ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

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 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	33.0%	to	111,416
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	up	2.8%	to	(4,357,282)
Loss for the year attributable to the owners of Environmental Clean Technologies Limited	up	2.8%	to	(4,357,282)

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 $4,357,282 (30 June 2016: $4,238,067).

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	(0.03)	(0.01)

4. Control gained over entities

During the year, Environmental Clean Technologies Limited incorporated a wholly owned subsidiary, ECT Finance Ltd (ACN 619 944 099).

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Reporting period %	Previous period %	Reporting period $	Previous period $
Victoria Coldry Pty Ltd	50.00%	50.00%	-	-
Coldry East Kalimantan Pty Ltd	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

Associates and joint ventures of the consolidated entity are not material to the financial statements of the Company.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

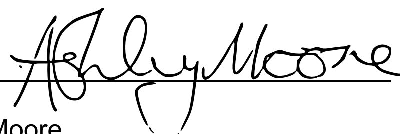
The financial statements have been audited and the auditor's report which is attached as part of the Financial Report contains a 'material uncertainty relating to going concern' paragraph.

11. Attachments

Details of attachments (if any):

The Annual Financial Report of Environmental Clean Technologies Limited for the year ended 30 June 2017 is attached.

12. Signed

Signed 

Date: 31 August 2017

Ashley Moore
Managing Director
Melbourne

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Environmental Clean Technologies Limited

ABN 28 009 120 405

Annual Financial Report - 30 June 2017

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Directors	Glenn Fozard (Chairman) Ashley Moore (Managing Director) Barry Richards David Smith
Company secretary	Adam Giles
Registered office	388 Punt Road South Yarra, VIC, 3141 Australia
Principal place of business	388 Punt Road South Yarra, VIC, 3141 Australia
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
Auditor	BDO East Coast Partnership 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: Shares - ESI; Options - ESIOA, ESIOB, ESIOC)
Website	www.ectltd.com.au
Corporate Governance Statement	The Corporate Governance Statement of the Company can be found at http://www.ectltd.com.au/about-us/corporate-governance/ This statement has been approved by the Board and is current as at 31 August 2017.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Environmental Clean Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

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

Glenn Fozard - Chairman
Ashley Moore - Managing Director
Barry Richards
David Smith

Principal activities

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

- development of a large-scale demonstration project for the Coldry Process;
- advancement of the Matmor Process toward pilot scale; and
- managing the development of, and extracting value from, the consolidated entity's intellectual property.

Coldry Process

The Coldry process is low temperature, low pressure and therefore a low-cost method of de-watering low-rank coal to produce an upgraded black coal equivalent. The process is currently poised to progress from pilot-scale to demonstration-scale allowing techno-economic validation ahead of 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 CO2 footprint than the low-rank coal from which they are made, providing a compelling emissions abatement solution.

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

Essentially, the Coldry process combines two mechanisms to achieve efficient, cost-effective de-watering; Brown Coal Densification; and Waste Heat Utilisation. Brown Coal Densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within low-rank coal. Waste Heat Utilisation provides 'free' evaporative energy to remove the moisture, thereby minimising paid energy input, resulting in net energy uplift and net CO2 reductions.

Matmor Process

Matmor is a cleaner, lower-emission, one-step process for producing high-grade primary iron, using low-rank coal to displace the need for coking coals, as used in the incumbent blast furnace process.

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

Matmor creates a high-grade iron product from low-rank coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The process involves blending low-rank coal 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 ECT's simple low cost, low emission, patented Matmor retort where the remaining moisture is removed, the coal volatiles are driven off and the iron oxides are reduced to metal.

The Matmor process operates below 1000C, compared to a blast furnace which operates at around 1500C. 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.

Matmor 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.

Intellectual Property

The Group owns both the Coldry and Matmor intellectual property. The Coldry process is covered by patents, or pending patents in all major markets with significant brown coal deposits.

Matmor is covered by an Australian patent, and due to its intrinsic reliance on Coldry for feedstock preparation, is afforded an additional degree of protection via Coldry patents. In markets where neither Coldry nor Matmor patents exist, the company will employ other IP protection strategies.

In November 2016, the Company submitted a new Australian provisional patent application on an improved Metal Oxide Reduction process, HydroMOR. The new process, HydroMOR, is an improvement over the existing Matmor process, deriving further advantage from its unique raw material base, especially the hydrocarbon-rich low-rank coals used in the role of reductant. The process derives its name from the utilisation of hydrogen to enhance the reduction process used to produce metals from ore.

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.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $4,357,282 (30 June 2016: $4,238,067).

Major Highlights:

The Company completed the Techno Economic Feasibility (TEF) study for an integrated Coldry and Matmor demonstration plant. The report was provided to partner companies NLC India Ltd and NMDC Ltd, and was the basis for the proposed Master Project Agreement to pursue the integrated demonstration plant. This agreement is now under review by arms of the Indian Government. A public version of the report was published in August 2016.

A new Australian provisional patent application for an improved Metal Oxide Reduction process, HydroMOR, was filed in November 2016. The process derives its name from the utilisation of hydrogen to enhance the reduction process used to produce metals from ore.

Following the receipt of the 2015-2016 R&D Tax Incentive refund of $1,524,471 on 21 December 2016, the Company repaid the Brevet loan facility of $1,464,965 on 10 January 2017.

The Company progressively drew down on the new Brevet loan facility during the fiscal year.

AusIndustry granted the Company’s application for an Advance Finding and Overseas ruling in relation to the Coldry activities planned under its India project. Under R&D Tax Incentive legislation, companies must seek prior approval before claiming overseas expenditure. The estimated value to the Company based on the current project budget is approximately $10 million. The Company is in the process of submitting its application for an Advance Finding and Overseas Ruling in relation to the Matmor component of the India project.

The Company commenced and completed two stages of upgrades on its High-Volume Test Facility in Bacchus Marsh. These upgrades opened major new avenues for additional R&D to be carried out, and supported significant trials at prospective customers in utility heating service for its Coldry products.

An Equity Lending Facility (ELF) was announced to support option holders to convert their options to shares ahead of the expiry of the ESIOA and ESIOB series in 31 July 2017.

A bonus issue of ESIOC options was announced to shareholders, with a record date of 21st July 2017 and an issue date of 2nd August 2017.

Financial Results:

The reportable loss for the consolidated entity was higher at $4,357,282 compared to the prior year of $4,238,067. This result is a combination of an increase in total recorded Income, offset by a larger increase in Expenses. Cash expenses increased year on year, driven largely by increases in Bacchus Marsh plant activity and upgrades, and India project preparation works. Non-cash expense items decreased.

Increased sales of by-products from the consolidated entities R&D activities (up $82,904) were partially offset by reductions in the provision of consulting services (down $50,000). Overall, this resulted in a year-on-year increase in sales revenue of $32,904.

The 'Other Income' category of $2,016,075 (2016: $1,556,585) is the AusIndustry R&D rebate. The R&D tax incentive rebate earned within the year is higher due to higher qualifying expenditure, offset by a decrease in the depreciation associated with the Matmor test plant assets purchase (see 'Depreciation and Amortisation' below).

Higher expenses were driven by cash items, offset by decreases in non-cash items.

Cash expense savings were realised within 'Corporate costs' (down $118,492), 'Sales and marketing' (down $18,590), and 'Travel and accommodation' (down by $7,008). Expense increases occurred within 'Legal costs' (up $156,495 driven by MPA preparation costs, and contributed to by preparation costs for the ELF program), 'Employee expense' (up $346,850, where the Company experienced the full year impact of three new FTE team members), 'Engineering and pilot plant expense' (up $875,061, driven by refurbishment and repairs in support of the HVTF upgrades and a significant increase in R&D activities, consuming labour, electricity, coal and fuel), and 'Occupancy expense' (up $66,909, largely driven by the HVTF site lease moving on to a commercial footing).

'Finance costs' year on year recorded a decrease of $55,587. Finance costs are largely non-cash items.

Depreciation and amortisation recorded a year on year decrease of $343,408. This was driven by the conclusion of depreciation on the Matmor Test Plant and associated assets, partially offset by increases in depreciation expense associated with HVTF upgrades and Matmor Test Plant refurbishment. Depreciation & Amortisation is a non-cash expense line.

Finally, the Change in Fair Value financial liabilities represents the combined movement in the Coldry earn-out creditor (the present value of future commitments, associated with the purchase of the Coldry intellectual property in 2009) and the Matmor deferred consideration (the present value associated with the purchase of the Matmor Test Plant assets in 2014). The change is represented as a negative expense, which reflects an increase in the estimated present value of those liabilities. This can be more appropriately stated as an increase in confidence (probability) that these expenses will be realised. This reflects the progressive de-risking of the commercialisation of our technologies. The change is $295,867 on a year to year comparison.

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

Subsequent to reporting date, the following events occurred:

● 396m ESIOA and ESIOB options were converted for cash prior to the expiry date, raising $4.12m for the Company;
● ECT Finance Ltd (ECTF), a wholly owned subsidiary of ECT, has established an Equity Lending Facility (ELF). Under the facility, option holders with options expiring on 31 July 2017 were entitled to apply for a loan to exercise their options. The shares issued under the facility are secured by ECTF and can't be traded by the borrower until the loan is settled. The loan, which is limited in recourse to the secured shares, may be settled in cash at any time during the 3-year loan period. If the loan is not settled in cash within the 3-year loan period, the shares will revert to the company and be cancelled. At 31 July 2017 shareholders have exercised 1,188m options under the facility which, if all shareholders, at their option pay, will provide the company with $14.1m;
● 202m ESIOA and ESIOB options expired unexercised; and
● 846m ESIOC options were issued on 2nd August, against entitlements recorded on 26th July.

No other matter or circumstance has arisen since 30 June 2017 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

Coldry

Delivery of the Integrated Coldry and Matmor Demonstration Plant is the consolidated entity's number one objective. To that end the consolidated entity has developed its India strategy to develop low-cost engineering capability for plant and equipment as well as advancing project opportunities for demonstration.

The Company also continues to evaluate and consider the prospects and merits of a Commercial Demonstration plant in Victoria to scale up the technology, as well as support growing domestic demand for solid fuel products to support the utility heating requirements of a range of industries in Victoria and elsewhere.

Matmor

Matmor has commenced the next steps in scale-up on the commercialisation pathway, which include:
● expanded testing works at the Test Plant to prepare the design briefing to support commencement of pilot plant design;
● refurbishment and design modification work at the Test Plant to support evaluation of new pilot plant design features; and
● pilot plant design program

Matmor will be further advanced alongside Coldry technology in the Integrated demonstration plant noted above.

Environmental regulation

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

Information on directors

Name:	Glenn Fozard
Title:	Executive Chairman
Qualifications:	BBus (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 has held an advisory position with the Company for over five years and has contributed significantly towards the capital raising for the Company during that time.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Remuneration, Nomination and Governance Committee
Interests in shares:	50,000,000 ordinary shares
Interests in options:	Nil

Name:	Ashley Moore
Title:	Managing Director
Qualifications:	BEng(Chem)(Hons), MIEAust, CPEng, MAICD
Experience and expertise:	Ashley is a Chartered Professional Engineer, with extensive experience in all facets of manufacturing, plant operations, supply chain management, sales and marketing and major project delivery from 30 years in industry. Ashley joined the Company in October 2009 as Business Manager, Coldry. Ashley was appointed to the role of Chief Operating Officer of the Company in August 2011, and then to Managing Director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	82,185,065 ordinary shares
Interests in options:	11,284,723 ESIOC options

Name:	Barry Richards
Title:	Non-Executive Director
Qualifications:	MAICD
Experience and expertise:	Barry has a strong industry and commercial background of over 30 years including his role as Managing Director of Mecrus Pty Ltd since its formation over 16 years ago, contract and business development roles with Siemens / Silcar, and operations and maintenance management experience with the State Electricity Commission of Victoria (SECV). He provides extensive experience in business management, major project development and delivery, coal plant operations and maintenance and has a broad understanding of technology and process development.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration, Nomination and Governance Committee
Interests in shares:	Nil
Interests in options:	Nil

Name:	David Smith
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce, Bachelor of Laws (Hons), GAICD
Experience and expertise:	Experience and expertise: David has a strong legal and commercial background, having practiced commercial law for over 25 years including nearly 19 years as a partner in national firms. He is currently a partner in the intellectual property and technology group at Gadens Lawyers. He has assisted many companies with protecting their intellectual property, IP commercialisation agreements, collaborative research agreements and international negotiations. Best Lawyers has named David as 2018 Lawyer of the Year – Privacy and Data Security Law for Melbourne, Australia. He is also currently listed as a "Best Lawyer" for intellectual property law, information technology law and gaming law.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

'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

Adam Giles has over 20 years business and management experience across both private and public sectors. His long-term involvement with the development of the Coldry and Matmor technologies provides valuable background, helping inform strategic direction. Key responsibility areas include Operations, Investor and Media Relations and Corporate Governance.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Remuneration, Nomination and Governance Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Glenn Fozard	13	13	2	2	-	-
Ashley Moore	13	13	-	-	2	2
David Smith	13	13	-	-	2	2
Barry Richards	13	13	2	2	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Retirement, election and continuation in office of directors

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

At the 2016 AGM of the Company, David Smith and Barry Richards were both re-elected.

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 KMP's in similar positions in other companies.

The Board, through the Remuneration, Nomination and Governance Committee is 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 of Directors ('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 Remuneration, Nomination and Governance Committee. The Remuneration, Nomination and Governance Committee 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. Non-executive directors do not receive share options or other incentives.

The aggregate non-executive director remuneration is determined by a general meeting. Effective 1 July 2012, the base fee payable to non-executive directors for discharging their duties as directors was capped at $75,000 per annum each, being $50,000 in cash and $25,000 in shares, for which shareholders provided approval at the 2012 AGM.

The Company has a three-tier base remuneration and a two-tier additional remuneration structure in place as follows:

Three tier base remuneration:	Two tier additional reward remuneration structure:
Non-executive directors - $25,000	Committee chair - $10,000
Non-executive directors (committee members) - $50,000	Chairman - $25,000
Trainee Director - $30,000	

Pursuant to a General Meeting held on 23 August 2013, the following 'Non-Executive Directors' Remuneration Policy' with respect to remunerating non-executive directors of the Company for providing extra services on behalf of the Company or its business was approved.

- 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 Remuneration, Nomination and Governance Committee is responsible for determining remuneration and nomination policies in respect of KMP. In establishing such policies, the Committee is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the Company's operations. The chairman is not present at any discussions relating to determination of their own remuneration. The remuneration levels are reviewed regularly to ensure the Company remains competitive as an employer.

Executive and Director Incentive Plan
The Board considers it important that a component of executive and director remuneration be by way of the issue of Company securities to help align their interests to the success of the Company. The Plan permits the grant of bonuses in the form of shares, options or rights on an annual basis to KMP (including executive directors) as an incentive component of their remuneration, to reward performance against benchmarks agreed by the Board, and to reduce the cash expenditure of the Company. The Plan does not contemplate the issue of securities to non-executive directors.

The Board may at its discretion impose one or more vesting conditions, including time or performance conditions, at the time of the grant of rights or options under the Plan. Any issue of shares or grant of options and rights will not confer any right or interest in shares, nor have any entitlement to dividends until any vesting conditions have been met. Any options or rights which have not been exercised will expire and cease to exist in accordance with the terms and conditions specified at the time of grant. The Plan permits the Board to enforce forfeiture of unvested shares, options and rights under defined circumstances. If a change of control of the Company occurs, the Board may at its discretion resolve that the vesting conditions applicable to unvested options or rights be waived.

In respect of the Managing Director, the issue of shares, options or performance rights under the Plan will be applied to the provision of bonuses and/or part of his base remuneration.

The Remuneration, Nomination and Governance Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2017.

Any securities issued under the Plan are not counted against the 15% limit on placements, given shareholders' approval, as required under the ASX Listing Rules. No bonuses were achieved in the fiscal year ended 30 June 2017.

Executive remuneration and reward framework
The executive remuneration and reward framework has four components which comprises an executives total remuneration:

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration, Nomination and Governance Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

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

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of bonus and incentive payments are dependent on defined KPI being met. The remaining portion of the bonus and incentive payments are at the discretion of the Remuneration, Nomination and Governance Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Use of remuneration consultants
During the financial year ended 30 June 2017, the consolidated entity did not engage any remuneration consultants for the purpose of review of existing remuneration policies.

Details of remuneration
The KMP of the consolidated entity during the current financial year consisted of the following:
- Glenn Fozard - Chairman and Executive Director
- Ashley Moore - Managing Director
- David Smith - Non-Executive Director
- Barry Richards - Non-Executive Director
- Adam Giles - Company Secretary
- Jim Blackburn – Chief Operating Officer

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Consulting fees $	Non-monetary $	Super-annuation $	Leave Benefits $	Equity-settled $	Total $
Non-Executive Directors:							
David Smith	54,794	-	-	5,206	-	-	60,000
Barry Richards	-	54,166	-	-	-	-	54,166
Executive Directors:							
Glenn Fozard *	-	156,550	-	-	-	(15,643)	140,907
Ashley Moore **	239,956	-	-	19,615	53,559	-	313,130
Other Key Management Personnel:							
Adam Giles	149,100	-	-	13,214	26,899	-	189,213
Jim Blackburn***	100,912	-	-	9,586	5,766	62,200	178,464
	544,762	210,716	-	47,621	86,224	46,557	935,880

* Glenn Fozard's remuneration includes the granting of performance based options. During the year, 11,000,000 options expired without meeting vesting conditions. This has had a negative impact on his remuneration for the financial year.

** Ashley Moore’s remuneration package for the year was $250k inclusive of salary and superannuation plus $9,572 of annual leave sacrificed to super.

*** As part of Jim Blackburn's compensation package, a limited recourse loan was provided to support the acquisition of fully paid ordinary shares at market pricing. Subject to vesting conditions (e.g. continued tenure with the Company), the staff member’s debt will be waived at conclusion of the loan period.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Consulting fees $	Non-monetary $	Super-annuation $	Leave Benefits $	Equity-settled $	Total $
Non-Executive Directors:							
David Smith	47,425	-	-	4,505	-	-	51,930
Barry Richards	-	31,250	-	-	-	-	31,250
Executive Directors:							
Glenn Fozard *	-	143,855	-	-	-	(6,444)	137,411
Ashley Moore **	250,000	-	-	-	4,380	-	254,380
Other Key Management Personnel:							
Adam Giles	139,100	-	-	13,215	4,595	-	156,910
	436,525	175,105	-	17,720	8,975	(6,444)	631,881

* Glenn Fozard's remuneration included the granting of performance based options. During the comparative year, 4,000,000 options expired without meeting vesting conditions. This had a negative impact on his remuneration for that financial year.

** Ashley Moore’s remuneration package for the year was $250k inclusive of salary and superannuation.

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

Name	Fixed remuneration 2017	At risk - LTI 2017
Non-Executive Directors:		
Barry Richards	100%	-
David Smith	100%	-
Executive Directors:		
Glenn Fozard *	100%	-
Ashley Moore	100%	-
Other Key Management Personnel:		
Adam Giles	100%	-

* Glenn Fozard's remuneration for the year as shown in the remuneration table reflects the expiry of unvested options (LTI), the value of which is required to be reversed pursuant to accounting standards. This produces a negative LTI remuneration expense and would result in a negative LTI percentage of (10%) which has not been shown in the above table.

Service agreements
The Company has employment agreements with all executives. These contracts are capable of termination in accordance with standard employment terms. The terms of the contract are open ended although the Company retains the right to terminate a contract immediately by making payment equal to the period in lieu of notice.

Each director has a written agreement governing his service as a director of the Company, and separate agreements, where appropriate, for the discharge of executive responsibilities or the provision of other services. There are no closed term contracts in place or termination benefits payable to directors or executives.

Name:	Glenn Fozard
Title:	Executive Chairman
Agreement commenced:	16 May 2017
Term of agreement:	3 years
Details:	Executive remuneration (contract) up to $19,160 per month. No leave or superannuation is payable under this contract. Mr. Fozard is eligible for employee incentive schemes when such schemes are established. The contract may be terminated by either party providing six months written notice.

Name:	Ashley Moore
Title:	Managing Director
Agreement commenced:	23 June 2013
Term of agreement:	Ashley Moore's employment may be terminated by either party by providing three (employee) or six (Company) months written notice of termination.
Details:	Annual salary, including superannuation, of $250,000.

All other contracts are capable of termination in accordance with standard employment terms. The Company retains the right to terminate a contract immediately by making payment equal to the period in lieu of notice. KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Date	Shares	Issue price	$
Jim Blackburn	1 December 2016	25,000,000	$0.020	500,000

* The shares issued to Jim Blackburn have been paid to the extent of $0.009 ($225,000). The balance owing of $275,000 has been financed under the Company's loan funding share plan. An amount of $62,200 has been recognised as a share based payment expense during the year in respect to the loan. The shares remain in lock-up until the balance of loan has been settled.

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:

Grant date	No. granted	Expiry date	Exercise price	Fair value per option at grant date
5 June 2015	2,000,000	31 January 2017	$0.040	$0.002
5 June 2015	2,000,000	30 June 2017	$0.045	$0.002
5 June 2015	7,000,000	30 June 2017	$0.050	$0.001

* The above options expired unexercised during the year. Prior year's remuneration expense attributable to the issue of these options were reversed during the current year.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested in directors and other KMP as part of compensation during the year ended 30 June 2017.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 $	2016 $	2015 $	2014 $	2013 $
Income *	2,599,266	2,400,899	1,691,785	1,644,631	1,314,914
EBITDA	(1,066,901)	(548,691)	(712,630)	(949,154)	(4,938,052)
EBIT	(3,754,510)	(3,579,708)	(2,605,844)	(1,468,697)	(5,477,784)
Loss after income tax	(4,357,282)	(4,238,067)	(3,716,176)	(2,548,113)	(5,444,185)

* Income includes favourable changes in the fair value of financial liabilities

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

	2017	2016	2015	2014	2013
Share price at financial year end ($)	0.012	0.010	0.018	0.002	0.007
Basic earnings per share (cents per share)	(0.154)	(0.160)	(0.155)	(0.122)	(0.326)

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 key management personnel 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	Disposals/ other	Balance at the end of the year
Ordinary shares					
Ashley Moore	11,250,002	-	28,888,890	-	40,138,892
Adam Giles	13,138,609	-	1,111,111	-	14,249,720
Jim Blackburn*	-	-	25,000,000	-	25,000,000
	24,388,611	-	55,000,001	-	79,388,612

* part consideration for acquisition of these shares has been deferred pursuant to the loan funded share plan.

Option holding

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

	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Ashley Moore	70,935,063	-	(28,888,890)	-	42,046,173
Glenn Fozard	61,000,000	-	-	(11,000,000)	50,000,000
Adam Giles	65,936,552	-	(1,111,111)	(5,000,000)	59,825,441
	197,871,615	-	(30,000,001)	(16,000,000)	151,871,614

Loans to key management personnel and their related parties
The Company has made the following loans to directors or director related entities for the purpose of funding purchases of ESIOA options pursuant to the Prospectus dated 30 June 2014. Options remain in escrow to the extent that there is any principal or interest remaining unpaid on each loan. Interest is payable on the outstanding balance at the rate of 6% p.a. calculated daily. Loans are for 12 months with interest to be paid in arrears and in quarterly instalments. With respect to each director, details are as follows:

- Glenn Fozard was advanced $50,000 for the acquisition of 50 million options in 2015 of which $36,000 has been repaid (2016: $25,000 repaid). Interest incurred during the 2017 financial year was $2,182. Interest repaid during the year was $2,182. The loan balance at 30 June 2017 is $14,000.

During the period, the Company engaged the services of Mr Jim Blackburn to fill the role of Chief Operating Officer of the Company. On 1 December 2016, Mr Blackburn acquired an interest in 25,000,000 shares issued at $0.02 each. Total consideration paid was $225,000 ($0.009 per share) with the remaining $275,000 balance deferred and subject to a proportionate settlement over the period of the loan, such settlement deemed to occur as Mr Blackburn fulfils his employment over the duration of 3 years. As such, amortisation of the deferred component forms part of Mr Blackburn's remuneration over the period of the arrangement. Subject to certain vesting conditions, amongst them continued tenure with the Company, the debt will be waived following the completion of loan period (on 30th June 2019). The loan is provided on an interest free basis.

The shares issued are subject to lock-up from the date of issue for a term of 3 years, or, in the event that Mr Blackburn's employment terminates, upon a cash settlement of the unamortised principal balance.

The 3 year arrangement represents a vesting term that must be completed before Mr Blackburn becomes beneficially entitled to control the shares. The fair value of the deferred settlement component at grant date was $246,779, calculated as the present value of the deferred principal outstanding discounted at an interest rate of 6.5%. An amount of $62,200 was charged as a share based payment expense for the year representing the amortisation of the settlement amount for the period and the deemed compensation received by Mr Blackburn.

This concludes the remuneration report, which has been audited.

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

	Expiry date	Exercise price	Number under option
Listed ordinary options (ESIOC)	31 July 2019	$0.045	846,088,751
Unlisted options	31 July 2018	$0.015	170,000,000
			1,016,088,751

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 issued on the exercise of options
There were 1,187,492,970 ordinary shares of Environmental Clean Technologies Limited issued during the year ended 30 June 2017 and up to the date of this report on the exercise of the same number of ESIOA options with an exercise price of $0.009 each.

There were 684,825,250 ordinary shares of Environmental Clean Technologies Limited issued during the year ended 30 June 2017 and up to the date of this report on the exercise of the same number of ESIOB options with an exercise price of $0.015 each.

There are no amounts owing to the Company with respect to the exercise of such options.

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 East Coast Partnership

There are no officers of the Company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

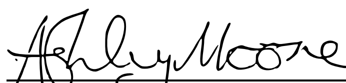
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of 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



Ashley Moore
Managing Director

31 August 2017
Melbourne

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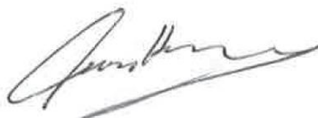
Australia

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2017, 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.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 31 August 2017

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

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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:

388 Punt Road
South Yarra, VIC, 3141
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017. 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 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	4	111,416	83,758
Other income	5	2,016,075	1,556,585
Expenses			
Change in fair value of financial liabilities	6	471,775	175,908
Corporate costs		(778,443)	(896,935)
Legal costs		(274,950)	(118,455)
Employee benefits expense	7	(1,127,979)	(781,129)
Sales and marketing		(72,516)	(91,106)
Depreciation and amortisation expense	7	(2,687,609)	(3,031,017)
Engineering and pilot plant costs		(1,120,281)	(245,220)
Occupancy expense		(189,875)	(122,966)
Travel and accommodation		(102,123)	(109,131)
Finance costs	7	(602,772)	(658,359)
Loss before income tax expense		(4,357,282)	(4,238,067)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	21	(4,357,282)	(4,238,067)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Environmental Clean Technologies Limited		(4,357,282)	(4,238,067)
		Cents	Cents
Basic earnings per share	34	(0.154)	(0.160)
Diluted earnings per share	34	(0.154)	(0.160)

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

	Note	Consolidated 2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	9	588,682	684,314
Trade and other receivables	10	2,334,502	1,673,589
Other	11	55,813	24,448
Total current assets		2,978,997	2,382,351
Non-current assets			
Investments accounted for using the equity method		2	2
Property, plant and equipment	12	455,637	1,384,206
Intangibles	13	5,760,000	6,240,000
Total non-current assets		6,215,639	7,624,208
Total assets		9,194,636	10,006,559
Liabilities			
Current liabilities			
Trade and other payables	14	1,718,576	448,874
Borrowings	15	1,483,257	1,057,223
Provisions	16	86,175	2,082,469
Total current liabilities		3,288,008	3,588,566
Non-current liabilities			
Borrowings	17	73,930	-
Provisions	18	1,138,066	371,247
Total non-current liabilities		1,211,996	371,247
Total liabilities		4,500,004	3,959,813
Net assets		4,694,632	6,046,746
Equity			
Issued capital	19	63,371,602	60,084,680
Reserves	20	3,876,010	4,157,764
Accumulated losses	21	(62,552,980)	(58,195,698)
Total equity		4,694,632	6,046,746

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 2017

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2015	57,051,403	4,087,394	(53,957,631)	7,181,166
Loss after income tax expense for the year	-	-	(4,238,067)	(4,238,067)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,238,067)	(4,238,067)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	1,521,246	-	-	1,521,246
Share-based payments (note 35)	-	(6,444)	-	(6,444)
Issued options (note 20)	-	1,336,020	-	1,336,020
Shares issued on exercise of options (note 19)	1,647,595	-	-	1,647,595
Transfer option premium (exercised options) net of adjustments	1,259,206	(1,259,206)	-	-
Equity raising costs	(1,394,770)	-	-	(1,394,770)
Balance at 30 June 2016	60,084,680	4,157,764	(58,195,698)	6,046,746

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2016	60,084,680	4,157,764	(58,195,698)	6,046,746
Loss after income tax expense for the year	-	-	(4,357,282)	(4,357,282)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,357,282)	(4,357,282)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	225,000	-	-	225,000
Share-based payments (note 35)	62,200	(15,643)	-	46,557
Shares issued on exercise of options (note 19)	2,733,611	-	-	2,733,611
Transfer option premium (exercised options) net of adjustments	266,111	(266,111)	-	-
Balance at 30 June 2017	63,371,602	3,876,010	(62,552,980)	4,694,632

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

	Note	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		50,395	-
Research and development offset		1,524,471	1,141,210
Payments to suppliers and employees		(3,454,409)	(2,492,153)
Interest received		4,712	9,958
Interest and other finance costs paid		(396,211)	(26,543)
Net cash used in operating activities	32	(2,271,042)	(1,367,528)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,054,301)	(777,716)
Payments for security deposits		(15,125)	-
Proceeds from release of security deposits		-	13,145
Proceeds from loan repayments		11,000	-
Net cash used in investing activities		(1,058,426)	(764,571)
Cash flows from financing activities			
Proceeds from issue of shares		2,958,611	1,155,737
Proceeds from issue of options		-	20,000
Proceeds from borrowings		1,740,190	1,000,000
Repayment of borrowings		(1,464,965)	(300,000)
Net cash from financing activities		3,233,836	1,875,737
Net decrease in cash and cash equivalents		(95,632)	(256,362)
Cash and cash equivalents at the beginning of the financial year		684,314	940,676
Cash and cash equivalents at the end of the financial year	9	588,682	684,314

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

For the financial year ended 30 June 2017, the consolidated entity had an operating net loss of $4,357,282 (2016: $4,238,067), net cash outflows from operating activities of $2,271,042 (2016: $1,367,528) and net current liabilities at the reporting date of $309,011 (2016: net current liabilities of $1,206,215). The consolidated entity currently does not have a source of revenue and is reliant on equity capital or loans from third parties to meet its operating costs.

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

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

- utilisation of its current cash resources (in excess of $3.5m at report date);
- sale of solid fuels produced in the course of execution of the Company's R&D plan;
- income as interest earned from its ELF debt arrangements;
- drawdowns against the loan facility per the agreement with Brevet Capital of New York, secured over the Company's entitlements to available future R&D Tax Incentive receipts for which it has an Advance Finding and Overseas Ruling in relation to its Coldry project in India; and
- issuance of equity via ECT securities under ASX Listing Rule 7.1.

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

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 29.

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 2017 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Consulting services revenue is recognised by reference to the stage of completion of the respective contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Research and development tax refund

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

Interest

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

Other revenue

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

Note 1. Significant accounting policies (continued)

Research and development expenditure

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

Income tax

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

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

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

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

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

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

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

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

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

Current and non-current classification

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

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

Note 1. Significant accounting policies (continued)

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 includes 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

Other receivables are recognised at amortised cost, less any provision for impairment. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. There were no associates that were material to the operations of the consolidated entity during the year.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Note 1. Significant accounting policies (continued)

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

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

Depreciation of commercial assets is calculated on either a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

- Plant and equipment - 3 years
- Furniture and fittings - 3 years
- Office equipment - 2 years

Depreciation of research & development assets is calculated on either a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives within a defined research and development program context as follows:

- Matmor R&D plant and equipment - 2 years
- Coldry R&D plant and equipment upgrades – 12 months

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

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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.

Note 1. Significant accounting policies (continued)

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 finite useful life of 20 years.

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

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

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

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

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.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost. Changes in fair value as a result of changes in estimates of future cash flows are recognised separately in profit and loss.

Employee benefits

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

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

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.

Note 1. Significant accounting policies (continued)

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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.

Note 1. Significant accounting policies (continued)

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 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018.

AASB 9 is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the consolidated entity. Financial liabilities of the consolidated entity that are material to the financial statements are unaffected by the application of AASB 9. Earn-out provisions and deferred consideration payable shall continue to be accounted for at amortised cost with future cash flows re-estimated when applicable.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. As the Company does not have any material revenue from customers at this time, the impact of its adoption is not considered significant to the business.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. As the Company does not have significant operating leases, the impact of its adoption is not expected to be material.

Other amending accounting standards
Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.

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
The earn-out provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of the reporting date using a discount rate of 35.0% (2016: 41.5%). In determining the present value of the liability, estimates of expected timing and quantities of production are taken into consideration.

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

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

Deferred consideration - Matmor
The deferred consideration liability has been calculated based on discounted cash flow projections out to January 2020 using a discount rate of 35% (2016: 0%). Cash flows were not discounted in 2016 and as all amounts were previously considered as being highly probable to be settled within 12 months. The projections include consideration of the timing of the exercise of ESIOC options and other events as disclosed at Note 16 that would trigger a cash outflow pursuant to the deferred consideration structure. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

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

Note 3. Operating segments

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

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

Note 4. Revenue

	Consolidated	
	2017 $	2016 $
Sales revenue		
Sales of product	106,704	23,800
Other revenue		
Consulting fees	-	50,000
Interest	4,712	9,958
	4,712	59,958
Revenue	111,416	83,758

Note 5. Other income

	Consolidated	
	2017	2016
	$	$
Research and development tax incentive *	2,015,295	1,556,315
Other income	780	270
Other income	2,016,075	1,556,585

* The Company has recognised a receivable related to the research and development tax incentive of $2,047,139 at 30 June 2017 (2016: $1,556,315) which relates to eligible expenditure.

Note 6. Change in fair value of financial liabilities

	Consolidated	
	2017	2016
	$	$
Change in fair value of deferred consideration for Matmor assets (note 16) *	467,665	(584,348)
Change in fair value of Coldry earn out provision (note 18) **	4,110	760,256
	471,775	175,908

* The fair value of the Matmor deferred consideration liability was reduced at balance date to reflect a re-estimation of the timing of future cash flows to settle the liability.

** The fair value of the Coldry earn-out provision liability was reduced in the comparative year to reflect a re-estimation of the timing of future cash flows to settle future earn-out payment obligations. The current year increase in the balance of the Coldry earn-out provision represents unwinding of finance costs and has been included in the 'finance costs' expense category (see note 7).

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Note 7. Expenses

	Consolidated 2017 $	Consolidated 2016 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	2,193,393	2,546,568
Fixtures and fittings	2,419	1,429
Office equipment	11,797	3,020
Total depreciation	2,207,609	2,551,017
Amortisation		
Intellectual property - Coldry	480,000	480,000
Total depreciation and amortisation	2,687,609	3,031,017
Finance costs		
Interest and facility costs	396,211	60,356
Unwind of discount on deferred consideration (Matmor) *	-	353,096
Unwind of earn-out provision (Coldry)	206,561	244,907
Finance costs expensed	602,772	658,359
Rental expense relating to operating leases		
Minimum lease payments	111,601	33,534
Employee benefits expense		
Defined contribution superannuation expense	92,285	68,079
Share-based payments expense	46,557	(6,444)
Other employee benefits	989,137	719,494
Total employee benefits expense	1,127,979	781,129

* There was no finance cost associated with the Matmor deferred consideration liability during the year as a discount rate applied to the liability was not reinstated until the end of the current year.

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Note 8. Income tax expense

	Consolidated	
	2017	2016
	$	$
Income tax expense		
Deferred tax assets attributable to temporary differences	(104,960)	(182,342)
Deferred tax assets attributable to carried forward tax losses	(339,501)	(373,367)
Deferred tax assets attributable to movement for prior periods	(35,290)	(2,423)
Total deferred tax assets not recognised	479,751	558,132
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,357,282)	(4,238,067)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(1,198,253)	(1,271,420)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	739,962	571,739
Options issued	12,804	(19,559)
Sundry items	1,024	1,230
	(444,463)	(718,010)
Current year tax losses not recognised	339,501	373,367
Current year temporary differences not recognised	104,960	182,342
Adjustment recognised for prior periods	35,290	2,423
Deferred tax movement not recognised	(35,288)	159,878
Income tax expense	-	-

	Consolidated	
	2017	2016
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	21,157,890	19,805,707
Potential tax benefit at 27.5% (2016: 30%)	5,818,420	5,941,712

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

Note 8. Income tax expense (continued)

	Consolidated	
	2017	2016
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	42,653	37,274
Accrued expenses	4,825	390
Plant and equipment	364,483	361,051
Finance costs	60,946	72,092
Intangible assets	601,730	507,458
Provision for earn-out (Coldry)	143,590	95,908
Matmor liability	(83,203)	49,532
Total deferred tax assets not recognised	1,135,024	1,123,705

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

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	$	$
Cash at bank	588,682	684,314

Note 10. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	$	$
Other receivables	273,363	92,274
Research and development tax incentive receivable	2,047,139	1,556,315
	2,320,502	1,648,589
Director Loan - Glenn Fozard	14,000	25,000
	2,334,502	1,673,589

The research and development tax incentive receivable as at 30 June 2016 was subsequently received in December 2016.

Impairment of receivables
There were no impaired receivables recognised during the financial year.

Note 11. Current assets - other

	Consolidated	
	2017	2016
	$	$
Prepayments	34,030	17,790
Other deposits	21,783	6,658
	55,813	24,448

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Note 12. Non-current assets - property, plant and equipment

	Consolidated 2017 $	Consolidated 2016 $
Plant and equipment - at cost	7,196,684	5,920,006
Less: Accumulated depreciation	(6,756,098)	(4,562,705)
	440,586	1,357,301
Fixtures and fittings - at cost	7,782	7,782
Less: Accumulated depreciation	(5,774)	(3,355)
	2,008	4,427
Office equipment - at cost	73,353	70,991
Less: Accumulated depreciation	(60,310)	(48,513)
	13,043	22,478
	455,637	1,384,206

Reconciliations

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

Consolidated	Plant and equipment $	Fixtures and fittings $	Office equipment $	Total $
Balance at 1 July 2015	3,696,700	4,940	1,247	3,702,887
Additions	207,169	1,993	26,759	235,921
Disposals	-	(1,077)	(2,508)	(3,585)
Depreciation expense	(2,546,568)	(1,429)	(3,020)	(2,551,017)
Balance at 30 June 2016	1,357,301	4,427	22,478	1,384,206
Additions	1,276,678	-	2,362	1,279,040
Depreciation expense	(2,193,393)	(2,419)	(11,797)	(2,207,609)
Balance at 30 June 2017	440,586	2,008	13,043	455,637

Note 13. Non-current assets - intangibles

	Consolidated 2017 $	Consolidated 2016 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(3,840,000)	(3,360,000)
	5,760,000	6,240,000

Note 13. Non-current assets - intangibles (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	Intellectual property * $	Total $
Balance at 1 July 2015	6,720,000	6,720,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2016	6,240,000	6,240,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2017	5,760,000	5,760,000

* The intellectual property represents the patented technology related to Coldry acquired by the consolidated entity in 2009.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2017 $	2016 $
Trade payables	302,557	122,402
Other payables	1,416,019	326,472
	1,718,576	448,874

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2017 $	2016 $
Innovation Structured Finance Co. (Brevet Capital) Loan	1,332,448	1,057,223
Equipment finance	150,809	-
	1,483,257	1,057,223

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities - borrowings (continued)

Innovation Structured Finance Co. (Brevet Capital) Loan
On 2 February 2016, the Company finalised a secured loan facility agreement with Innovation Structured Finance Co., LLC, a specialty finance company established by Brevet Capital, a New York City based investment manager. The Brevet facility is a senior secured loan, established on commercial terms, and provides short-term flexibility to draw down against the Company's current accrued value of the anticipated AusIndustry Tax Incentive program.

The Brevet Loan balance at 30 June 2016 related to Tranche No.1 drawn under the original facility agreement on 2 February 2016. A further two tranches were drawn during the 2017 financial year. Tranche No. 2 was drawn under an extension to the original facility agreement and Tranche No. 3 was drawn under a new facility agreement that provides for further tranches of up to $2 million in value. Each drawdown was made in line with the terms of the facility and are based on the accrued value of the anticipated AusIndustry Tax Incentive receipts for the 2017 financial year. The loan balance relating to the first and second tranches under the original facility agreement was settled during the second half of the year.

The value of the available facility is the lesser of $2,000,000 or 80% of the accrued R&D Tax Incentive rebate receivable at any particular draw date.

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

Note 16. Current liabilities - provisions

	Consolidated	
	2017	2016
	$	$
Annual leave	86,175	72,694
Deferred consideration - Matmor	-	2,009,775
	86,175	2,082,469

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

(a) 50% of proceeds received by ECT from exercise of ESI Options up to a cash amount of $1m
(b) a minimum of 15% of proceeds received by ECT from exercise of ESI Options thereafter
(c) $500,000 on signing a binding contract for construction of the Matmor Pilot Plant (it was agreed by the parties to trigger this payment early, and as such, it is no longer available for further payment).
(d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state as well as conversion targets
(e) $1,000,000 on signing of a binding contract for construction of a commercial scale Matmor plant
(f) first collection of revenue in any form from commercialisation of Matmor technology

In measuring the present value of the liability, management have estimated when options will likely be exercised and when milestones will likely be achieved. Refer to note 18 for the non-current portion of the liability.

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Note 16. Current liabilities - provisions (continued)

Movements in provisions
Movements in the current liability portion of the deferred consideration - Matmor provision during the current financial year are set out below:

Consolidated - 2017	Deferred consideration - Matmor $
Carrying amount at the start of the year	2,009,775
Amounts due - transferred to current payables	(995,116)
Re-estimate of future cash flows	(467,665)
Reclassify to non-current liabilities	(546,994)
Carrying amount at the end of the year	-

Note 17. Non-current liabilities - borrowings

	Consolidated	
	2017 $	2016 $
Equipment finance	73,930	-

Refer to note 22 for further information on financial instruments.

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

Note 18. Non-current liabilities - provisions

	Consolidated	
	2017 $	2016 $
Long service leave	68,926	51,552
Earn-out provision - Coldry	522,146	319,695
Deferred consideration - Matmor	546,994	-
	1,138,066	371,247

Deferred consideration - Matmor
Refer to note 16 for further details.

Earn-out provision - Coldry
The earn-out provision represents deferred consideration 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 35.0% (2016: 41.5%). The consideration is $3,000,000. In prior years, this was not accounted for as being interest bearing as required under the acquisition agreement. However, this correction is not material to the financial statements due to the discount rate and forward timescale associated with repayment.

Note 18. Non-current liabilities - provisions (continued)

Movements in provisions
Movements in the Earn-out provision during the current financial year are set out below:

Consolidated - 2017	Deferred consideration - Matmor $	Earn-out provision - Coldry $
Carrying amount at the start of the year	-	319,695
Unwind of discount*	-	206,561
Re-estimate of future cash flows	-	(4,110)
Reclassification from current liabilities	546,994	-
Carrying amount at the end of the year	546,994	522,146

* The unwind of the discount has been included within finance costs

Note 19. Equity - issued capital

	Consolidated			
	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	3,021,847,103	2,733,211,506	63,084,402	60,084,680
Deferred share capital	25,000,000	-	287,200	-
	3,046,847,103	2,733,211,506	63,371,602	60,084,680

Movements in ordinary share capital

Details	Date	Shares Issued		$
Balance	1 July 2015	2,519,526,361		57,051,403
Exercise of ESIOA options		69,458,334	$0.009	625,125
Exercise of ESIOB options		68,164,511	$0.015	1,022,468
Issue of ESI shares		76,062,300	$0.020	1,521,246
Equity raising costs		-		(1,394,770)
Transferred premium from options reserve on exercised options		-		1,259,208
Balance	30 June 2016	2,733,211,506		60,084,680
Exercise of ESIOA options		265,987,228	$0.009	2,393,885
Exercise of ESIOB options		22,648,369	$0.015	339,726
Transferred premium from options reserve on exercised options		-		266,111
Balance	30 June 2017	3,021,847,103		63,084,402

Note 19. Equity - issued capital (continued)

Movements in deferred share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	-		-
Balance	30 June 2016	-		-
Share issue - partly paid to the extent of $0.009	23 November 2016	25,000,000	$0.020	225,000
Share based payment allocation during the year		-		62,200
Balance	30 June 2017	25,000,000		287,200

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

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

Deferred share capital
The account is used to recognise partly paid equity issued to employees that are subject to escrow and a deferred settlement arrangement. Refer to note 35 'Share based payments' for further information.

Options exercised
The amounts attributable to shares issued pursuant to exercise of options consists of the price paid on exercise of the option. The related amount of option premium initially received on issue of the option has been transferred from the relevant option reserve to which it was originally credited.

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

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

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

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

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

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

Note 20. Equity - reserves

	Consolidated 2017 $	Consolidated 2016 $
Share-based payments reserve	-	15,643
Options reserve	3,876,010	4,142,121
	3,876,010	4,157,764

Share-based payments reserve
The reserve is used to recognise the value of unvested equity benefits provided to employees and directors as part of their remuneration.

Options reserve
The options reserve is used to recognise the value of options issued. It is made up of the following option issues:

- Unlisted options have an exercise price of 1.5 cents and expire on 31 July 2018. There were 170,000,000 units on issue as at 30 June 2017.
- ESIOA options have an exercise price of 0.9 cents and expire on 31 July 2017. There were 950,726,802 units on issue as at 30 June 2017.
- ESIOB options have an exercise price of 1.5 cents and expire on 31 July 2017. There were 835,455,536 units on issue as at 30 June 2017.

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

Consolidated	Share-based payments $	Unlisted options $	ESIOA options $	ESIOB options $	Total $
Balance at 1 July 2015	22,087	-	1,286,140	2,779,167	4,087,394
Exercise of options	-	-	(69,458)	(1,189,748)	(1,259,206)
Director's remuneration	(6,444)	-	-	-	(6,444)
ESIOB options issued (placement)	-	-	-	20,000	20,000
ESIOB Options issued to Platinum Road pursuant to performance payment	-	-	-	180,000	180,000
Unlisted options issued to Platinum Road pursuant to options exercise program	-	1,136,020	-	-	1,136,020
Balance at 30 June 2016	15,643	1,136,020	1,216,682	1,789,419	4,157,764
Reversal of prior year share based payment expenses due to forfeiture	(15,643)	-	-	-	(15,643)
Current year share based payments expense	62,200	-	-	-	62,200
Transfer to partly paid share capital	(62,200)	-	-	-	(62,200)
Transfer option premium on exercised options	-	-	(266,111)	-	(266,111)
Balance at 30 June 2017	-	1,136,020	950,571	1,789,419	3,876,010

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Note 21. Equity - accumulated losses

	Consolidated	
	2017	2016
	$	$
Accumulated losses at the beginning of the financial year	(58,195,698)	(53,957,631)
Loss after income tax expense for the year	(4,357,282)	(4,238,067)
Accumulated losses at the end of the financial year	(62,552,980)	(58,195,698)

Note 22. 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 of Directors ('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 hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a regular basis.

Market risk

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

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

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

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

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

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

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

Financing arrangements
Under the Brevet arrangement, the Company is entitled to draw down amounts up to 80% of the estimated AusIndustry R&D tax incentive available, which at balance date amounted to $280,000. This figure, as well as future accruals generated through incurring additional qualifying expenditure incurred in the current fiscal year under the same arrangements are available to be drawn by the Company

Note 22. Financial instruments (continued)

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 - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	302,557	-	-	-	302,557
Other payables	-	1,416,019	-	-	-	1,416,019
Earn-out provision (Coldry)	-	2,500	11,000	765,000	3,482,000	4,260,500
Deferred consideration (Matmor)	-	995,116	500,000	514,659	-	2,009,775
Interest-bearing - variable						
Equipment finance	6.00%	81,242	81,242	90,463	-	252,947
Innovation Structured Finance Co. Loan	14.00%	1,332,448	-	-	-	1,332,448
Total non-derivatives		4,129,882	592,242	1,370,122	3,482,000	9,574,246

Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	122,402	-	-	-	122,402
Other payables	-	326,472	-	-	-	326,472
Earn-out provision (Coldry)	-	-	-	525,000	2,475,000	3,000,000
Deferred consideration (Matmor)	-	2,009,775	-	-	-	2,009,775
Interest-bearing - variable						
Innovation Structured Finance Co. Loan	14.50%	1,057,223	-	-	-	1,057,223
Total non-derivatives		3,515,872	-	525,000	2,475,000	6,515,872

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 earn-out provision are based on timing of forecast production output upon which payment is calculated. Settlement of the Matmor deferred consideration is dependent upon the exercise of ESI options by option-holders and/or other significant commercial outcomes. The actual timing of settlement payments cannot be determined so the timing of liability payments provided in the table above is consistent with the assumptions made in calculation of the liability. Future cash flows have been discounted at 35% (2016: 41.5%) in determining recognised carrying values within the financial statements.

Note 22. Financial instruments (continued)

Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. 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 - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - Current - Matmor Assets (note 16)	-	995,116	-	995,116
Deferred consideration - Non-current - Matmor Assets (note 18)	-	-	546,994	546,994
Earn-out provision - Coldry IP (note 18)	-	-	522,146	522,146
Total liabilities	-	995,116	1,069,140	2,064,256

* Due to a change in estimates, Deferred consideration – Matmor Assets have been recognised in Level 3. Amounts recognised represent the discounted non-current obligation owing by the Company at balance date. Refer to note 2 for further commentary.

Consolidated - 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Deferred consideration - Matmor Assets (note 16)	-	2,009,775	-	2,009,775
Earn-out provision - Coldry IP (note 18)	-	-	319,695	319,695
Total liabilities	-	2,009,775	319,695	2,329,470

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. Refer to the respective note for further details.

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Note 23. Fair value measurement (continued)

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

Consolidated	Earn-out provision Coldry IP $	Total $
Balance at 1 July 2015	835,044	835,044
Losses recognised in profit or loss	(515,349)	(515,349)
Balance at 30 June 2016	319,695	319,695
Gains recognised in profit or loss	202,451	202,451
Balance at 30 June 2017	522,146	522,146

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

Description	Unobservable inputs	Potential range	Sensitivity
Coldry earn-out provision	Discount rate	28.5% - 38% (35% used)	A change in this rate of 5% would have an effect of: +5%: increasing the carrying value of the liability by $106,992 (and increasing the loss); and -5%: reducing the carrying value of the liability by ($144,328) (and reducing the loss).
	Timing of production to discharge liability	Dec 2019 onwards	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to commence this year from small production, escalating in forward years through commercial scale up. A change in timing of the commercial scale commencement of + 1 year from that currently forecast would reduce the loss and liability by ($113,970).
Matmor deferred consideration	Discount rate	30% - 40% (35% used)	A change in this rate of 5% would have an effect of: +5%: increasing the carrying value of the liability by $37,870 (and increasing the loss); and -5%: reducing the carrying value of the liability by ($42,423) (and reducing the loss).
	Timing of significant trigger events	July 2018 to June 2019 (January 2019 used)	Should the next major trigger event and subsequent events be delayed by + 1 year from that currently forecast, that would reduce the loss and liability by $144,822.

Note 24. 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	
	2017	2016
	$	$
Short-term employee benefits	755,478	611,630
Post-employment benefits	47,621	17,720
Long-term benefits	86,224	8,975
Share-based payments	46,557	(6,444)
	935,880	631,881

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the Company:

	Consolidated	
	2017	2016
	$	$
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	58,500	48,000

Note 26. Contingent liabilities

Perpetual Royalty Liability
In addition to the Matmor deferred consideration liability recognised, the consolidated entity has incurred a future obligation to remit a perpetual royalty to Matmor Steel, the originator of the Matmor technology, at an amount calculated at 3% of licensing income received by the consolidated entity after allowing for deductions. Given the uncertainties and risks associated with developing new technologies and the current stage of development of the technology, the liability value is presently immaterial and has not been recognised.

Note 27. Commitments

	Consolidated 2017 $	Consolidated 2016 $
*Lease commitments - operating **		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	110,225	41,548
Equipment finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	81,242	-
One to five years	171,705	-
Total commitment	252,947	-
Less: Future finance charges	(28,208)	-
Net commitment recognised as liabilities	224,739	-
*Patent commitments ***		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	28,790	23,856
One to five years	112,032	95,424
More than five years	33,157	71,568
	173,979	190,848

* Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases expiring in 2 years with an option to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

Royalty commitments

The Company has entered into agreements which require it to pay certain royalties on production of its Coldry and Matmor technologies. These include:
- Coldry Equity Sale Deed, 2009; and
- Royalty Payment Deed (Matmor), 2014.

The Company is committed to make certain royalty payments in the event that commercial value is derived from the application of the technologies as follows:
- from production utilising the Coldry technology of Coldry pellets, a Royalty rate of $A0.195 per tonne, which is increased by CPI each anniversary of the agreement. For 2017, this now stands at $A0.232 per tonne. This royalty is payable for a period of twenty years following commencement of payments; and
- from revenue achieved through commercialisation and deployment of Matmor technology, less valid deductions as required under any technology licence, the Company should pay 3%. This royalty is payable in perpetuity (refer note 26).

Note 28. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

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Note 28. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

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

	Consolidated	
	2017 $	2016 $
Other transactions:		
Exercise of options for new ordinary shares by key management personnel	495,000	-
Share based payments expense - key management personnel	46,557	(6,444)
Mecrus (an entity related to Barry Richards) provided market-priced engineering support services	108,412	-

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

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2017 $	2016 $
Current receivables:		
Loans to directors (note 10)	14,000	25,000

The Company has advanced the following loans to directors or director related entities for the purpose of funding purchases of ESIOA options pursuant to Prospectus dated 30 June 2014. Each option has an issue price of 0.1 cents and is exercisable on or before 30 July 2017. Options remain in escrow to the extent that there is any principal or interest remaining unpaid on each loan. Interest is payable on the outstanding balance at the rate of 6% p.a. calculated daily. Loans are for 12 months with interest to be paid in arrears and in quarterly instalments. With respect to each director, details are as follows:

(i) Glenn Fozard was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $2,182 (2016: $2,182). Interest repaid during the period was $2,182 (2016: $2,182). The loan balance at 30 June 2017 was $14,000. Principal of $11,000 was repaid during the year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $	2016 $
Loss after income tax	(3,877,282)	(3,758,067)
Total comprehensive income	(3,877,282)	(3,758,067)

Note 29. Parent entity information (continued)

Statement of financial position

	Parent 2017 $	Parent 2016 $
Total current assets	2,978,998	2,382,352
Total assets	13,034,636	13,366,559
Total current liabilities	3,288,009	3,588,567
Total liabilities	4,500,005	3,959,814
Equity		
Issued capital	66,663,528	63,376,606
Share-based payments reserve	-	15,643
Options reserve	3,876,010	4,142,121
Accumulated losses	(62,004,907)	(58,127,625)
Total equity	8,534,631	9,406,745

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 2017 and 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital and other commitments
The parent entity has operating lease and patent commitments payable (not recognised as liabilities) as well as equipment finance lease commitments. Refer to note 27 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.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and income from associates are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. 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 2017 %	Ownership interest 2016 %
Asia Pacific Coal and Steel Pty Limited	Australia	100.00%	100.00%
Enermode Pty Limited	Australia	100.00%	100.00%
Maddingley Coldry Unit Trust	Australia	100.00%	100.00%
ECT Coldry Pty Ltd	Australia	100.00%	100.00%
A.C.N. 109 941 175 Pty Limited	Australia	100.00%	100.00%
ECT Fuels Pty Limited	Australia	100.00%	100.00%
ECT China Limited	Hong Kong	100.00%	100.00%
Coldry Demonstration Plant Pty Limited	Australia	100.00%	100.00%
Coldry Master License Pty Limited	Australia	100.00%	100.00%
Environmental Clean Technologies Development and Services India Private Limited	India	100.00%	100.00%
ECT Finance Ltd	Australia	100.00%	-

Note 31. Events after the reporting period

Subsequent to reporting date, the following events occurred:

● 396m ESIOA and ESIOB options were converted for cash prior to the expiry date, raising $4.12m for the Company;
● ECT Finance Ltd (ECTF), a wholly owned subsidiary of ECT, has established an Equity Lending Facility (ELF). Under the facility, option holders with options expiring on 31 July 2017 were entitled to apply for a loan to exercise their options. The shares issued under the facility are secured by ECTF and can't be traded by the borrower until the loan is settled. The loan, which is limited in recourse to the secured shares, may be settled in cash at any time during the 3-year loan period. If the loan is not settled in cash within the 3-year loan period, the shares will revert to the company and be cancelled. At 31 July 2017 shareholders have exercised 1,188m options under the facility which, if all shareholders, at their option pay, will provide the company with $14.1m;
● 202m ESIOA and ESIOB options expired unexercised; and
● 846m ESIOC options were issued on 2nd August, against entitlements recorded on 26th July.

No other matter or circumstance has arisen since 30 June 2017 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

Note 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax expense for the year	(4,357,282)	(4,238,067)
Adjustments for:		
Depreciation and amortisation	2,687,609	3,031,017
Finance costs - non cash	206,561	598,003
Share-based payments	46,557	(6,444)
Net gain on change in fair value of financial liabilities	(471,775)	(175,908)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(671,913)	(504,316)
Increase in prepayments	(16,240)	(17,233)
Increase in trade and other payables	274,586	216,344
Increase in employee benefits	30,855	-
Decrease in other provisions	-	(270,924)
Net cash used in operating activities	(2,271,042)	(1,367,528)

Note 33. Non-cash investing and financing activities

	Consolidated 2017 $	Consolidated 2016 $
Shares issued on settlement of Fast Finance loan	-	1,501,246
Acquisition of plant and equipment by means of finance leases	224,739	-
	224,739	1,501,246

Note 34. Earnings per share

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(4,357,282)	(4,238,067)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	2,824,948,057	2,640,937,275
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,824,948,057	2,640,937,275
	Cents	**Cents**
Basic earnings per share	(0.154)	(0.160)
Diluted earnings per share	(0.154)	(0.160)

At 30 June 2017 there were 950,726,802 ESIOA series options (expired 31 July 2017), 835,455,536 ESIOB series options (expired 31 July 2017), and 170,000,000 unlisted options (expiring 31 July 2018) on issue over ordinary shares. These options were considered anti-dilutive and excluded from the calculation above. All partly paid shares on issue are also treated in the same way as options and hence considered dilutive for the purposes the calculation.

Note 35. Share-based payments

The following share-based payment expenses were incurred for the year ended 30 June 2017:

Options granted to Glenn Fozard

Mr Fozard had been granted performance based options in prior periods. These are shown in the table below. The share based payment expense for the year was a credit of $15,643 (2016: credit $6,444) on the basis that the options lapsed without vesting. The credit for the period has been reversed through the share based payment reserve and netted off with the current years share based payment expense.

Set out below are summaries of options granted pursuant to Glenn Fozard's remuneration:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	No. Granted	Exercised	Expired	Balance at the end of the year
05/06/2015	31/01/2017	$0.040	2,000,000	-	-	(2,000,000)	-
05/06/2015	30/06/2017	$0.045	2,000,000	-	-	(2,000,000)	-
05/06/2015	30/06/2017	$0.050	7,000,000	-	-	(7,000,000)	-
			11,000,000	-	-	(11,000,000)	-
Weighted average exercise price			$0.047	$0.000	$0.000	$0.047	$0.000

* As at 30 June 2017, no options (2016: nil) had vested with Mr Fozard.

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	No. Granted	Exercised	Expired	Balance at the end of the year
05/06/2015	31/01/2016	$0.030	2,000,000	-	-	(2,000,000)	-
05/06/2015	30/06/2016	$0.035	2,000,000	-	-	(2,000,000)	-
05/06/2015	31/01/2017	$0.040	2,000,000	-	-	-	2,000,000
05/06/2015	30/06/2017	$0.045	2,000,000	-	-	-	2,000,000
05/06/2015	30/06/2017	$0.050	7,000,000	-	-	-	7,000,000
			15,000,000	-	-	(4,000,000)	11,000,000
Weighted average exercise price			$0.043	$0.000	$0.000	$0.033	$0.047

* As at 30 June 2016, no options (2015: nil) had vested with Mr Fozard.

Share-based loan to key management personnel

During the period, the Company engaged the services of Mr Jim Blackburn to fill the role of Chief Operating Officer of the Company. Mr Blackburn acquired an interest in 25,000,000 shares issued at $0.02 each, partly paid to the extent of $0.009 for a total consideration paid of $225,000 with the remaining balance of $275,000 deferred and subject to a proportionate settlement over the period of the loan with such settlement deemed to occur as Mr Blackburn fulfils his employment over the duration of 3 years. As such, amortisation of the deferred component forms part of Mr Blackburn's remuneration over the period of the arrangement.

The shares issued are subject to a lock-up from the date of issue for a term of 3 years, or, in the event that Mr Blackburn's employment terminates, upon a cash settlement of the unamortised principal balance. The 3 year arrangement represents a vesting term that must be completed before Mr Blackburn becomes beneficially entitled to control the shares. The fair value of the deferred settlement component at grant date was $246,779, calculated as the present value of the deferred principal outstanding discounted at an interest rate of 6.5%. The expense for the period is as shown below and represents the loan amortisation for the period.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Note 35. Share-based payments (continued)

	Consolidated	
	2017	2016
	$	$
Share-based loan expense - J. Blackburn	62,200	-

Environmental Clean Technologies Limited
Directors' declaration
30 June 2017

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;

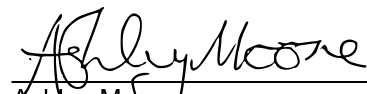
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Ashley Moore
Managing Director

31 August 2017
Melbourne

BDO

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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 statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2017 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* (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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

BDO

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.

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

Key audit matter	***How the matter was addressed in our audit***
Refer to note 5 Other income and note 1 "Research and development tax incentive" under "Revenue recognition" in Significant accounting policies. Accuracy of calculation of the R&D was considered a key risk area associated with our audit, together with ensuring it was appropriately accounted for in accordance with the requirements of AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. We have focused on this area as a key audit matter due to amounts involved being material; and the inherent subjectivity associated with the calculation of R&D tax incentives.	In addressing this matter, we performed a number of procedures including the following: • Assessed the process and controls in place in the R&D claim process. • Performed analytical procedures to gain comfort over correct recognition of the R&D revenue for the year. • For the R&D recognized as revenue in prior year, traced these to cash receipts during the year. • Reviewed the R&D calculations to ensure such calculations have been performed on a reasonable basis. • Obtained supporting documentation to confirm the appropriateness of recognition of the R&D as income in line with the requirements of AASB 120 Accounting for Government Grants and Disclosure of Government Assistance.

Coldry earn out provision & Matmor deferred consideration

Key audit matter	*How the matter was addressed in our audit*
Refer to note 16 and 18 Current & Non-Current provisions respectively and note 2 "Earn-out provision" and "Deferred consideration-Matmor" under Critical accounting judgments, estimates and assumptions. The acquisition agreement for the Coldry IP in 2009 included an earn out liability capped at $3 million plus interest which would be payable on forecast production from the projected Coldry plant (50c/tonne residual payments on commercial sales). The Matmor deferred consideration is based on probabilities of conversion of options issued and other milestone payments as per the sale agreement. This consideration is capped at $3.5 million. Valuation and completeness of the Coldry earn out provision and Matmor deferred consideration recognized within the financial statements were determined based on significant judgments in respect of discount rates and forecast production, with each supported by underlying assumptions. We have focused on this area as a key audit matter due to amounts involved being material; and the inherent subjectivity associated in determining the critical judgements noted above.	In addressing this matter, we performed a number of procedures including the following: • We reviewed the calculations (cash flow models) prepared by management in relation to both the Coldry earn out provision and Matmor deferred consideration and ensured the methodology adopted is consistent with the prior year. • We assessed the appropriateness of the discount factors used in the cash flow models. • In relation to the Coldry earn-out provision we checked the mathematical accuracy of the calculations and the reasonableness of the underlying assumptions used by management in relation to the forecast production. • In relation to the Matmor deferred consideration we performed an evaluation of the risk factors and the underlying assumptions used by management in relation to forecast milestone payments as per the sale agreement are reasonable. • Reviewed the adequacy of the disclosures made in the financial statements in relation to the Coldry earn-out provision and Matmor deferred consideration.

Other information

The directors are responsible for the other information. The other information comprises the information contained in director's report and shareholder information for the year ended 30 June 2017, 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 at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

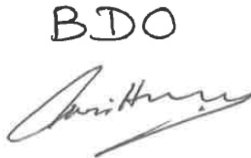
We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2017, 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 East Coast Partnership



Wai Aw
Partner

Melbourne, 31 August 2017

The shareholder information set out below was applicable as at 24 August 2017.

Distribution of equitable securities

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

	Number of ordinary shareholders	Number of ESIOC option holders	Number of unlisted option holders
1 to 1,000	181	267	-
1,001 to 5,000	141	313	-
5,001 to 10,000	117	455	-
10,001 to 100,000	1,496	1,853	-
100,001 and over	2,226	986	2
	4,161	3,874	2
Holding less than a marketable parcel	1,187	1,961	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below (* denotes consolidated holding):

ESI Ordinary shares

	Number of ordinary shares held	% of total ordinary shares issued
LJ & K THOMSON PTY LTD	227,212,500	4.91
ELGAR PARK PTY LTD	115,778,000	2.50
MR GREGORY MILTS *	94,140,368	2.03
SUPERIOR COATINGS (AUST)	89,000,000	1.92
A & K MOORE NOMINEES PTY LTD *	82,185,065	1.77
MENZIES SUPER PTY LTD	79,355,869	1.71
MADDINGLEY BROWN COAL PTY LTD *	63,325,370	1.37
CHALLENGE ROOFING PTY LTD	56,003,012	1.21
MR EMILIO MOSCA &	54,000,010	1.17
P G FAMILY SUPER CUSTODIAN PTY	53,434,923	1.15
MR PETER ANDREW PROKSA	52,000,000	1.12
MR IAIN ROBERT MCEWIN &	51,000,000	1.10
MR DAVID FAGAN	48,084,750	1.04
JBD INDUSTRIAL PARK PTY LTD *	47,400,000	1.02
MR DANNY SEGAL &	46,000,000	0.99
MR CAMERON LLOYD THOMSON *	44,500,000	0.96
MS SIHOL MARITO GULTOM	41,207,365	0.89
MRS LILY YUCHUN THOMSON	36,000,000	0.78
CHALLENGE BRICKS & *	35,458,950	0.77
MR MARK ANDREW HASTWELL & *	34,275,000	0.74
	1,350,361,182	29.15

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

ESIOC Options

	Number of ESIOC options held	% of total ESIOC options issued
LJ & K THOMSON PTY LTD	56,803,125	6.71
ELGAR PARK PTY LTD	28,944,500	3.42
MENZIES SUPER PTY LTD	20,363,967	2.41
MADDINGLEY BROWN COAL PTY LTD *	15,831,343	1.87
MR GREGORY MILTS	14,418,532	1.70
CHALLENGE ROOFING PTY LTD	14,000,753	1.65
MR EMILIO MOSCA &	13,500,003	1.60
HSBC CUSTODY NOMINEES	12,985,870	1.53
JBD INDUSTRIAL PARK PTY LTD *	11,850,000	1.40
MR DANNY SEGAL &	11,500,000	1.36
A & K MOORE NOMINEES PTY LTD	11,284,723	1.33
SUPERIOR COATINGS (AUST)	10,000,000	1.18
MRS MARCELLE ANNE RODGERS	8,000,000	0.95
JB NO 2 PTY LTD	7,601,667	0.90
MRS XIAOLI CAI	6,847,500	0.81
P A SHAKESPEARE INVESTING PTY	6,783,502	0.80
MS KATHY XIAO LIU	6,000,000	0.71
MR CHRISTOPHER JOHN MCGEE &	5,948,496	0.70
MITHRA MARKETING SERVICES PTY	5,912,500	0.70
MR ADAM RASZEWSKI	5,259,000	0.62
	273,835,481	32.35

Unquoted equity securities

Unlisted options	Number on issue	Number of holders
Options over ordinary shares issued	170,000,000	2

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
MARBRIJEN PTY LTD	Unlisted Options	140,000,000
SUPERIOR COATINGS (AUST)	Unlisted Options	30,000,000

Substantial holders
There are no substantial holders in the Company.

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

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

Options
Options do not convey any rights to the holder with respect to voting unless such options are exercised and ordinary shares are issued.