

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 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	5908.7%	to	269,671
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Ltd <sup>(i)</sup>	up	166.4%	to	(4,980,485)
Loss for the year attributable to the owners of Environmental Clean Technologies Ltd	up	177.0%	to	(5,178,836)

*Note:*

(i) Loss from ordinary activities excludes the loss on disposal of the Wood247 business.

*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 \$5,178,836 (30 June 2021: \$1,869,725).

Refer to the 'Review of operations' attached for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.429	0.107

Net tangible assets includes right-of-use lease assets recognised pursuant to AASB 16 'Leases'.

The 2021 NTA calculation has been restated for the effects of the 1 for 10 share consolidation that occurred on 1 July 2021 so that year-on-year figures are comparable.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

*Current period*

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

*Previous period*

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

## 7. Dividend reinvestment plans

Not applicable.

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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 are in the process of being audited. Consistent with the prior year, the directors anticipate that the auditor's report will contain 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):*

A Preliminary Financial Report of Environmental Clean Technologies Limited for the year ended 30 June 2022 is attached. The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report.

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## 12. Signed

As authorised by the Board of Directors



Signed \_\_\_\_\_

Date: 31 August 2022

Jason Marinko  
Chairman  
Perth

# **Environmental Clean Technologies Limited**

**ABN 28 009 120 405**

## **Preliminary Financial Report - 30 June 2022**



**ENVIRONMENTAL CLEAN  
TECHNOLOGIES LIMITED**

The loss for the consolidated entity after providing for income tax amounted to \$5,178,836 (30 June 2021: \$1,869,725).

## Major Highlights

### Environmental Clean Technologies Limited

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

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

#### (ii) Capital raising activities

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

#### (iii) COLDry Demonstration Project (Bacchus Marsh)

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

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

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

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

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

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

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

#### (v) Expiry of options

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

#### (vi) Sale of Wood247

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

### ECT Finance Limited

#### (vii) Equity Lending Facilities

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

This subscription was made under arrangement with ECT with the intention of subsequently transferring the shares and options issued to him to service providers contracted to rebuild the Bacchus Marsh facility.

In 2021, prior to the 1:10 share consolidation, 274,679,966 shares and 106,658,654 ECTOE options were transferred to creditors associated with the Bacchus Marsh rebuild or other general creditors. In 2022, 1,877,417 shares and 19,334,135 options were transferred to creditors in satisfaction of amounts payable and 25,000,000 shares were transferred to the vendors of the property at Yallourn which the Company purchased on 22 February 2022 in partial settlement of this acquisition. These shares were escrowed for 6 months.

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

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

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

## Financial results

The reportable loss for the consolidated entity was higher at \$5,178,836 compared to the prior year loss of \$1,869,725.

	2022 \$	2021 \$	Change \$	Change %
Sales	257,597	-	257,597	-
Other income (excluding interest)	665,182	1,298,452	(633,270)	(49%)
Remeasurement of financial liabilities	99,811	(470,744)	570,555	(121%)
Loss on sale of plant and equipment and disposal of Wood247 business	(233,677)	-	(233,677)	-
Share based payments expense	(1,928,050)	(109,128)	(1,818,922)	1667%
Other operating costs (excluding interest, depreciation and amortisation)	(3,064,195)	(2,169,096)	(895,099)	41%
EBITDA	(4,203,332)	(1,450,516)	(2,752,816)	
Depreciation and amortisation	(675,746)	(320,809)	(354,937)	111%
Finance costs	(311,832)	(102,888)	(208,944)	203%
Interest revenue	12,074	4,488	7,586	169%
Net (loss) for year	<u>(5,178,836)</u>	<u>(1,869,725)</u>	<u>(3,309,111)</u>	

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

The 'Other Income' category of \$665,182 (2021: \$1,298,452) predominantly includes AusIndustry research and development tax incentive income of \$598,997 (2021: \$554,768). The research and development tax incentive received and receivable on the purchase of qualifying capital items has been offset against asset carrying values and is therefore not recognised as income. The total amount expected to be received from the research and development tax incentive is ~\$1,800,000. Other income in 2021 included insurance proceeds of \$593,012 as a result of the Bacchus Marsh plant fire in October 2019.

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

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

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

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

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

Finally, the change in fair value of financial liabilities represents the combined movement in the COLDry earn-out creditor (the present value of future commitments associated with the purchase of the COLDry intellectual property in 2009) and the HydroMOR deferred consideration (the present value associated with the purchase of the HydroMOR Test Plant assets in 2014). There was a net reduction in the combined liabilities resulting in a gain on remeasurement for the year amounting to \$99,811.

#### *Coronavirus (COVID-19) Pandemic*

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

#### **Matters subsequent to the end of the financial year**

The Company's R&D cashflow loan of \$1,968,000 with Invest Victoria has been approved to rollover for a further 12 months, with the loan to be repaid from the FY23 R&D incentive refund. The rollover approval includes a condition that the FY23 refund forecast must remain within the 80% loan to value ratio limit (i.e. the expected refund must be forecast to be greater than \$2.46m), which the Company currently meets. The Company will therefore be able to access the full FY22 refund estimated at ~\$1,800,000, which will be deployed toward further progressing Phase 2 of its COLDry-hydrogen refinery demonstration plant at Bacchus Marsh along with other initiatives previously stated to the market. The interest rate for this loan on 30 June 2022 was 1.015%.

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

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

## Environmental Clean Technologies Limited

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30 June 2022

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### General information

The preliminary financial report for the year ended 30 June 2022 comprises 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 preliminary financial report is presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

This preliminary financial report is not a full set of financial statements. The accounting policies remain unchanged from the 30 June 2021 Annual Report.

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

388 Punt Road  
South Yarra, VIC, 3141  
Australia

This preliminary financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2022.

**Environmental Clean Technologies Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	1	257,597	-
Other income	2	665,182	1,298,452
Interest revenue calculated using the effective interest method		12,074	4,488
<b>Total income</b>		<b>934,853</b>	<b>1,302,940</b>
<b>Expenses</b>			
Remeasurement of financial liabilities	3	99,811	(470,744)
Changes in inventories		(125,378)	-
Corporate costs		(3,425,266)	(1,466,058)
Legal costs		(65,460)	(80,863)
Employee benefits expense	3	(277,893)	(125,860)
Sales and marketing		(435,565)	(107,284)
Depreciation and amortisation expense	3	(675,746)	(320,809)
Engineering and pilot plant costs		(542,033)	(411,867)
Occupancy expense		(85,687)	(68,996)
Travel and accommodation		(34,963)	(17,296)
Finance costs	3	(311,832)	(102,888)
Loss on disposal of plant and equipment and Wood247 business	3	(233,677)	-
<b>Total expenses</b>		<b>(6,113,689)</b>	<b>(3,172,665)</b>
<b>Loss before income tax expense</b>		<b>(5,178,836)</b>	<b>(1,869,725)</b>
Income tax expense		-	-
<b>Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited</b>		<b>(5,178,836)</b>	<b>(1,869,725)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited</b>		<b>(5,178,836)</b>	<b>(1,869,725)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	16	(0.418)	(0.226)
Diluted loss per share	16	(0.418)	(0.226)

*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 2022**

	<b>Note</b>	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,403,198	1,014,490
Trade and other receivables	4	2,160,440	2,276,858
Inventories		-	84,703
Other		53,351	49,102
<b>Total current assets</b>		<b>6,616,989</b>	<b>3,425,153</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	4,655,378	2,551,603
Right-of-use assets	5	484,671	636,702
Intangibles	7	203,400	254,250
<b>Total non-current assets</b>		<b>5,343,449</b>	<b>3,442,555</b>
<b>Total assets</b>		<b>11,960,438</b>	<b>6,867,708</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	682,440	1,757,005
Borrowings	9	1,968,000	1,285,558
Lease liabilities	10	157,628	147,871
Provisions	11	5,531	6,079
Other financial liabilities	12	23,012	3,857
<b>Total current liabilities</b>		<b>2,836,611</b>	<b>3,200,370</b>
<b>Non-current liabilities</b>			
Lease liabilities	10	389,701	547,324
Provisions	11	1,864	517
Other financial liabilities	12	1,678,567	1,797,532
<b>Total non-current liabilities</b>		<b>2,070,132</b>	<b>2,345,373</b>
<b>Total liabilities</b>		<b>4,906,743</b>	<b>5,545,743</b>
<b>Net assets</b>		<b>7,053,695</b>	<b>1,321,965</b>
<b>Equity</b>			
Issued capital	13	88,943,874	81,091,892
Reserves	14	3,176,869	118,285
Accumulated losses		(85,067,048)	(79,888,212)
<b>Total equity</b>		<b>7,053,695</b>	<b>1,321,965</b>

*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 2022**

**Consolidated**

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	78,605,405	495,698	(78,220,176)	880,927
Loss after income tax expense for the year	-	-	(1,869,725)	(1,869,725)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,869,725)	(1,869,725)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	41,667	118,285	-	159,952
Options exercised (note 14)	570,222	(570,222)	-	-
Issue of shares via placement and purchase plan, net of costs	1,874,598	-	-	1,874,598
Transfer option premium (exercised options)	-	(201,689)	201,689	-
Premium received on ELF options (note 14)	-	276,213	-	276,213
Balance at 30 June 2021	<u>81,091,892</u>	<u>118,285</u>	<u>(79,888,212)</u>	<u>1,321,965</u>

**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	-	-	(5,178,836)	(5,178,836)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,178,836)	(5,178,836)
<i>Transactions with owners in their capacity as owners:</i>				
Equity component of convertible promissory notes (note 13)	384,136	-	-	384,136
Share-based payments	989,607	2,267,244	-	3,256,851
Options exercised	865	-	-	865
Issue of shares and options on conversion of promissory (note 13)	1,479,174	791,340	-	2,270,514
Release of shares on repayment of ELF loans (note 13)	650,000	-	-	650,000
Share placement (note 13)	5,000,000	-	-	5,000,000
Share issue costs	(651,800)	-	-	(651,800)
Balance at 30 June 2022	<u>88,943,874</u>	<u>3,176,869</u>	<u>(85,067,048)</u>	<u>7,053,695</u>

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

**Environmental Clean Technologies Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		221,793	37,389
Research and development tax incentive (inclusive of GST)		1,988,683	899,612
Payments to suppliers and employees (inclusive of GST)		(4,132,727)	(1,792,770)
Government grants		14,933	113,283
Interest received		12,074	4,488
Interest and other finance costs paid		(93,188)	(102,888)
Net cash used in operating activities	15	(1,988,432)	(840,886)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,587,801)	(2,821,877)
Insurance recoveries		-	593,012
Proceeds from disposal of plant and equipment and Wood247 business		93,500	-
Net cash used in investing activities		(3,494,301)	(2,228,865)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		5,650,865	1,894,600
Payment of equity raising costs		(314,000)	(20,002)
Proceeds from issue of convertible promissory notes		3,000,000	-
Proceeds from other borrowings		1,968,000	1,259,070
Repayment of borrowings		(1,259,039)	(28,930)
Repayment of lease liabilities		(174,385)	(125,278)
Net cash from financing activities		8,871,441	2,979,460
Net increase/(decrease) in cash and cash equivalents		3,388,708	(90,291)
Cash and cash equivalents at the beginning of the financial year		1,014,490	1,104,781
Cash and cash equivalents at the end of the financial year		<u>4,403,198</u>	<u>1,014,490</u>

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

Note 1. Revenue

	Consolidated 2022 \$	2021 \$
Sales of product	257,597	-
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
	Consolidated 2022 \$	2021 \$
<i>Major product lines</i>		
Sale of wood briquettes	257,597	-
<i>Geographical regions</i>		
Australia	257,597	-
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	257,597	-

Note 2. Other income

	Consolidated 2022 \$	2021 \$
Net gain on derivatives not qualifying as hedges (refer note 9)	47,995	-
Research and development tax incentive	598,997	554,768
Insurance recoveries	-	593,012
Government grants	14,933	113,283
Other income	3,257	37,389
Other income	665,182	1,298,452

*Research and development tax incentive*

The Company recognised a receivable related to the research and development tax incentive of \$1,794,182 at 30 June 2022 (2021: \$1,971,535) which relates to eligible expenditure. An amount of \$1,212,333 (2021: \$1,416,766) of the incentive received or receivable has been offset against the cost of plant and equipment (2021: plant and equipment and right of access mining intangible asset). Refer note 6 and note 7.

*Insurance recoveries*

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

*Government grants (COVID-19)*

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

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

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

Note 3. Expenses

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

**Note 4. Trade and other receivables**

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

*Allowance for expected credit losses*

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

**Note 5. Right-of-use assets**

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

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

*Reconciliations*

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

Consolidated	Land and buildings (ROU) \$
Balance at 1 July 2020	782,296
Reassessment of asset on lease extension	7,758
Depreciation expense	<u>(153,352)</u>
Balance at 30 June 2021	636,702
Depreciation expense	<u>(152,031)</u>
Balance at 30 June 2022	<u>484,671</u>

Note 6. Property, plant and equipment

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

*Reconciliations*

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

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

*Sale of Wood247 business*

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

*Site Purchased for Proposed Hydrogen Refinery Project*

On 22 February 2022, the Company settled the purchase of a site in Yallourn at a total cost of \$1,026,529 that will be suitable for its proposed hydrogen refinery project. Refer to the 'Review of Operations' section in the Director's Report for further details.

Note 7. Intangibles

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

*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:

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

**COLDry intellectual property ('COLDry IP')**

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



## Note 7. Intangibles (continued)

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

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

### **Right-of-access - mining**

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

## Note 8. Trade and other payables

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade payables	625,995	1,544,142
Other payables	56,445	212,863
	<u>682,440</u>	<u>1,757,005</u>

## Note 9. Borrowings

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

### **Invest Victoria R&D funding loan**

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

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

## Note 9. Borrowings (continued)

### Convertible promissory notes

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

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

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

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

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

On 21 December 2021, notes with a carrying value of \$1,919,764 (principal plus accrued interest) were converted into ordinary shares and ECTOE options of the Company. This resulted in the issue of 290,152,877 ordinary shares (\$1,395,339) and 286,000,000 ECTOE options (\$524,425) (refer to note 13). The value of the derivative liability calculated as being extinguished at that time was \$239,668.

On 21 January 2022, notes with a carrying value of \$66,208 (principal plus accrued interest) were converted into ordinary shares and ECTOE options of the Company. This resulted in the issue of 8,646,713 shares (\$51,130) and 8,500,000 ECTOE options (\$15,078) (refer to note 13).

On 4 March 2022, the remaining notes were converted into 5,631,096 ordinary shares (\$32,703) and 5,500,000 ECTOE options (\$12,168) of the Company.

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

## Note 10. Lease liabilities

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Lease liability	157,628	147,871
<i>Non-current liabilities</i>		
Lease liability	389,701	547,324
	<hr/>	<hr/>
	<u>547,329</u>	<u>695,195</u>

**Note 11. Provisions**

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

**Note 12. Other financial liabilities**

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

***Earn-out provision - COLDry***

The earn-out provision represents deferred consideration payable related to the acquisition of the COLDry intellectual property from the Maddingley Group. The consideration payable is calculated based on \$0.50 per projected processed tonne of COLDry pellets and is discounted at a rate of 15% (2021: 22%). The total consideration payable is \$3,000,000 plus applicable interest at the Reserve Bank of Australia cash rate.

***Deferred consideration - HydroMOR (previously Matmor)***

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

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

At the reporting date, a total of \$2,000,215 (2021: \$2,000,215) has been repaid under triggers (a) and (b) which were satisfied in prior years. In measuring the value of the liability, management has estimated when the remaining milestones will likely be achieved. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in the discount rate is recognised as a finance cost.

**Note 12. Other financial liabilities (continued)**

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

**Note 13. Issued capital**

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

**Ordinary share capital**

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

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

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

Movements in share capital during the current and prior year are as follows:

Note 13. Issued capital (continued)

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

*Share placements*

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

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

*Convertible Promissory Notes*

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

**Note 13. Issued capital (continued)**

**Release of Shares from Escrow**

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

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

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

**ELF share capital**

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

All shares issued pursuant to the ELF and which are financed by limited recourse loans are considered, for accounting purposes, to be options issued. As a result, neither the value of the loans receivable, nor the value of shares issued, are recognised in the financial statements. Where the Company receives funds from Participants in the form of principal or interest, such amounts are treated as the receipt of option premium and recognised in the option reserve until the loan is settled (refer to note 14). Loans expire within 2-3 years from issue and interest is charged at commercial rates of interest.

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

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

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

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

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

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

(ii) Included in the release of shares during 2021 are shares issued to suppliers to the Bacchus Marsh rebuild. The value of services was valued at \$276,213 (note 14) and such amount was applied to the full settlement of ELF loans thereby releasing share capital. Refer to items designated as 'Release from ELF (share-based payment)' in the ordinary share capital reconciliation table above.

### Note 13. Issued capital (continued)

During the year, the Company established ELF's with six nominees of Kaai Capital who was appointed as the Lead Manager for the Company's share placement that occurred during April and May 2021. The Company issued 35,000,000 (post-share consolidation) shares to Kaai's nominees. The term of the ELF's 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 ELF's by the due date, the loan defaults but is settled by ECTF taking control of the security (the ECT shares).

The following ELF shares were on issue at reporting date:

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

Note:

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

### Treasury share capital

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

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

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

### Options on issue (ASX: ECTOE)

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

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



**Note 13. Issued capital (continued)**

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

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

**Options on issue (Unlisted director incentive options)**

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

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

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



### Note 13. Issued capital (continued)

#### Share buy-back

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

#### Capital risk management

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

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

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

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

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

The capital risk management strategy remains unchanged from 2021.

### Note 14. Reserves

	Consolidated	
	2022	2021
	\$	\$
Share-based payments reserve	1,495,778	-
Options reserve	1,681,091	118,285
	<u>3,176,869</u>	<u>118,285</u>

#### Options reserve

The balance of the options reserve recognises the value of consideration received for options issued that are exercisable at reporting date, including the value of options issued on settlement of convertible promissory notes. Such options may include those that have been issued as a share-based payment and which have vested in the optionholder as at reporting date (refer to note 13 for further details). Movements in the reserve are provided below.

#### ELF reserve

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

#### Share-based payments reserve

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

**Note 14. Reserves (continued)**

*Movements in options reserves*

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

<b>Consolidated</b>	<b>Options reserve \$</b>	<b>ELF reserve \$</b>	<b>Share-based payments reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2020	-	495,698	-	495,698
Receipt of premium	-	276,213	-	276,213
Exercise of options (refer note 13)	-	(570,222)	-	(570,222)
Expiry of options	-	(201,689)	-	(201,689)
Share based payments	118,285	-	-	118,285
Balance at 30 June 2021	118,285	-	-	118,285
Issue of options on settlement of convertible promissory notes	791,340	-	-	791,340
Share based payments	771,466	-	1,495,778	2,267,244
Balance at 30 June 2022	<u>1,681,091</u>	<u>-</u>	<u>1,495,778</u>	<u>3,176,869</u>

**Note 15. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
Loss after income tax expense for the year	(5,178,836)	(1,869,725)
Adjustments for:		
Depreciation and amortisation	675,747	320,809
Net loss incurred on disposal of plant and equipment and sale of Wood247 business <sup>(i)</sup>	233,677	-
Share-based payments	1,770,550	416,165
Revaluation of financial liabilities	(99,811)	470,745
Finance costs - non-cash	218,643	-
Inventory write downs	-	32,146
Insurance proceeds classified as investing cash flows	-	(593,012)
Gain on revaluation of financial derivatives	(47,995)	-
Research and development incentives deferred	1,212,334	1,416,766
Equity raising costs	-	20,002
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	206,006	(1,310,189)
Increase in inventories	(78,112)	(116,847)
Decrease in prepayments	-	9,272
Increase/(decrease) in trade and other payables	(901,434)	356,596
Increase in employee benefits	799	6,386
Net cash used in operating activities	<u>(1,988,432)</u>	<u>(840,886)</u>

**Note**

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

Note 16. Earnings per share

	Consolidated 2022 \$	2021 \$
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(5,178,836)	(1,869,725)
	Cents	Cents
Basic loss per share	(0.418)	(0.226)
Diluted loss per share	(0.418)	(0.226)

At 30 June 2022, there were 120,654,587 shares held as security which are subject to the repayment of ELF loans. For accounting purposes, these ELF loans and the related shares issued are treated as an in-substance issue of options. The ELF shares issued are therefore not included in the Basic EPS calculation. All options were considered anti-dilutive and excluded from the calculations above.

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

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

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

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

Note 17. Events after the reporting period

The Company's R&D cashflow loan of \$1,968,000 with Invest Victoria has been approved to rollover for a further 12 months, with the loan to be repaid from the FY23 R&D incentive refund. The rollover approval includes a condition that the FY23 refund forecast must remain within the 80% loan to value ratio limit (i.e. the expected refund must be forecast to be greater than \$2.46m), which the Company currently meets. The Company will therefore be able to access the full FY22 refund estimated at ~\$1,800,000, which will be deployed toward further progressing Phase 2 of its COLDry-hydrogen refinery demonstration plant at Bacchus Marsh along with other initiatives previously stated to the market. The interest rate for this loan on 30 June 2022 was 1.015%.

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

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