,264)	3,433,049

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

	Note	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		-	221,793
Research and development tax incentive (inclusive of GST)		1,794,182	1,988,683
Payments to suppliers and employees (inclusive of GST)		(3,451,734)	(4,494,157)
Government grants		-	14,933
Interest received		36,610	12,074
Other income		121,625	-
Interest and other finance costs paid		(96,232)	(93,194)
Net cash used in operating activities	29	(1,595,549)	(2,349,868)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,401,907)	(3,226,365)
Proceeds from disposal of plant and equipment and Wood247 business		30,250	93,500
Payments of security deposits		(11,825)	-
Receipts of security deposits		16,477	-
Net cash used in investing activities		(1,367,005)	(3,132,865)
Cash flows from financing activities			
Proceeds from issue of shares		-	5,650,865
Payment of equity raising costs		-	(314,000)
Proceeds from issue of convertible promissory notes		-	3,000,000
Proceeds from other borrowings		-	1,968,000
Repayment of borrowings		-	(1,259,039)
Repayment of lease liabilities		(154,958)	(174,385)
Receipts of options premiums		549	-
Net (used in)/cash from financing activities		(154,409)	8,871,441
Net (decrease)/increase in cash and cash equivalents		(3,116,963)	3,388,708
Cash and cash equivalents at the beginning of the financial year		4,403,198	1,014,490
Cash and cash equivalents at the end of the financial year		1,286,235	4,403,198

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 new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Going concern

For the financial year ended 30 June 2023, the consolidated entity had an operating net loss after tax of $4,416,859 (2022: $5,178,833), net cash outflows from operating activities of $1,595,549 (2022: net cash outflows of $2,349,868), net current assets at the reporting date of $189,921 (2022: net current assets of $3,780,378) and net assets of $3,433,049 (2022: net assets of $7,053,695). The consolidated entity currently does not have a material source of revenue and is reliant on receipt of research and development tax incentives, possible ELF loan repayments, equity capital or loans from third parties to meet its operating costs.

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

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

- utilisation of its current cash resources;
- additional debt facilities;
- principal paid and interest earned from current or new ELF debt arrangements (treated as capital injections); and
- issuance of the Company's securities under ASX Listing Rule 7.1.

The Company is currently in discussions with Invest Victoria in relation to extending the its R&D funding loan beyond the current contractual maturity date of 31 October 2023 with the aim of repaying the loan from R&D incentives received in relation to the R&D incentive refund receivable in relation to the current financial year. The directors are confident of a favourable outcome in relation to this negotiation.

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

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 2023 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 can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

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

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

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

Revenue recognition
The consolidated entity recognises revenue as follows:

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

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

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

Note 1. Significant accounting policies (continued)

Other income

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. Where the incentive is directly attributable to the acquisition of property, plant and equipment, the incentive is used to offset the initial cost incurred.

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.

Research and development expenditure

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that, the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

Current and non-current classification

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

Note 1. Significant accounting policies (continued)

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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment
Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Historical cost may be reduced by amounts of research and development incentive received that are directly attributable to the acquisition of the asset.

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Right-of-use assets

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

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

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

Intangible assets

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

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

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

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

Impairment of non-financial assets

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

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

Trade and other payables

Trade and other payables 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.

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.

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.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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.

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 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

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 pursuant to the agreement. In determining the present value of the liability, significant unobservable inputs are used including the discount rate applied to future cash flows, and estimates of expected timing and quantities of production using probability weightings. Refer to note 16.

Deferred consideration - HydroMOR
The deferred consideration liability has been calculated based on discounted cash flow projections. In determining the present value of the liability, significant unobservable inputs are used including (i) consideration of events that would trigger a cash outflow pursuant to the deferred consideration structure (ii) the probabilities assigned to each event; and (iii) the discount rate applied to future cash flows. Refer to note 16.

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. The Company has not recognised a deferred tax asset.

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

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 (being the Chief Operating Decision Maker ('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.

Note 3. Operating segments (continued)

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

Types of products and services
The principal products and service of the operating segment is as follows:

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

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

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

Note 4. Revenue

	Consolidated	
	2023	2022
	$	$
Sales of product	-	257,597

Note 5. Other income

	Consolidated	
	2023	2022
	$	$
Net gain on derivatives not qualifying as hedges (refer note 13)	-	47,995
Research and development tax incentive [(i)]	734,967	598,997
Government grants	-	14,933
Gain on termination of lease	38,067	-
Other income	15,684	3,257
Gain on recovery of bad debts[(ii)]	49,500	-
Other income	838,218	665,182

(i) Research and development tax incentive
The Company has recognised a receivable related to the research and development tax incentive of $1,294,899 at 30 June 2023 (2022: $1,794,182) which relates to eligible expenditure. Refer note 8. An amount of $562,471 (2022: $1,212,333) of the incentive received or receivable has been offset against the cost of plant and equipment during the year. Refer note 10.

(ii) Gain on recovery of bad debts
In 2022, the Company sold its interest in the Wood 247 business for cash and an exchange of shares. The purchaser owed the Company $132,000 which had been written off as a bad debt in the first half of the 2023 year. During the period, the Company was able to take back 4,500,000 ECT shares that it had delivered to the purchaser as part of the sale transaction. These shares were valued at $0.011 each on 20 February 2023 when the shares were returned therefore delivering value of $49,500 back to the Company and are held by ECT Finance Limited. Refer to note 17. The previous bad debt was therefore recovered to this extent and recognised as income for the year.

Note 6. Expenses

	Consolidated 2023 $	Consolidated 2022 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	25,402	-
Leasehold improvements	22,857	2,235
Plant and equipment	793,061	466,525
Office equipment	6,821	4,105
Buildings right-of-use assets	157,505	152,031
Total depreciation	1,005,646	624,896
Amortisation		
Right of access to mine	50,850	50,850
Total depreciation and amortisation	1,056,496	675,746
Remeasurement of other financial liabilities		
Remeasurement of deferred and contingent consideration for HydroMOR assets	(436,552)	146,914
Remeasurement of COLDry earn-out provision	373,862	(246,725)
Total remeasurement of financial liabilities	(62,690)	(99,811)
Loss on disposal of plant and equipment and Wood247 business		
Net loss incurred on disposal of Wood247 business	-	198,351
Loss on sale and write off of other plant and equipment	-	35,326
	-	233,677
Finance costs		
Interest and finance charges paid/payable on lease liabilities	26,463	31,404
Interest and facility costs	69,769	61,784
Interest on convertible promissory notes	-	218,644
Finance costs expensed	96,232	311,832
Employee benefits expense		
Defined contribution superannuation expense	73,674	37,375
Other employee benefits	301,360	240,518
Total employee benefits expense	375,034	277,893

Note 7. Income tax expense

	Consolidated 2023 $	Consolidated 2022 $
Income tax expense		
Deferred tax assets attributable to temporary differences	113,812	702,055
Deferred tax assets attributable to carried forward tax losses	(730,302)	(692,562)
Total deferred tax assets not recognised	616,490	(9,493)
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,416,859)	(5,178,833)
Tax at the statutory tax rate of 25%	(1,104,215)	(1,294,708)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	237,194	881,390
Share-based payments	167,710	422,099
Amortisation and impairment	82,821	-
Unrealised foreign exchange movements	-	713
	(616,490)	9,494
Current year tax losses not recognised	730,302	692,561
Current year temporary differences not recognised	(113,812)	(702,055)
Adjustment recognised for prior periods	70,109	-
Deferred tax movement not recognised	(70,109)	-
Income tax expense	-	-

	Consolidated 2023 $	Consolidated 2022 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	30,702,247	27,781,039
Potential tax benefit at 25% (2022: 25%)	7,675,562	6,945,260

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

The corporate tax rate applicable to base rate entities is 25%. The Company qualifies as a base rate entity as it has a turnover of less than $50 million and less than 80% of its assessable income is derived from base rate entity passive income.

Note 7. Income tax expense (continued)

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax assets net of deferred tax liabilities not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	9,572	1,849
Accrued expenses	16,497	3,190
Plant and equipment	(1,274,736)	(1,179,634)
Finance costs	16,380	28,913
Intangible assets	2,061,441	2,064,096
Provision for earn-out (COLDry)	409,722	316,257
HydroMOR deferred consideration	(328,290)	(219,152)
Right-of-use asset (net of lease liability)	6,785	15,665
Total deferred tax assets net of deferred tax liabilities not recognised	917,371	1,031,184

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

Note 8. Trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Other receivables	291,397	189,536
Research and development tax incentive receivable	1,294,899	1,794,182
	1,586,296	1,983,718
BAS receivable	79,105	176,722
	1,665,401	2,160,440

Allowance for expected credit losses
There were no allowances for expected credit losses on receivables recognised as at reporting date. Amounts of trade and other receivables written off as not recoverable during the year were $132,000 (2022: $nil). See note 33 for further details.

Note 9. Right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Land and buildings - right-of-use	798,888	945,502
Less: Accumulated depreciation	(414,576)	(460,831)
	384,312	484,671

Note 9. Right-of-use assets (continued)

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

Consolidated	Land and buildings (ROU) $
Balance at 1 July 2021	636,702
Depreciation expense	(152,031)
Balance at 30 June 2022	484,671
Additions	202,272
Disposals	(145,126)
Depreciation expense	(157,505)
Balance at 30 June 2023	384,312

The consolidated entity leases land and buildings for its head office and pilot plant facility at South Yarra and Bacchus Marsh respectively. During the year, the existing head office lease was terminated, and a new lease was entered into at different premises in South Yarra. The new office lease is for 2 years, with 2 additional optional terms of 2 years each.

For other AASB 16 lease-related disclosures, refer to:
- note 6 for details of interest on lease liabilities
- note 14 for details on lease liabilities
- note 19 for details on undiscounted lease commitments;
- consolidated statement of cash flows for repayment of lease liabilities.

Note 10. Property, plant and equipment

	Consolidated	
	2023 $	2022 $
Non-current assets		
Land and buildings - at cost	1,143,235	1,026,529
Less: Accumulated depreciation	(25,402)	-
	1,117,833	1,026,529
Leasehold improvements - at cost	86,608	61,593
Less: Accumulated depreciation	(25,201)	(2,235)
	61,407	59,358
Plant and equipment - at cost	8,599,506	7,947,274
Less: Accumulated depreciation	(5,151,930)	(4,392,889)
	3,447,576	3,554,385
Fixtures and fittings - at cost	4,467	12,102
Less: Accumulated depreciation	(4,467)	(12,102)
	-	-
Office equipment - at cost	30,324	28,489
Less: Accumulated depreciation	(20,219)	(13,383)
	10,105	15,106
	4,636,921	4,655,378

Note 10. Property, plant and equipment (continued)

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

Consolidated	Land and buildings $	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2021	-	-	2,549,982	1,621	2,551,603
Additions	1,026,529	61,593	2,903,520	19,482	4,011,124
Disposals (plant and equipment and other assets related to Wood247)	-	-	(130,288)	-	(130,288)
R&D tax incentive offset	-	-	(1,210,441)	(1,892)	(1,212,333)
Write off of assets	-	-	(91,863)	-	(91,863)
Depreciation expense	-	(2,235)	(466,525)	(4,105)	(472,865)
Balance at 30 June 2022	1,026,529	59,358	3,554,385	15,106	4,655,378
Additions	116,706	24,906	1,478,518	1,835	1,621,965
Disposals	-	-	(81,360)	(15)	(81,375)
R&D tax incentive offset	-	-	(562,471)	-	(562,471)
Impairment of assets	-	-	(148,435)	-	(148,435)
Depreciation expense	(25,402)	(22,857)	(793,061)	(6,821)	(848,141)
Balance at 30 June 2023	1,117,833	61,407	3,447,576	10,105	4,636,921

Sale of Wood247 business
After the completion of the pilot period of the Wood247 business and after a strategic review of that business, the Company sold the business on the basis that it was determined to be inconsistent with the key strategic objectives of the Company with respect to net zero and hydrogen technologies. Refer to note 33(f) for further information.

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

Note 11. Intangibles

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
COLDry IP - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(4,800,000)	(4,800,000)
Less: Impairment	(4,800,000)	(4,800,000)
	-	-
Waste-to-energy IP - at cost	48,369	48,369
Less: Accumulated amortisation	(48,369)	(48,369)
	-	-
Right of access to mine	254,250	254,250
Less: Accumulated amortisation	(101,700)	(50,850)
	152,550	203,400
	152,550	203,400

Note 11. Intangibles (continued)

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

Consolidated	Right of access - mining $
Balance at 1 July 2021	254,250
Amortisation expense	(50,850)
Balance at 30 June 2022	203,400
Amortisation expense	(50,850)
Balance at 30 June 2023	152,550

COLDry intellectual property ('COLDry IP')

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

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

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

Right-of-access - mining

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

Note 12. Trade and other payables

	Consolidated	
	2023 $	2022 $
Current liabilities		
Trade payables	571,264	625,995
Other payables	121,246	56,445
	692,510	682,440

Refer to note 19 for further information on financial instruments.

Note 13. Borrowings

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Invest Victoria R&D funding Loan	1,968,000	1,968,000

Refer to note 19 for further information on financial instruments.

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

The loan of $1,968,000 was extended for a further 12 months during the year, with the loan to be possibly repaid from the FY23 R&D incentive refund. The Company has applied to Invest Victoria to repay the loan over an extended period. The interest rate for this loan is 4.265% and interest is payable monthly. The contractual maturity date is 31 October 2023.

Note 14. Lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Lease liability	138,097	157,628
Non-current liabilities		
Lease liability	273,354	389,701
	411,451	547,329

Refer to note 19 for further information on financial instruments.

Note 15. Provisions

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Annual leave	19,877	5,531
Non-current liabilities		
Long service leave	18,412	1,864
	38,289	7,395

Note 16. Other financial liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Deferred and contingent consideration - HydroMOR	-	23,012
Non-current liabilities		
Earn-out provision - COLDry	1,638,889	1,265,027
Deferred and contingent consideration - HydroMOR	-	413,540
	1,638,889	1,678,567
	1,638,889	1,701,579

Earn-out provision - COLDry
The earn-out provision represents deferred consideration payable related to the acquisition of the COLDry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of COLDry pellets and is discounted at a rate of 15% (2022: 22%). The total consideration payable is $3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

Deferred and consideration - HydroMOR (previously Matmor)

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

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

At the reporting date, a total of $2,000,215 (2022: $2,000,215) has been repaid under triggers (a) and (b) which were satisfied in prior years. In measuring the current value of the liability, management has estimated the remaining milestones will not likely be achieved.

The Company has now determined that it will focus all near-term project efforts on the COLDry technologies and the related subprojects that stem from that intellectual property. In this regard, HydroMOR is now a lower priority for the Company. As a result of the revision of valuation assumptions, the value of the obligation to HydroMOR has become insubstantial.

	Earn-out creditor COLDry $	Deferred consideration HydroMOR $	Total $
Opening balance as at 1 July 2022	1,265,027	436,552	1,701,579
Remeasurement to fair value (charge to profit or loss)	373,862	(436,552)	(62,690)
Closing balance as at 30 June 2023	1,638,889	-	1,638,889

Note 17. Issued capital

	Consolidated 2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	1,598,085,144	1,595,597,091	88,961,632	88,943,874
Treasury shares (refer note 5)	4,500,000	-	-	-
ELF shares	874,025,425	120,654,587	-	-
	2,476,610,569	1,716,251,678	88,961,632	88,943,874

Ordinary share capital

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up.

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 2021	10,000,929,918		81,091,892
Consolidation of share capital	1 July 2021	(9,000,836,396)	$0.000	-
Share-based payments	1 July 2021	1,000,000	$0.010	10,000
Share-based payments	30 August 2021	9,000,000	$0.010	90,000
Equity component of convertible promissory notes	7 September 2021	-	$0.000	384,136
Share-based payments	4 October 2021	18,000,000	$0.010	180,000
Share-based payments	14 October 2021	1,877,415	$0.010	18,774
Exercise of options	26 November 2021	2,000	$0.030	60
Exercise of options	10 December 2021	26,800	$0.030	805
Conversion of convertible promissory notes	21 December 2021	290,152,877	$0.010	1,395,339
Conversion of convertible promissory notes	21 January 2022	8,646,713	$0.006	51,130
Share-based payment	31 January 2022	-	$0.010	58,333
Release of ELF shares	15 February 2022	65,000,000	$0.010	650,000
Part settlement of acquisition of Yallourn property	22 February 2022	25,000,000	$0.019	475,000
Conversion of convertible promissory notes	4 March 2022	5,631,097	$0.006	32,705
Wood247 sale	8 April 2022	4,500,000	$0.035	157,500
Share placement	3 May 2022	166,666,667	$0.030	5,000,000
Equity raising costs		-	$0.000	(651,800)
Balance	30 June 2022	1,595,597,091		88,943,874
Share-based payments	11 April 2023	2,819,987	$0.010	26,895
Share-based payment	19 April 2023	333,333	$0.009	3,000
Share forfeiture	20 April 2023	(4,500,000)	$0.011	(49,500)
Share-based payments	05 May 2023	1,178,513	$0.011	12,964
Share-based payment	22 May 2023	528,535	$0.010	5,250
Share-based payments	14 June 2023	2,127,685	$0.009	19,149
Balance	30 June 2023	1,598,085,144		88,961,632

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

Note 17. Issued capital (continued)

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

Shares and options in escrow
On 3 February 2023, 26,000,000 ECTOE options were released from escrow. These options would have lapsed on 17 February 2023. Releasing the options from escrow enabled the holder, LJ & K Thomson Pty Ltd, to participate in the ELF which was open to option holders holding at least 333,334 options.

ELF share capital

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

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

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

The face value of limited recourse loans that had been issued at the reporting date was $24,879,854 (2022: $1,556,546) and interest and management fees accrued on such loans was $228,463 (2022: $321,015).

As at reporting date, there are 874,025,425 (2022: 120,654,587) shares held as security against these loans (ELF Shares) and therefore there are ELF Options of the same amount deemed to be on issue.

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

	Consolidated	
	2023	2022
Details		
Opening balance of ELF shares on issue	120,654,587	1,775,320,034
Consolidation of share capital	-	(1,597,788,032)
Shares released during year (i)	-	(90,000,000)
Share-based payments	(6,988,053)	(1,877,415)
ELF shares issued during year (ii),(iii)	760,358,891	35,000,000
Closing balance of ELF shares on issue	874,025,425	120,654,587

Note 17. Issued capital (continued)

(i) Shares were released on receipt of $650,000 and payment of $250,000 as part settlement of the property purchased at Yallourn both of which occurred in February 2022.

(ii) Following shareholder approval at the Company's AGM in November 2022, ECTF announced a new ELF for the holders of ECTOE options. All option holders holding at least 333,334 ECTOE options were eligible to participate in the ELF. Applications for 50 new ELFs were received which resulted in 760,358 891 ECTOE options being converted to the same number of ordinary shares. These shares are held as security for the ELFs, are escrowed and therefore cannot be traded by ELF holders until the ELF is repaid. The total initial value of the ELFs was $22,810,767. The term of the ELFs is 3 years, during which time the nominees may elect to pay out their ELF at a deemed price of $0.03 per share plus any interest and fees, subject to the terms of the ELF, to satisfy the loan and have the holding lock lifted. If the nominees do not pay out their ELFs by the due date, the loan defaults but is settled by ECTF taking control of the security (the ECT shares).

One of the above ELFs has since been forfeited with the 1,598,894 shares that were securing this ELF subsequently used to pay creditors leaving 758,759,997 shares as security for the remaining 49 ELFs.

(iii) In 2022, the Company established ELFs with six nominees of Kaai Capital which was appointed as the Lead Manager for the Company's share placement that occurred during April and May 2021. The Company issued 35,000,000 (post-share consolidation) shares to Kaai's nominees. The term of the ELFs is 3 years, during which time the nominees may elect to pay out their ELF at a deemed price of $0.02 per share plus any interest and fees, subject to the terms of the ELF, to satisfy the loan and have the holding lock lifted. If the nominees do not pay out their ELFs by the due date, the loan defaults but is settled by ECTF taking control of the security (the ECT shares).

The following ELF shares were on issue at reporting date:

ELF issue details	Effective exercise price	No. of shares 2023	No. of shares 2022
Issue date 10 May 2020, expiry date 10 May 2024	$0.01	15,265,428	20,654,587
Issue date 15 January 2021, expiry date 15 January 2024	$0.01	65,000,000	65,000,000
Issue date 15 September 2021, expiry date 15 September 2024	$0.02	35,000,000	35,000,000
Issue date 17 February 2023, expiry date 16 February 2026	$0.03	758,759,997	-
		874,025,425	120,654,587

Options on issue (ASX: ECTOE)

ECTOE options on issue had an exercise price of $0.03 and expired on 17 February 2023.

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

Details	Date of issue	No. of options
Balance of ECTOE options on issue as at 1 July 2022		961,303,046
Conversion of ECTOE options via ELF to ordinary shares	17 February 2023	(760,358,891)
Expired ECTOE options	17 February 2023	(200,944,155)
		-

Options on issue (Unlisted director incentive options)

Unlisted director incentive options were issued during 2022 as part of an incentive scheme and which formed part of their remuneration.

Note 17. Issued capital (continued)

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

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

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

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

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

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

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

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

The capital risk management strategy remains unchanged from 2022.

Note 18. Reserves

	Consolidated 2023 $	Consolidated 2022 $
Share-based payments reserve	121,681	1,495,775
Options reserve	2,152,000	1,681,091
	2,273,681	3,176,866

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

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

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

Consolidated	Options reserve $	Share-based payments reserve $	Total $
Balance at 1 July 2021	118,285	-	118,285
Issue of options on settlement of convertible promissory notes	791,340	-	791,340
Share-based payments (note 33)	771,466	1,495,775	2,267,241
Balance at 30 June 2022	1,681,091	1,495,775	3,176,866
Receipt of premium on ELF	549	-	549
Expiry of ECTOE options	(1,681,640)	-	(1,681,640)
Share-based payments (note 33)	-	777,906	777,906
Transfer vested options to options reserve	2,152,000	(2,152,000)	-
Balance at 30 June 2023	2,152,000	121,681	2,273,681

Note 19. Financial instruments

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

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

Market risk

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

Note 19. Financial instruments (continued)

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

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

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

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

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

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

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

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

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 - 2023	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	-	571,264	-	-	-	571,264
Other payables	-	121,246	-	-	-	121,246
Interest-bearing - variable						
Earn-out provision (COLDry)	4.100%	-	-	52,093	1,584,959	1,637,052
Interest-bearing - fixed rate						
Lease liability	7.900%	161,116	141,430	129,000	43,000	474,546
R&D funding loan	4.265%	1,995,978	-	-	-	1,995,978
Total non-derivatives		2,849,604	141,430	181,093	1,627,959	4,800,086

Note 19. Financial instruments (continued)

Consolidated - 2022	Interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	625,995	-	-	-	625,995
Other payables	-	56,445	-	-	-	56,445
Deferred consideration (HydroMOR)	-	-	23,012	367,963	45,577	436,552
Interest-bearing - variable						
Earn-out provision (COLDry)	0.850%	-	-	36,812	1,228,214	1,265,026
Interest-bearing - fixed rate						
Lease liability	5.000%	181,420	183,636	230,393	-	595,449
R&D funding loan	1.015%	-	2,056,863	-	-	2,056,863
Total non-derivatives		863,860	2,263,511	635,168	1,273,791	5,036,330

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

Cash flows related to settlement of the COLDry earn-out provision are based on timing of forecast production output upon which payment is calculated. Future cash flows have been discounted at 11% (2022: 15%) in determining the recognised carrying value within the financial statements.

The calculation of the HydroMOR deferred consideration included in the above table in 2022 was dependent upon commercial outcomes, the actual timing of which could not be determined. The timing of liability payments provided in the table above were consistent with the assumptions made in calculation of the liability. Future cash flows were discounted at 19% in determining the recognised carrying value within the financial statements. This liability has now been remeasured to a value of $nil as at 30 June 2023. Refer to note 16 for further details.

Note 20. Fair value measurement

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

Consolidated - 2023	Level 1 $	Level 2 $	Level 3 $
Liabilities			
Deferred consideration - HydroMOR	-	-	-
Earn-out provision - COLDry IP	-	-	1,638,889
Total liabilities	-	-	1,638,889

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

There were no transfers between levels during the financial year.

Note 20. Fair value measurement (continued)

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 note 16 and below 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	Derivative liability - Convertible promissory notes $	Deferred consideration HydroMOR $	Earn-out provision COLDry IP $	Total $
Balance at 1 July 2021	-	289,638	1,511,752	1,801,390
Initial recognition	300,000	-	-	300,000
Remeasurement to fair value	(47,995)	-	-	(47,995)
Settlement on conversion of promissory notes	(252,005)	-	-	(252,005)
Losses recognised in profit or loss	-	146,914	(246,725)	(99,811)
Balance at 30 June 2022	-	436,552	1,265,027	1,701,579
Remeasurement to fair value	-	(436,552)	373,862	(62,690)
Balance at 30 June 2023	-	-	1,638,889	1,638,889

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

Description	Unobservable inputs	Potential range	Sensitivity
COLDry earn-out provision	Discount rate	10% - 20% (15% used) (2022: 22% used)	A change in this rate of 5% would have an effect of: +5%: decreasing the carrying value of the liability by $331,689 (and decreasing the loss); and -5%: increasing the carrying value of the liability by $475,417 (and increasing the loss).
	Timing of production to discharge liability	July 2022 onwards (2022: July 2022 onwards)	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to commence next year from small production, escalating in forward years through commercial scale up. A change in timing of the commercial scale commencement of +1 year from that currently forecast would reduce the loss and liability by $247,776.
HydroMOR deferred consideration	Discount rate	19% (2022: 19% used)	A change in the discount rate to a reasonably possible alternative rate in the valuation model would not have a significant change on fair value measurement.
	Timing of significant trigger events	Beyond 2027	There is currently significant uncertainty with regard to the timing of recommencing the development of the HydroMOR technology. A change in timing to a reasonably possible alternative date in the valuation model would not have a significant change on fair value measurement.

Note 21. Key management personnel disclosures

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

	Consolidated 2023 $	Consolidated 2022 $
Short-term benefits	968,783	1,010,050
Post-employment benefits	14,319	10,795
Share-based payments	797,928	1,575,370
	1,781,030	2,596,215

Included in the share-based payment expense of $845,164 for this financial year was $797,928 which related to KMP for the settlement of consulting invoices, director fees and the issue of unlisted options. Refer to note 25, note 33 and the directors' report for further details.

Note 22. Remuneration of auditors

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

	Consolidated 2023 $	Consolidated 2022 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	133,852	109,441

Note 23. Contingent liabilities

The Company has guaranteed the debts of its wholly owned subsidiaries (refer note 28) as at 30 June 2023. There were no other contingent liabilities of the consolidated entity as at 30 June 2023 or 30 June 2022 other than as disclosed in note 16.

Note 24. Commitments

	Consolidated 2023 $	Consolidated 2022 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	33,998	-
*Patent commitments **		
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	29,516	40,496
More than five years	11,908	24,299
	41,424	64,795

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

Royalty commitments

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

Note 24. Commitments (continued)

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

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

- from production utilising the COLDry technology of COLDry pellets, a royalty rate of $0.50 per tonne, which is increased by CPI each anniversary of the agreement. For 2023, this now stands at $0.5344 per tonne (2022: $0.5182). This royalty is payable for a period of twenty years following the commencement of payments; and
- from revenue achieved through commercialisation and deployment of HydroMOR technology, less valid deductions as required under any technology licence, the Company will pay 3% in perpetuity.

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

Note 25. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

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

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

	Consolidated	
	2023	2022
	$	$
Payment for other expenses:		
Payment of forklift rent to key management personnel [(i)]	7,500	9,000

Notes:
(i) The Company rented a forklift from Glenn Fozard on a monthly basis for $750 (plus GST) per month. This arrangement replaced a prior rental agreement for a less suitable and older forklift with another supplier. The arrangement ceased in April 2023.

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

Director and KMP fees payable
The following fees payables (inclusive of GST) were owing to directors and KMP at reporting date:

Note 25. Related party transactions (continued)

	Consolidated 2023 $	Consolidated 2022 $
Jason Marinko (director's fees)	7,955	-
Tim Wise (director's fees)	7,955	-
James Blackburn (director's fees)	7,955	-
Glenn Fozard (consulting fees)	77,917	-
Adam Giles (consulting fees)	8,000	-
Ashley Moore (consulting fees)	20,161	-
Martin Hill (consulting fees)	3,740	-
	133,683	-

During the year, directors and KMP agreed to take a portion of their remuneration in shares, subject to shareholder approval. Of the payables shown above, the amounts to be taken in shares are as follows: Marinko $7,955, Wise $7,955, Blackburn $7,955, Fozard $65,000, Giles $nil, Moore $5,000, Hill $3,500. Refer to note 33.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date other than the following ELF loans:

ELF Loans
The following balances are outstanding at the reporting date in relation to ELF loans to key management personnel made on 17 February 2023 on the same terms and conditions as other ELF borrowers. Balances include interest accrued to 30 June 2023. Under the accounting policy adopted for ELF loans, these remain unrecognised in the financial statements.

	2023 $	2022 $
Jason Marinko (i)	157,159	-
Tim Wise (ii)	78,579	-
Glenn Fozard (iii)	192,446	-
Ashley Moore (iv)	174,761	-
Martin Hill (v)	43,197	-
Adam Giles (vi)	28,597	-
	674,739	-

Notes
(i) Loan is in the name of Tessobel Pty Ltd
(ii) Loan is in the name of Finind Pty Ltd
(iii) Loans are in the name of Glenn Fozard or Anne Fozard
(iv) Loans are in the name of A & K Moore Nominees Pty Ltd and Perl M&C Pty Ltd
(v) Loan is in the name of Caracob Pty Ltd

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2023 $	Parent 2022 $
Loss after income tax	(4,395,767)	(5,153,782)
Total comprehensive loss	(4,395,767)	(5,153,782)

Note 26. Parent entity information (continued)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	4,587,540	6,301,140
Total assets	9,761,323	11,644,225
Total current liabilities	2,818,484	2,757,389
Total liabilities	4,749,139	4,827,521
Equity		
Issued capital	88,961,632	87,853,670
Share-based payments reserve	121,682	1,495,775
Options reserve	2,152,000	1,485,784
Accumulated losses	(86,223,130)	(84,018,525)
Total equity	5,012,184	6,816,704

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022. As at 30 June 2023, the Company had entered into a Deed of Cross Guarantee with its wholly-owned subsidiaries. The Deed requires that both the parent and subsidiaries guarantee the debts of each other. Refer to note 28.

Capital and other commitments
The parent entity has operating lease, patent, equipment finance and royalty commitments payable (not recognised as liabilities). Refer to note 24 for details.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and income from associates are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- ELF loans receivable are recognised as an asset in the parent entity. There are no ELF loans receivable recognised on consolidation.

Note 27. 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 2023 %	Ownership interest 2022 %
Asia Pacific Coal and Steel Pty Ltd	Australia	100.00%	100.00%
Enermode Pty Ltd	Australia	100.00%	100.00%
ECT Coldry Pty Ltd	Australia	100.00%	100.00%
A.C.N. 109 941 175 Pty Ltd	Australia	100.00%	100.00%
Environmental Clean Technologies Development and Services India Private Ltd	India	100.00%	100.00%
ECT Finance Ltd	Australia	100.00%	100.00%
ECT Waste-to-Energy Pty Ltd	Australia	100.00%	100.00%

Note 28. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Environmental Clean Technologies Ltd (Parent entity)
- ECT Finance Ltd
- Asia Pacific Coal and Steel Pty Ltd
- ECT Coldry Pty Ltd
- A.C.N. 109 941 175 Pty Ltd
- ECT Waste-to-Energy Pty Ltd
- Enermode Pty Ltd

By entering into the deed, the wholly-owned entities are relieved from any requirements to prepare financial statements and a directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Environmental Clean Technologies Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the consolidated entity and therefore have not been separately disclosed.

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

	Consolidated	
	2023	2022
	$	$
Loss after income tax expense for the year	(4,416,859)	(5,178,833)
Adjustments for:		
Depreciation and amortisation	1,056,496	675,746
Net loss incurred on disposal of plant and equipment and sale of Wood247 business	51,110	233,677
Gain on lease termination	(38,067)	-
Impairment of assets	280,435	-
Recovery of bad debts	(49,500)	-
Share-based payments	845,164	1,770,548
Revaluation of financial liabilities	(62,690)	(99,811)
Finance costs - non-cash	-	218,644
Gain on revaluation of financial derivatives	-	(47,995)
Research and development incentives deferred	-	1,212,333
Other	126	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	827,892	206,006
Increase in inventories	-	(78,112)
Increase in prepayments	(8,070)	-
Decrease in trade and other payables	(112,480)	(1,262,870)
Increase in employee benefits	30,894	799
Net cash used in operating activities	(1,595,549)	(2,349,868)

Note 30. Non-cash investing and financing activities

	Consolidated 2023 $	Consolidated 2022 $
Shares and options issued on conversion of promissory notes	-	2,654,649
Shares and options issued - capital raising costs	-	853,800
Shares issued - acquisition of land and buildings	-	475,000
Acquisition of plant and equipment - payables	220,058	361,436
Acquisition of right-of-use assets	202,272	-
Disposal of plant and equipment - receivables (Wood247)	-	(122,975)
	422,330	4,221,910

Note 31. Changes in liabilities arising from financing activities

Consolidated	R&D Funding loans $	Lease liabilities $	Equipment finance $	Total $
Balance at 1 July 2021	1,259,039	695,195	26,519	1,980,753
Loans received	1,968,000	-	-	1,968,000
Loans repaid	(1,259,039)	-	-	(1,259,039)
Interest accrued	-	31,404	4,401	35,805
Lease repayments	-	(179,270)	(30,920)	(210,190)
Balance at 30 June 2022	1,968,000	547,329	-	2,515,329
Interest accrued	-	26,464	-	26,464
Lease repayments	-	(181,421)	-	(181,421)
Derecognition of lease liability on termination	-	(183,193)	-	(183,193)
Recognition of lease liability on new premises	-	202,272	-	202,272
Balance at 30 June 2023	1,968,000	411,451	-	2,379,451

Note 32. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(4,416,859)	(5,178,833)

	Cents	Cents
Basic loss per share	(0.277)	(0.418)
Diluted loss per share	(0.277)	(0.418)

At 30 June 2023, there were 874,025,425 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. There were also 120,000,000 unlisted options on issue at reporting date. All options were considered anti-dilutive and excluded from the calculations above.

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	1,595,736,136	1,237,572,517
Weighted average number of ordinary shares used in calculating diluted loss per share	1,595,736,136	1,237,572,517

Note 32. Earnings per share (continued)

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

Note 33. Share-based payments

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

Impact on financial statements of share-based payments	2023 $	2022 $
Corporate costs expense	797,928	1,925,494
Sales and marketing expense	47,236	3,292
Cost for year	845,164	1,928,786
Promissory notes cost	-	516,000
Property, plant and equipment capitalised	-	475,000
(Decrease)/Increase in net assets	-	991,000
Reflected in equity as		
Share-based payments reserve	(777,906)	(1,495,778)
Options reserve	-	(771,466)
Share capital (issued)	(67,258)	(989,607)
Cost of share capital raised	-	337,065
	(845,164)	(2,919,786)

A summary of the components of the share-based payments expense is as follows:

	Consolidated	
	2023 $	2022 $
Corporate and sales and marketing expenses		
Issue of ECT shares to key management personnel for services (see note (a))	127,090	77,106
Issue of ECTOE options for KMP consulting fees (see note (b))	-	2,489
Issue of unlisted director incentive options (see note (c))	670,838	1,495,775
Transfer of shares and options for the acquisition of goods and the provision of services (see note (e))	47,236	195,915
Sale of Wood247 (see note (f))	-	157,500
	845,164	1,928,785
Promissory notes costs		
Issue of ECT shares and ECTOE options for cost of capital raisings (see note (d))	-	516,000
Property, plant and equipment capitalised		
Issue of ECT shares for partial acquisition of Yallourn property (see note (e))	-	475,000
	845,164	2,919,785

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

(a) ECT shares issued and issuable to key management personnel for services

Shares were issued to KMP during the financial year in part settlement of invoices for consulting services and part settlement of director fees. All shares were transferred from an established ELF. The price used to determine the number of shares to be issued was the VWAP for the calendar month in which the services were provided.

In addition, at reporting date directors' fees amounting to $88,865 are owing to the non-executive directors and consulting fees of $8,500 are owing to KMP at reporting date which will be settled in shares post balance date (subject to shareholder approval for amounts owing to directors).

Note 33. Share-based payments (continued)

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

The total corporate expense for the year relating to such shares was $127,090 (2022: $77,106). Details of shares issued are as follows:

	2023 Number of shares issued & issuable	2023 Fair value $	2022 Number of shares issued	2022 Fair value $
Directors				
Glenn Fozard	7,196,970	65,000	1,458,334	14,583
Ashley Moore	-	-	1,458,334	14,583
James Blackburn	867,097	7,955	1,458,334	14,583
Neil O'Keefe	-	-	1,458,334	14,583
Jason Marinko	867,097	7,955	-	-
Tim Wise	867,097	7,955	-	-
KMP	-	-	-	-
Ashley Moore	2,235,001	20,000	-	-
Adam Giles	1,575,611	14,725	-	-
Martin Hill	437,500	3,500	1,877,417	18,774
Total (i)	14,046,373	127,090	7,710,753	77,106

Note
(i) Of the 14,046,373 (2022: 7,710,753) shares issued or issuable shown above:
- 4,248,112 (2022: 1,877,417) represented transfers from an established ELF facility and did not require shareholder approval;
- no shares (2022: 5,833,336) were issued by the Company; and
- 9,798,261 shares are issuable subject to shareholder approval.
The shares issuable are as follows:
- Fozard 7,196,970 ECT shares (total value $65,000);
- Each of Blackburn, Marinko and Wise 867,097 ECT shares (total value per KMP $7,955);
- Moore 625,000 ECT shares (total value $5,000);
- Hill 437,500 ECT shares (total value $3,500).

(b) Issue of ECTOE options for KMP consulting fees

No options were issued or transferred to KMP during the current financial year. All ECTOE options expired during the year.

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

2022

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

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

Note 33. Share-based payments (continued)

(c) Issue of unlisted director incentive options

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

Name	Grant date	Option Type[(i)]	Number of options issued	Fair value per option	Expiry Date	Exercise price	Total FY23 remuneration	Total FY22 remuneration
Jason Marinko	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	$0.025	80,910	195,090
			40,000,000				306,051	737,949
Tim Wise	22 Dec 2021	Tranche A	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche B	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche C	10,000,000	0.0256	15 Oct 2024	$0.025	75,047	180,953
	22 Dec 2021	Tranche D	10,000,000	0.0276	15 Oct 2025	$0.025	80,910	195,090
			40,000,000				306,051	737,949
James Blackburn	24 Jun 2022	Tranche A	10,000,000	0.0064	27 Mar 2025	$0.05	47,166	16,833
	24 Jun 2022	Tranche B	10,000,000	0.0019	27 Mar 2025	$0.05	4,730	1,244
	24 Jun 2022	Tranche C	10,000,000	0.0016	27 Mar 2025	$0.05	3,750	987
	24 Jun 2022	Tranche D	10,000,000	0.0014	27 Mar 2025	$0.05	3,090	813
			40,000,000				58,736	19,877
			120,000,000				670,838	1,495,775

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

Option valuation methodology

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

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

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

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

Note 33. Share-based payments (continued)

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

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

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

2022
In August 2021, the Company issued 78,000,000 ECTOE options and 9,000,000 ECT shares to Kaai Capital for costs incurred in relation to a share placement that was made in April 2021. The listed market price of ECTOE options on the date of issue was $0.002 for total consideration of $156,000. The listed market price of ECT shares on the date of issue was $0.01 for total consideration of $90,000. These amounts were treated as a cost related to the share capital raising and therefore netted off against the share capital raised.

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

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

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

2023
On 11 April 2023, 2,819,987 shares were released from an ELF which related to the settlement of creditors. The value of the shares was calculated using the VWAP of the Company’s shares for the month in which the creditor provided the services from January to March 2023. The VWAPs used were January 2023 $0.011, February 2023 $0.011, and March 2023 $0.009 for a total consideration of $26,894 which was treated as a corporate expense.

On 19 April 2023, 333,333 shares were released from an ELF which related to the settlement of creditors. The value of the shares was calculated using the VWAP of the Company’s shares for the month of March 2023 which was $0.009 for a total consideration of $3,000 which was treated as a corporate expense.

On 5 May 2023, 1,178,513 shares were released from an ELF which related to the settlement of creditors. The value of the shares was calculated using the VWAP of the Company’s shares for the month of April 2023 which was $0.011 for a total consideration of $12,963 which was treated as a corporate expense.

On 22 May 2023, 528,535 shares were released from an ELF which related to the settlement of creditors. The value of the shares was calculated using the VWAP of the Company’s shares for the month in which the creditor provided the services in March and April 2023 was $0.009 and $0.011 respectively for a total consideration of $5,250 which was treated as a corporate expense.

On 14 June 2023, 2,127,685 shares were released from an ELF which related to the settlement of creditors. The value of the shares was calculated using the VWAP of the Company’s shares for the month of May 2023 which was $0.009 for a total consideration of $19,149 which was treated as a corporate expense.

Total charged to corporate expense for the year was $67,256.

2022
During the prior financial year, 18,261,835 ECTOE options were released from an ELF in the name of Iain McEwin. These options were released to in lieu of a performance fee for arranging the early repayment of the ELF held by Challenge Bricks and Roofing Pty Ltd and nominees. The listed market price of ECTOE options on the date of issue was $0.01 for total consideration of $182,623. This amount was treated as a corporate expense.

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

On 14 October 2021, 1,877,417 shares and 750,967 ECTOE options were released from an ELF in settlement of payments to creditors.

Note 33. Share-based payments (continued)

The value of the shares and options on the date of release was $18,774 and $1,502 respectively. These amounts were treated as a corporate expense.

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

(f) Sale of Wood247

2022
As part of the arrangement for the disposal of the Wood247 division during the 2022 financial year, 4,500,000 ECT shares were transferred to the acquirer from treasury shares (refer note 17). The listed market price of ECT shares at the date of issue was $0.035 for total value delivered of $157,500. This amount was treated as a corporate expense for the year. However, as part settlement of the cash proceeds receivable from the purchaser, the amount of which was $132,000 and which had been written off as uncollectable by the Company, the 4,500,000 ECT shares were returned to ECT and cancelled. The value of such shares was $49,500 which was recognised as income on return as a recovery of bad debts.

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

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

Note 34. Events after the reporting period

Board restructure
On 15 August 2023, Glenn Fozard and Tim Wise resigned from the Board of the Company. Sam Rizzo was appointed on this date as Managing Director of the Company and Glenn Fozard was appointed as Chief Operations Officer.

For further details, refer to the directors' report.

Capital raising
On 17 August 2023, the Company announced that it had received firm commitments to raise $2.0 million through the issue of 363,636,363 fully paid ordinary shares at an issue price of $0.0055 per share (Placement). The Placement was offered to sophisticated and professional investors and was strongly supported by existing shareholders. Proceeds will support engineering works at the Company’s Bacchus Marsh production facility under a revised strategy designed to capture near-term commercial opportunities.

The Placement has resulted in the issuing of 349,126,363 new shares with the settlement proceeds received. The new shares rank equally with existing shares on issue and are issued using the Company’s existing capacities under ASX Listing Rules 7.1 and 7.1A, accordingly shareholder approval was not required. The remaining 14,510,000 shares to be issued are subject to shareholder approval at the Company’s next AGM as the shares are intended to be issued to related parties.

Kaai Capital acted as Lead Manager to the Placement and was paid a fee of 6% of the amount raised which Kaai elected to receive in the form of 21,818,182 shares at the Placement price. They were also issued 50 million options, each with an exercise price of $0.011 expiring 3 years from issue. These securities were issued under the Company’s ASX Listing Rule 7.1 capacity and accordingly shareholder approval was not required.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;

- subject to the matters disclosed in note 1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

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

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

On behalf of the directors

Jason Marinko
Chairman

31 August 2023
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of Environmental Clean Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Environmental Clean Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

Key audit matters

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

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

Key audit matter	*How the matter was addressed in our audit*
Note 16 discloses the Group's current and non-current other financial liabilities. Note 23 discloses the Group's contingent liability in respect of HydroMOR. Note 2 "Earn-out provision - COLDry" discloses the critical accounting judgments, estimates and assumptions. The valuation and completeness of the COLDry earn-out provision and HydroMOR deferred consideration recognized within the financial statements were determined based on significant judgments and estimates in respect of discount rates and forecast production, with each supported by underlying assumptions. We have considered this area as a key audit matter due to amounts involved being material; and the inherent subjectivity associated in assessing the critical judgements, estimates and assumptions noted above.	Our procedures included, but were not limited to: • Reviewing the calculations (discounted cash flow models) prepared by management in relation to both the COLDry earn-out provision and HydroMOR deferred consideration to ensure the methodology adopted is consistent with requirements of AASB 9 *Financial Instruments*. • Assessing, with the assistance from our internal BDO corporate finance experts the appropriateness of the discount rates used in the discounted cash flow models. • Checking the mathematical accuracy of the calculations and assessing the reasonableness of the underlying assumptions used by management in relation to the forecast production outcomes. • Evaluating the probabilities and the underlying assumptions used by management in relation to forecasts for reasonableness and consistency with the underlying agreements. • Assessing the adequacy of the disclosures made in the financial statements. • Assessing, with the assistance from our internal BDO IFRS advisory team the appropriateness of the accounting treatment applied and contingent liability disclosure in relation to the HydroMOR deferred consideration.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information contained in directors' report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO
Katherine Robertson

Katherine Robertson
Director

Melbourne, 31 August 2023