Environmental Clean Technologies Limited

ACN 009 120 405

Annual Report
30 June 2009

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

ACN 009 120 405

ANNUAL REPORT

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Corporate Governance Statement

The Environmental Clean Technologies Limited (ESI) Board is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company's businesses.

The Directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance.

Responsibilities of the Board include:

- appointment of the Chief Executive
- assessment of ECT's management performance, measured against clearly identified objectives;
- preservation of the integrity and credibility of ECT's businesses;
- prudent management of shareholders' funds;
- evaluation of opportunities for value-creating growth;
- involvement in the planning and review of the Company's strategic direction;
- approval of short and long term business plans;
- ensuring that there are effective environmental, health and safety procedures in place; and
- approval of accounts.

The Chief Executive is responsible to the Board for the day-to-day management of the Company. The relationship between the Board and management is a partnership that is crucial to the Company's long term success. The separation of responsibilities between the Board and management is clearly understood and respected.

This statement outlines the principal corporate governance practices followed throughout the financial year.

Shareholders

The shareholders of the Company elect Directors at the Annual General Meeting in accordance with the Constitution. All Directors are subject to re-election by rotation within three years.

The Annual General meetings are held in Melbourne. Shareholders have the opportunity to express their views, ask questions about Company business and vote on other items of business for resolution by shareholders at the Annual General Meeting.

Communication with Shareholders

ECT is committed to complying with the continuous disclosure obligations of the Corporations Act and the Australian Stock Exchange Listing Rules.

ECT keeps the market informed through the annual report, half yearly report, quarterly releases and by disclosing material developments to the Australian Stock Exchange (ASX) and the media as they occur.

From time to time, briefings and site visits are arranged to give those who advise shareholders and interested stakeholders a better understanding of the Company's operating facilities. In conducting briefings, ECT takes care to ensure that any price sensitive information released is made available to all shareholders (institutional and private) and the market at the same time. These announcements are lodged with the ASX and then posted on the Company's website at www.ectltd.com.au.

Composition of the Board

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

The Board currently comprises an independent non-executive Chairman and three additional independent non-executive Directors.

Independent Directors have no relationship with management or the Company that would interfere with the exercise of their independent judgment and are free from any interest and any business or other relationship which could materially interfere with their ability to act in the best interests of the Company.

The Board as currently constituted has the range of skills, knowledge and experience necessary to govern the Company and understand the economic sectors in which the Company operates.

Board Committees

To assist in the execution of its responsibilities, the Board established two committees comprised of the whole board, therefore the board sat as the committees.

The office of the Company Secretary provides secretariat services for each of the Committees and the board.

Audit and Compliance Committee

The responsibilities of the Audit and Compliance Committee include assisting the Board to fulfil its fiduciary responsibilities by:

- considering the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard company assets;
- serving as an independent and objective party to review the financial information;
- reviewing the accounting policies adopted within the Group;
- reviewing the quality of the external audit function; and
- reviewing and approving internal audit plans including identified risk areas.

Remuneration and Nomination Committee

As there are only four board members the full Board carries out the functions of such a committee

Independent Professional Advice

All Directors have the right of access to relevant Company information and the Company's executives and, subject to prior consultation with the Chairman, may, at the Company's expense, seek independent professional advice regarding their responsibilities. During the year the board did avail itself of external legal advice.

Internal Controls and Management of Risks

The management of risk is important in the creation of shareholder value and is a high priority for the Board and management.

The Company has a framework in place to safeguard the Company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk associated with exposures to foreign currencies and financial instruments. To assist in discharging this responsibility the Board has in place a control framework which includes the following:

- an annual business plan, approved by the Directors, incorporating financial and non-financial key performance indicators;
- regular reporting to the Board on a number of key areas including safety, health, insurance and legal matters;
- adoption of clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested; and
- a comprehensive insurance program, including risk assessment analysis and plans to mitigate identifiable or foreseeable risks.

Ethical Standards

The Company has established procedures and guidelines to ensure that the highest ethical standards, corporate behaviour and accountability are maintained.

Directors' Share Dealings

The Board has adopted a Code of Conduct for Directors which establishes guidelines for their conduct in matters such as ethical standards and conflicts of interests. The Code is based on that developed by the Australian Institute of Company Directors.

The Directors' Code of Conduct includes the following:

- Directors must consult with the Chairman of the Board, or in his absence, the Chief Executive, before dealing in shares or other securities of the Company
- dealings (whether purchases or sales) in the Company's shares or other securities by related persons may not be carried out other than the period commencing two days and ending 30 days following the date of announcement of the Company's annual or half yearly results or a major announcement leading, in the opinion of the Board, to a fully informed market.

Directors are prohibited from buying or selling ECT shares at any time if they are aware of price sensitive information that has not been made public. In accordance with the Corporations Act and the Listing Rules of the Australian Stock Exchange, Directors advise the Company of any transactions conducted by them in shares in the Company, which then informs the ASX of the details of the transaction.

Corporate Governance and Board Practices

The Environmental Clean Technology Board aims for best practice in the area of corporate governance. The Chairman, the Directors and the Company Secretary are responsible for ensuring that the company complies with best practice in its corporate governance on a day to day basis.

The Company's main corporate governance and Board practices in place during fiscal year 2009 are described in this section and reported against ASX Corporate Governance Council's (the Council) 'Revised Principles of Good Corporate Governance and Recommendations' and, where appropriate, elsewhere in our annual report. Further information regarding our corporate governance and Board practices can be found at our website, www.ectltdl.com.au.

ECT complies with the Council's 'Revised Principles of Good Corporate Governance and Recommendations' released in August 2007 except where it states otherwise. These provisions require listed companies to report on their main corporate governance practices and require a company to highlight any areas of departure from the Recommendations of the Council and explain that departure.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's main role is to protect and maintain long-term shareholder value and exercise responsibility for the overall corporate governance of Environmental Clean Technologies Limited.
The objective of Environmental Clean Technologies Limited's existing governance framework is to allow the Board to:

- provide strategic direction and guidance for the Company and effective oversight of management;
- facilitate accountability to our shareholders through clearly defined roles and responsibilities for the Board and executive management; and
- ensure that there is a balance of power and appropriate authorisations to avoid any individual having sole authority.

Responsibilities of the Board

The responsibilities of the Board can be summarised as follows:

- establish a strategic plan and provide oversight of its control and accountability systems for delivery within the strategic plan;
- ensure that the Company has adequate reporting systems and internal controls;
- establish criteria and review Board membership, identify and nominate Directors for shareholder consideration and appoint and remove the Chief Executive, the Chief Financial Officer or external accountants and the Company Secretary;
- establish and monitor policies to ensure that the Company complies with all applicable laws and regulations;
- appoint and determine an appropriate remuneration package for the Chief Executive and executive team based on clearly defined Key Performance Indicators and reviewed annually;
- develop and approve delegations for the CE;
- ensure that proper arrangements are in place for auditing the Company's financial affairs and that the scope of the external audit is adequate;
- ensure that a sound system of risk oversight and management is established;
- approval and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approval and monitoring of financial and other reporting.

Responsibility of Management

The Board has delegated responsibility for management to the Chief Executive. The Chief Executive is accountable to the Board for all authority delegated to him.

The Directors have adopted a comprehensive Corporate Governance Statement, which sets out the responsibilities of the Board and those matters reserved for the Board and those delegated to management. It is available from the Governance section of the Environmental Clean Technologies Limited website at www.ectltd.com.au

The Board's Accountability

The Board receives regular financial reporting and assesses financial performance against budgets and forecasts. There is a strong focus on accounting and financial performance as monitoring and control of ECT's financial performance is paramount to its growth strategy. The Board remains fully cognisant of the financial affairs of the company and schedules additional board meetings wherever necessary to ensure it supports the Chief Executive and takes accountability for the company's financial performance.

The Board receives reports from external auditors and takes all necessary follow-up action. In taking any required action, the Board does not consider the composition of the Board or Management.

The Board has adopted the Directors' Code of Conduct and Communication Plan developed between the Chief Executive and external advisors and is increasingly more informative as the business develops in line with its Continuous Disclosure Policy. The Company utilises the Company website to ensure its policies are available for public scrutiny in addition to more formal notices as required by the Corporations Act or the ASX Listing Rules.

2. STRUCTURE THE BOARD TO ADD VALUE

As at the date of this report, the Board comprises four directors. ECT's constitution provides for a minimum of three directors and not more than seven directors.

In accordance with Recommendation 2.2, the Board consists of an independent non-executive chairman, Mr. Dave Woodall, who is not a major shareholder (i.e. neither he nor his associates hold more than 5% of the Company's paid up capital and he has no association with any major shareholder). The other three directors are independent non-executive directors. Mr John Hutchinson OAM holds shares in the Company and Dr Dennis Brockenshire OAM is also a shareholder of the Company. Mr Carter does not hold shares in the Company. This arrangement complies with ASX Principle 2.1 as the Board consists of a majority of independent directors.

A Directors' Code of Conduct has been adopted by the Board and published to the Company's website. This Code of Conduct guides the Directors along with the more encompassing Corporate Governance Policy.

Each of the directors has been appointed for the particular skills, expertise and experience that he is able to offer the Company at this time. The Company is identifying other skills that will support its strategic direction but at present the range of skills and breadth of industry and professional expertise held by board members provides a sound basis for increasing the Company's value. An additional director with sound commercial experience was appointed during the year.

Board Committees

Remuneration and Nomination Committee

A Remuneration and Nomination Committee has not been formed as a separate committee as all remuneration and appointment issues are dealt with by the full board.

Remuneration

Remuneration of Executives and Management is on par with the mid range of market remuneration reflecting the stage of development of the Company. The General Counsel & Company Secretary during the 2009 financial year was engaged through a third party that is an external corporate services provider. There is no CFO but external accounting firm, RSM Bird Cameron provides these services and is assisted by a contract book keeper.

Audit and Compliance Committee

Mr John Hutchinson, an independent director, chairs this Committee. The other members are Dr Dennis Brockenshire and Mr David Woodall. The composition of the Audit and Compliance Committee complies with recommendation 4.3 of the ASX Principles. Committee meetings generally precede board meetings but also meet separately with the External Auditors as required. The Company Secretary attends the Audit and Compliance Committee meetings and the Company's External Auditor attends meetings, generally on a bi-annual basis.

The Board has delegated to the Audit and Compliance Committee responsibility for;

- Advising the board on the matters of external control, particularly audit issues;
- Establishing and maintaining processes to ensure that there is adequate systems of internal control, risk management and safeguard of assets; and
- Overseeing the relationship, appointment and work of external auditors.

The Audit Committee meetings are minuted and the Committee reports to the Board at the next Board meeting following the Audit Committee meeting.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Business Behaviour

Environmental Clean Technologies Limited is committed to maintaining high ethical standards in its internal operations and its interaction with shareholders, investors, stakeholders and regulatory bodies. The Company has adopted and applies a Corporate Governance Policy, an Insider Trading Policy and the directors operate under the Directors' Code of Conduct. These policies clarify the standards expected of Directors, Executives and Management and require compliance. The policies are brought to the attention of advisors and consultants and they are also required to comply.

The Board meets on a regular basis and follows meeting guidelines set down to ensure all directors are made aware of and have all necessary information to participate in informed discussion on all agenda items.

The Board of Directors identifies risks and opportunities and seeks assistance from the Company Management and, where applicable, from other professional advisors to the Company.

Dealing in Company Shares

The Company has in place an Insider Trading Policy that sets out a procedure for Directors, officers and staff members dealing in the company's securities. The Company's constitution permits directors, officers and staff members to acquire shares in the Company.

The Insider Trading Policy allows directors, officers and staff members to deal in Company shares only when the public is fairly well-informed about the Company. ECT considers it is reasonable for directors, officers and staff members to buy, sell or otherwise deal in the securities of ECT during the so-called 'windows' which are:

- during the currency of a prospectus and any supplementary prospectus for a new issue, while rights are being traded;
- between 2 and 30 days after the release of the half yearly results, preliminary final results and any dividend announcements;
- during the period from 2 days after the release of the annual report to 30 days after the annual general meeting;
- at other times with the approval of the Chairman providing the director, officer or staff member is not in possession of any price sensitive information.

The Board can order the suspension of trading activities at any time during the trading windows if they believe that the directors, officers or staff members are in possession of price sensitive information not yet announced to the market. A copy of the Insider Trading Policy is available from the Governance section of the Environmental Clean Technologies Limited website at www.ectltd.com.au.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Compliance Committee

As previously stated, the Company has established an Audit and Compliance Committee**.**

The Audit Committee assists the Board in fulfilling its responsibilities relating to the accounting and financial reporting practices of the Company and monitors necessary statutory and regulatory compliance.

The Committee is chaired by an independent non-executive director who is not the Chairperson of the Board and the other member is also an independent non-executive director. As the Board currently consists only of five Directors it is considered appropriate in the circumstances to have only three members of the Audit and Compliance Committee. The Board reviews the membership of this committee regularly.

A formal Audit Committee Charter is incorporated in the overall Corporate Governance Policy which sets the parameters of the conduct and responsibilities of the Committee. The Audit and Compliance Committee is responsible for establishing and maintaining an appropriate framework of internal control. The functions of the Committee include:

- reviewing reports prepared by the external auditors, liaising with the external auditors and ensuring that the annual audit and half-yearly review are conducted in an effective manner;
- reviewing internal controls and recommending enhancements;
- monitoring compliance with the Corporations Act, Australian Securities Exchange Listing Rules and any matters outstanding with taxation and other regulatory authorities;
- monitoring the accounting function;
- nomination of external auditors; and
- overseeing the financial reporting process.

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the committee are included in the Directors' Report.

Representations by the Chief Executive

The Chief Executive has provided a management representation letter to the Board for the financial statements where he certifies that the Company's financial reports present a true and fair view of the results and the financial position of the Company and are in accordance with relevant accounting standards.

5. MAKING TIMELY AND BALANCED DISCLOSURE

The Board recognises the significance of relevant and timely disclosure and has developed a Continuous Disclosure Policy that is available from the Governance section of the Environmental Clean Technologies Limited website at www.ectltd.com.au. This policy and ongoing formal and informal meetings of the Directors and management ensures accountability and provision of relevant and timely information to all market participants and stakeholders.

It is important to the Company that all investors have timely and equal access to material information and to this end the Company has introduced a quarterly newsletter that it posts out to shareholders and monthly reporting to those shareholders who have provided email contact details for this purpose.

The Company complies with the ASX Listing Rules on Continuous Disclosure and presents all announcements in a balanced and informative manner consulting with the ASX whenever there is any question relating to continuous disclosure.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

The Directors recognise that for shareholders of Environmental Clean Technologies Limited to be able to make informed decisions regarding their investment and to properly participate in Company meetings, they need relevant and timely information. The Board has approved a Communication Plan developed by Management in conjunction with respected and experienced external advisors to ensure the ongoing and timely release of appropriate information.

The Company updates its website with ASX releases (which include all financial releases) and during the year has made several presentations to market representatives and financial analysts. The Chief Executive is in constant communication with shareholder representatives and financial analysts to ensure a full understanding of the company and has introduced a quarterly newsletter that is posted out to shareholders and monthly reporting to those shareholders who have provided email contact details for this purpose.

The Company ensures that it accompanies its financial results with commentary that is informative and balanced. The ECT Annual Report provides shareholders with an overview of the operations and activities for the year and a forward view where clear plans are in place. Where presentations are given by the Chairman or the CE, these presentations are published to the ASX and to the company's website to ensure relevant information is provided to all shareholders.

ECT ensures that it issues an invitation to its Auditor to attend the company's Annual General Meeting and the Auditors have attended and been available to answer questions raised by shareholders in writing prior to the AGM.

7. RECOGNISE AND MANAGE RISK

The Board has put into place a procedure for ensuring that appropriate risk assessment and management controls are in place. The Board ensures that adequate procedures are in place to identify the principal risks of ECT's business and ensuring the implementation of appropriate systems to manage these risks. The procedures are not static and are amended to reflect changing circumstances of the developing business.

The Company does not currently have in place internal audit as it has limited resources. This function is carried out by its accountants as it is considered by the Board that this is the appropriate way to address risks. On the basis of the information and assurances given by the accountants and the Chief Executive, the Board is satisfied that risks are being properly managed and financial reporting effectively addresses all material risks.

In its risk management role, the Audit and Compliance Committee assists the Board in reviewing the efficiency and effectiveness of the Company's risk management and compliance environment. The primary responsibilities of the Audit and Compliance Committee is:

- Advising the board on the matter of internal control including financial statements, due diligence, financial systems integrity and risk management;
- Establishing and maintaining processes to ensure that there are adequate systems of internal control, risk management and safeguarding of assets;
- Overseeing the relationship, appointment and work of internal and external auditors;
- Communicating the risk management processes to those responsible for implementing them; and
- Ensuring relevant staff education and awareness of the risk process.

The Board is responsible for determining how the Company deals with and oversees risk and satisfies itself that sound systems for recognising and managing risk are in place. The Company also works closely with its insurance brokers and ensures the appropriate insurances are in place.

8. REMUNERATE FAIRLY AND RESPONSIBLY

The Directors recognise the need for the Board, its Committee and individual directors to be evaluated and have developed a policy for Board Performance evaluation that is contained within the Corporate Governance Policy and reproduced on the Environmental Clean Technologies Limited website at www.ectltd.com.au. Board performance is evaluated annually and Directors meet with the Chairman about the board's performance and their individual performance on the board.

The Chief Executive has a remuneration package that includes short and long term incentives in the form of equity in addition to regular remuneration. Clear Key Performance Indicators have been established by the Board in consultation with the Chief Executive and he is regularly mentored and monitored on his performance in accordance with the accepted KPIs. Once the equity component of his remuneration is finalised by the Board it is intended to seek shareholder approval for a formalised plan that will also apply to other executives.

The Directors are engaged by formal agreement and are remunerated at fair market rate. The Board considers the remuneration of the directors and Chief Executive annually on an individual basis after considering performance and market information. The total allowable remuneration of non-executive Directors is fixed by shareholders in general meetings and was last fixed at the Annual General Meeting in 2008.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors. The remuneration package for the CE is designed to assure that the long term growth and success of the Company is pursued, and a clear nexus is demonstrated between the company's performance and the CE's remuneration package.

The amount of remuneration for all Directors and the highest paid continuing executives, including all monetary and non-monetary components, is detailed in the Directors' Report.

The Board has agreed to a procedure whereby the Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval from the Chairman is required but will not be unreasonably withheld.

The Board of Directors and the Company Secretary are responsible for the corporate governance of the Company and were guided by the Directors' Code of Conduct, the Corporate Governance Policy and the ASX Corporate Governance Council Revised Principles of Good Corporate Governance during the financial year. The Board guides and monitors the business affairs of Environmental Clean Technologies Limited and associated entities on behalf of the shareholders to whom they are accountable.

Directors' Report

The Directors submit their report on the consolidated entity consisting of Environmental Clean Technologies Limited (the Company) and the entities it controlled for the year ended 30 June 2009. Environmental Clean Technologies Limited and its controlled entities together are referred to as Environmental Clean Technologies or the consolidated entity or ECT in this Financial Report.

Directors

Unless indicated otherwise, the following persons were Directors of Environmental Clean Technologies Limited during the whole or part of the financial year and until the date of this report:

Mr Dave Woodall – MBA, Dip Mech Eng, FAICD, FAIM - Non Executive Chairman

Mr John Hutchinson OAM, RFD, ED, FIEAust, CPEng - Non-Executive Director, Deputy Chairman

Dr Dennis Brockenshire, OAM PhD Tech, MBA, BComm, Dip Elec. Eng., Dip Mech. Eng. FAICD, FIE (Aust), Non-Executive Director

Mr Stephen Carter, MBA, Dip Co. Dir., Dip App. Sc., Non-Executive Director. Appointed 8 May 2009

Mr Con Galtos MBE FAICD Managing Director until 14 May 2008 then Non-Executive Director
Resigned 30 July 2008

Principal Activities

Coldry Process

The Coldry process is ECT's first technology proven to be commercially viable as an economic method of dewatering brown coal to produce a black coal substitute.

Once applied, the mechanically simple Coldry process produces pellets that are stable, easily stored, can be transported and are of equal or better energy value than black coal. Essentially, Coldry works by initiating a chemical reaction to expel water from lignite and sub-bituminous coal. The following process is applied:

- Screening and adding a small quantity of water to the raw coal
- Initiating an exothermic chemical reaction to expel water through attritioning and extrusion of a plasticized mixture
- Warm air toughening of extruded mixture on a conditioning conveyer prior to pack bed dryer delivery
- Formation of Coldry pellets and removal/collection of moisture in a pack bed dryer
- Stockpiling of high energy Coldry pellets and distilled water ready for use or transport / export

The pellets can then be used in electricity generation in black or brown coal power stations and coal-to-oil applications. Existing brown coal power stations that consume Coldry pellets immediately gain benefits without the need of significant modifications to plant infrastructure including:

- Emissions savings
- Reduced ash costs
- Access to increased water supply and drought mitigation
- Improved thermal efficiency

These factors also drive the business case for deployment of super critical, black coal, technologies, with their ensuing efficiency and financial benefits, on brown coal mines. New power stations can also be built with confidence that they can secure supply of a 'Black Coal Substitute' based on abundant, under exploited, brown coal reserves that perform extremely well with next generation gasification technologies. The high chemical reactivity of Coldry pellets delivers higher yield per tonne of coal and enables the products use as an ideal front-end feedstock solution for coal-to-oil technologies, eliminating the need for costly and energy intensive oil slurry drying.

The Coldry process delivers a 'Gateway technology' that enables an ideal front-end feedstock solution for numerous new technology applications.

Matmor Process

Matmor is a clean, low-emission, one-step process for producing high grade iron using brown coal.

The Matmor process is positioned to revolutionise primary iron making, creating a high grade iron product from brown coal and ferrous media such as iron ore, mill scale or other waste tailings. The revolution lies in the design of our simple, low cost, low emission, patented Matmor retort using cheaper, alternative raw materials. Essentially the process involves blending wet brown coal (lignite) with iron ore or other ferrous metal bearing media to form a paste that is dewatered using the Coldry process. The pellets are then fed into a 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 advantages of the Matmor process over existing steel making processes are:

- Replacement of expensive metallurgical coal with cheap, abundant lignite
- Replacement of expensive high grade Iron Ore (60%+Fe) with lower grade Iron Ore
- Capital equipment is estimated at 50% less than traditional blast furnaces
- Process requires significantly less heat / energy
- Able to recover baghouse dust, millscale and other waste materials
- Can be adapted to produce Zinc, Nickel, Chromium and Lead

Intellectual Property

In June 2009, the Company purchased the Coldry intellectual property from the Calleja Group after approval from the members at a General Meeting on 4th March 2009. The Calleja Group remains the owner of the Matmor technology but ECT has an exclusive right with the Calleja Group, under a Participation Agreement, through its subsidiary Asia Pacific Coal and Steel Pty Ltd to licence the Matmor technology and ultimately purchase that intellectual property as well.

The Coldry process is covered by patents in all major markets with significant brown coal deposits.

Significant Changes and Key Events

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

1. Arup completed pre-feasibility study for a 150,000 tonne Coldry production plant defining the critical design parameters, major cost drivers and improvement opportunities.
2. Terms agreed for subscription agreement with Pacific Capital Investment Limited worth $15m over 3 years.
3. Matmor process tested positively with Mongolian Brown Coal.
4. Chief Executive, Kos Galtos, presents to Queensland Coal Forum.
5. Arup and McConnell-Dowell completed successful feasibility study for ECT.
6. MOU signed with Transfield Services and preferred provider for operations and maintenance of production plant.
7. 100% of iron from nickel tailings recovered through utilisation of Matmor process.
8. Pacific Capital Value Fund subscribes to convertible note.
9. Private Placement and equivalent share purchase plan announced.
10. Heads of Agreement entered into for acquisition of Coldry technology.
11. Pacific Value Capital Fund served with Notice of Breach by Environmental Clean Technologies.
12. Heads of Agreement signed with Thang Long (Vietnam) for staged investment in a special purpose vehicle to establish a 20m tonne Coldry production plant.
13. Successful General Meeting approved share purchase plan and allocation of shares for purchase of Coldry technology.
14. Pacific Value Capital Fund facility terminated.
15. Testing commenced of Coldry process on Indonesian (East Kalimantan) sub-bituminous coal and found successful.
16. Successful share purchase plan raises $2.3M and further funds raised in shortfall subscriptions.
17. Hatch, leading global furnace experts, engaged to analyse and report of Matmor process.
18. Co-Ordination Agreement signed after agreement on terms with Thang Long (Vietnam).
19. Acquisition of Coldry technology and intellectual property completed.

Operating Results

The consolidated loss of the consolidated entity after providing income tax and eliminating minority interest was $478,932 (2008: ($3,473,180)).

Review of Operations

ECT has substantially reduced its core operating expenditure during the 2009 Financial Year, whilst reorganising the business to focus on delivering sales of Coldry production licenses into developing economies. The commercialisation of Coldry has been substantially completed, with the company now anticipating that the Coldry process will deliver initial revenues, via the establishment of Regional Operating Companies with selected partners focusing on the penetration of defined local markets, by the end of the 2010 financial year.

Dividends

No dividends were paid or recommended by the Directors.

Significant Events after the Balance Date

There has been one significant event occurring after balance date which has significantly affected or may significantly affect the Company's operations or results of those operations or the Company's state of affairs in future financial years.

The company has appointed Intersuisse to manage divesture of options allocated in the recent share purchase plan.

Future Developments and Results

The Company is in the final stages of engaging a suitable partner to provide the site for the TinCom production plant.

Environmental Regulation and Performance

ECT will be subjected to significant environmental regulations under both Commonwealth and State legislation once production activities commence. The Directors will actively monitor compliance with these regulations and will adopt a best practice environmental compliance system. As at the date of this report, the Directors are not aware of any material breaches of any regulations that currently apply to the company.

Information on Directors

Details of the Directors' qualifications and experience are set out as follows:

Dave Woodall – MBA, Dip Mech Eng, FAICD, FAIM - Non Executive Chairman

Mr Woodall has held senior positions with Queensland China Council (Chairman), Saudi Cable Company (logistics and procurement executive), MIM Holdings (Exec General Manager, Marketing and Commercial), Grainco Australia Ltd (CEO), Mintrade Pty Ltd (CEO) and Queensland Country Credit Union Ltd (Chairman). He was awarded the Rabobank Agribusiness Leader of the Year Award in 2005 and is currently a Director of Enigma International Resourcing Pty Ltd, Electronic Exchanges Limited and Australian Grain Exchange Ltd. Mr Woodall has also served on other Boards. No other directorships of listed companies were held at any time during the three years prior 30 June 2009.

John Hutchinson AOM, RFD, ED, FIEAust, CPEng - Non-Executive Director

Mr Hutchinson is a very experienced engineer in the coal and utilities field. Formerly in a senior position with the State Electricity Commission (SEC. Vic), John was responsible for $12B electricity generating, coal production and Latrobe Valley SEC assets and their performance. He also held positions with Coal Corporation of Victoria (General Manager) and Energy Brix Australia (CEO). Mr Hutchinson is a board member of Gippsland Regional Economy and Ecology Network Inc. No other directorships of listed companies were held at any time during the three years prior 30 June 2009.

Dr Dennis Brockenshire OAM, DTech, MBA, BComm, Dip ElecEng, Dip MechEng, FAICD, FIE(Aust) - Non-Executive Director

Dennis has 35 years experience in senior management positions including 13 years as Managing Director/CEO of Barwon Water, and 20 years experience in the Energy Industry. He is a director of several private companies and a past Director of the Water Services Association of Australia, Utilities Insurance Company, Victorian Industry Association, Save Water Alliance Plumbing Industry Commission, G21 Geelong Regional Alliance and Chairman of the Geelong Area Consultative Committee. No other directorships of listed companies were held at any time during the three years prior 30 June 2009.

Mr Stephen Carter MBA, Dip Co. Dir., Dip App. Sc., FAICD - Non-Executive Director. (appointed 8 May 2009)

Stephen is an experienced high level, strategic executive who joined the ECT Board in May 2009. With an impressive background as head of many high profile organizations, Mr Carter has achieved significant commercial results in a range of sectors including as chief executive of the Spotlight Group. Prior to this he was at the helm of the Royal Agriculture Society of Victoria when it won more than $100M State Government funding to redevelop the Melbourne Showgrounds. Other appointments have included Vice President Planning and Strategy at Air New Zealand and a member of the Senior Executive Team of Crown Limited. No other directorships of listed companies were held at any time during the three years prior 30 June 2009.

Mr Con Galtos MBE FAICD Non-Executive Director (resigned 31 July 2008)

Managing Director of ECT until 14 May 2008 and resigned as a director on 30 July 2008. Mr Con Galtos is an experienced businessman with extensive experience in the finance and investment industries and has established and managed of a number of successful businesses. Mr Galtos is also on the Board of Directors of Electronic Exchanges Limited and a number of private companies. No other directorships of listed companies were held at any time during the three years prior 30 June 2009.

Company Secretary

Ms Jan Macpherson MBA, LLB, Grad Dip App Corp Gov. MAICD ACIS (resigned 5 August 2009)

Ms Macpherson provides company secretarial services to the company on a part time basis through her legal firm Barwon Law. Jan is an experienced practising lawyer, registered tax agent and chartered secretary. She is also Company Secretary of listed VoIP company Freshtel Holdings Limited and explosives distributor Global Seismic Solutions Pty Ltd. Jan serves on the boards of SSK Real Estate Pty Ltd, Global Seismic Solutions Pty Ltd and is Vice-President and Company Secretary of the environmental not-for-profit organisation, Greening Australia (Vic) Ltd and during the year completed a 4 1/2 year term as a government appointed councillor on the Victorian Environmental Assessment Council. She is also a Trustee of the Living Trees Foundation. No directorships of listed companies were held at any time during the three years prior 30 June 2009.

Mr John Osborne BSc, FRMIT(Management), DipAppCorpGov, ACIS, FFTA. (Appointed 1 August 2009)

Mr Osborne provides company secretarial services to the company on a part time basis through his consultancy company KLVR Pty Ltd. Mr Osborne has over 35 years of financial, commercial and company secretarial experience with listed companies and in consulting roles. He is presently company secretary of two ASX listed companies, Vision Group Holdings Limited and Paragon Care Limited. No directorships of listed companies were held at any time during the three years prior 30 June 2009.

Meetings of Directors

During the year ended 30 June 2009, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the Directors are as follows:

	Board Meetings		*Audit and Risk Committee*	
	No eligible to attend	*No. attended*	*No. eligible to attend*	*No. Attended*
Dave Woodall	15	14	3	3
John Hutchinson	15	15	3	3
Dennis Brockenshire	15	13	3	3
Stephen Carter	1	1	-	-
Con Galtos	2	2	-	-

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of Environmental Clean Technologies Limited, at each Annual General Meeting one-third (or a number nearest one-third) of the number of Directors (excluding from the number of Directors the Managing Director, who is exempt from retirement by rotation, and any other Director appointed by the Directors either to fill a casual vacancy or as an addition to the existing Directors) must retire by rotation; and

- 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.

Accordingly, John Hutchinson retired by rotation as a Director at the 2008 Annual General Meeting and, being eligible, offered himself for re-election and was re-elected. Dave Woodall, being the longest serving director without re-election will retire by rotation at the 2009 Annual General Meeting and, being eligible, will offer himself for re-election.

Stephen Carter was appointed in May 2009 in addition to the other directors and under the terms of the Constitution will stand down and offer himself for re-election at the 2009 Annual General Meeting.

Remuneration Report (Audited)

Principles used to determine the nature and amount of remuneration

The Board is responsible for making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the Company.

The board's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. Directors and executives' 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 directors and executives in similar positions in other companies.

At this stage the remuneration reflects the performance of the company in a development stage in that the levels of remuneration are at the low to mid end of the market. As the company becomes revenue producing and shareholder wealth increases, regular reviews will be conducted as to the remuneration of directors and executives.

Service Agreements

No directors were appointed on service agreements during the year in their capacity as directors. Each director has a written agreement governing his service as a director. There are no termination benefits payable to directors or executives.

By consultancy agreement effective 14 August 2007, the Company engaged Blairgowrie Pty Ltd trading as Barwon Law of which Jan Macpherson is a director, to support the Company's secretarial and in house legal functions. This agreement continued through the reporting year but Blairgowrie Pty Ltd provided 30 days notice on 7th July and its services were completed on 4 August 2009.

By agreement dated 1 May 2008, the Company engaged Prima Nova Limited of which Kosmas Galtos is a director, to provide the services of a Chief Executive. This agreement continued until 1 January 2009 when Mr Galtos became a permanent employee of the company.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Environmental Clean Technologies Ltd and the Environmental Clean Technologies Ltd Group are set out in the following tables.

Remuneration Report (continued)

The key management personnel and executives of both Environmental Clean Technologies Ltd and the Environmental Clean Technologies Group are:

Mr Dave Woodall - Non Executive Chairman

Mr John Hutchinson - Non-Executive Director, Deputy Chairman

Dr Dennis Brockenshire - Non-Executive Director

Mr Stephen Carter - Non-Executive Director. Appointed 8 May 2009

Mr Con Galtos - Non-Executive Director. Resigned 30 July 2008

Mr Kosmas Galtos - Chief Executive from 1 May 2008. Engaged under a service contract with a company related to him (Prima Nova Limited) and of which he is a director. The term of appointment as Chief Executive is three years and continued until 1 January 2009 when Mr Galtos became a permanent employee of the company.

Ms Jan Macpherson – General Counsel and Company Secretary from 14 August 2007. Ms Macpherson is engaged on a part-time basis under a service contract with a company related to her (Blairgowrie Pty Ltd trading as Barwon Law) that contains a one month notice period which was given on 7 July 2009.

In the 30 June 2009 financial year, the directors consider that there are only two individuals who meet the definition of executive. All directors and executives are employed by the parent entity.

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash Salary, Discounts Received & Directors fees $	Consulting fees $	Non-monetary benefits $	Super-annuation $	Accrued termination benefit $	Options $	Total $
2009							
Directors							
C Galtos (1/7/08 – 30/7/08)	4,500	-	-	-	-	-	4,500
J Hutchinson	36,500	-	-	-	-	-	36,500
D Woodall	48,000	-	-	-	-	-	48,000
D Brockenshire	42,500	-	-	-	-	-	42,500
S Carter (appointed 8/05/09)	6,000	-	-	-	-	-	6,000
Executives							
J Macpherson	500	138,553	-	-	-	-	139,053
K Galtos	115,250	87,510	29,345	-	-	-	232,105
Total	**253,250**	**226,063**	**29,345**	**-**	**-**	**-**	**508,658**

Remuneration Report (continued)
Details of remuneration

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash Salary & Directors fees $	Consulting fees $	Non-monetary benefits $	Super-annuation $	Accrued termination benefit $	Options $	Total $
2008							
Directors							
C Galtos	4,500	111,650	-	-	-	257,000	373,150
M d'Almeida[1]	34,000	41,808	-	-	-	-	75,808
D Woodall (appointed 22/04/08)	12,000	-	-	-	-	-	12,000
D Brockenshire (appointed 2/05/08)	6,000	-	-	-	-	-	6,000
J Hutchinson	30,182	-	-	-	-	-	30,182
J McMullan[2]	27,000	-	-	-	-	-	27,000
Executives							
J Macpherson	-	120,832				33,000	153,832
D Mills[3]	-	-	-	-	-	61,500	61,500
S Henbury[4]	-	20,707	-	-	-	-	20,707
K Galtos	-	114,446	-	-	-	70,500	184,946
Total	**113,682**	**409,443**	**-**	**-**	**-**	**422,000**	**945,125**

In the 30 June 2008 financial year, the directors consider that there were only four individuals who met the definition of executive during the year.

Share-based Compensation

As a result of a resolution of the board, staff and directors of ECT who subscribed to the 2009 Share Purchase Plan received 100% of their entitlements to shares and options. Employees were eligible to participate in the Share Purchase Plan and subscribe for shares at a 10% discount. Total discounts received by Directors and staff amounted to $4,250. Those who received the discount were:

- J Hutchinson ($500)
- D Brockenshire ($500)
- J Macpherson ($500)
- K Galtos ($2,750)

[1] M d'Almeida resigned as Chairman on 22 April 2008.
[2] J Mc Mullan resigned as Director on 29 November 2007.
[3] D Mills resigned as CEO on 14 May 2007.
[4] S Henbury resigned as Company Secretary on 1 June 2007.

Remuneration Report (continued)

Share-based Compensation

The terms and conditions of each grant of option affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Vesting Criteria – ECT Share Price	Exercise Date	Expiry Date	Exercise Price	Value per option at grant date
31 October 2007	$0.15	31 October 2007	15 February 2010	$0.12	$0.037
31 October 2007	$0.30	31 October 2007	15 February 2010	$0.20	$0.024
31 October 2007	$0.35	31 October 2007	15 February 2010	$0.20	$0.023
7 December 2007	$0.30	7 December 2008	5 October 2010	$0.25	$0.041

Options granted carry no dividend or voting rights.

Details of options over ordinary shares in the company provided as remuneration to each director or executive or former director or executive of Environmental Clean Technologies Limited are set out below. When exercisable, each option is convertible into one ordinary share of Environmental Clean Technologies Limited. Further information on options is set out in note 22 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
Directors or Executives of Environmental Clean Technologies Limited				
Con Galtos	0	9,500,000	0	0
Kos Galtos	0	3,000,000	0	0
Jan Macpherson	0	1,000,000	0	1,000,000
Former Executive of Environmental Clean Technologies Limited				
Danny Mills	0	1,500,000	0	0

The assessed fair value at grant date of options granted to individuals have been recognised immediately, as there are no vesting conditions requiring the executives to remain in employment. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the stock price hurdle for vesting, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield, early exercise of options and the risk-free interest rate for the option of the term.

The model inputs for options granted during the year ended 30 June 2008 included:

(a) options are granted for no consideration and vest based on Environmental Clean Technologies Limited share price reach set hurdles: $0.15, $0.30, $0.35 and $0.30;
(b) exercise prices: $0.12, $0.20, $0.20, $0.25;
(c) grant dates: 31 October 2007 and 7 December 2007.
(d) expiry dates: 15 February 2010, and 5 October 2010;
(e) share price at grant dates: $0.10, $0.14 and $0.09;
(f) expected price volatility of the company's shares: 70%;
(g) expected dividend yield: 0%
(h) early exercise factor: 2.5 and 2
(i) risk-free interest rate: 6.55%

Remuneration Report (continued)

Additional Information

For each grant of options included in the tables above, the percentage of the grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the performance criteria was not met is set out below. The options vest only if the Environmental Clean Technologies Limited share price reaches set price hurdles. As the vesting conditions relate to market conditions the fair value of options were expensed in the 30 June 2008 financial year.

Name	Year Granted	Vested %	Forfeited %	Financial years in which options expire	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Con Galtos	2008	-	-	30/06/2010 30/06/2009	257,000 257,000	257,000 257,000
Kos Galtos	2008	-	-	30/06/2010 30/06/2009	70,500 70,500	70,500 70,500
Danny Mills	2008	-	-	30/06/2011 30/06/2010 30/06/2009	61,500 61,500 61,500	61,500 61,500 61,500
Jan Macpherson	2008	100%	-	N/A	N/A	N/A

(End of Remuneration Report)

Share Options

At the date of this report, the following options to acquire Ordinary shares of the company were on issue:

	Number	Exercise Price	Expiry Date	Number Vested	Number Unvested
Unlisted ordinary options	41,666,666	$0.12	15/10/2010	41,666,666	-
Unlisted ordinary options	6,000,000	$0.12	15/02/2010	3,500,000	2,500,000
Unlisted ordinary options	10,000,000	$0.20	15/02/2010	-	10,000,000
Unlisted ordinary options	1,500,000	$0.25	05/10/2010	-	1,500,000
Unlisted ordinary options	1,252,478	$0.1522	12/12/2010	1,252,478	-
Unlisted ordinary options	1,000,000	$0.20	14/02/2011	1,000,000	-
Unlisted ordinary options	1,539,145	$0.113	02/06/2011	1,539,145	-
Unlisted ordinary options	708,306	$0.0559	25/09/2011	708,306	-
Unlisted ordinary options	794,806	$0.0404	08/10/2011	794,806	-
Unlisted ordinary options	962,106	$0.03795	17/11/2011	962,106	-
Unlisted ordinary options	360,999	$0.03212	23/12/2011	360,999	-
ESIO	490,747,192	$0.02	16/01/2014	490,747,192	-
	556,531,698			542,531,698	14,000,000

Since 1 July 2009, 23,726,848 options have been converted (at $0.02 per share) to ordinary shares.

Director's equity holding:

Fully paid ordinary shares issued by Environmental Clean Technologies Limited

2009

	Held at 1 July 2008 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.	Held at 25 September 2009
C Galtos	416,666	-	-	-	416,666
D Woodall	-	-	-	-	-
D Brockenshire	-	-	-	935,000	935,000
J Hutchinson	1,844,519	-	-	275,000	2,119,519
J Macpherson	-	-	-	375,000	375,000
S Carter	-	-	-	-	-

Options held:

2009

	Balance at start of year	Exercised	Other changes[1]	Balance at end of the year	Vested and exercisable	Unvested
Con Galtos	9,500,000	-	-	9,500,000	-	9,500,000
Kos Galtos	3,000,000	-	2,750,000	5,750,000	2,750,000	3,000,000
Jan MacPherson	1,000,000	-	550,000	1,550,000	1,550,000	-
D Brockenshire	-	-	550,000	550,000	550,000	-
J Hutchinson	-	-	550,000	550,000	550,000	-

Insurance of Officers

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings. Directors and Officers Liability Insurance premiums paid during the year ended 30 June 2009 amount to $19,980 (ex GST).

Auditor's other services

No other services were provided by PKF during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

Signed at Melbourne this 30 September 2009, in accordance with a resolution of the directors.

D Woodall
Director

[1] Options acquired in Share Purchase Plan

PKF
Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Environmental Clean Technologies Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) 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 year.

David Garvey
Partner
PKF

30 September 2009
Melbourne

Income Statement
For the year ended 30 June 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Revenue	3	273,811	439,216	273,811	439,216
EXPENSES					
Material and subcontractor expenses		(361,478)	(861,651)	(361,478)	(861,651)
Matmor extension		(500,000)	-	(500,000)	-
Employee benefits expense		(477,940)	(211,408)	(477,940)	(211,408)
Share based payments		-	(422,000)	-	(422,000)
Depreciation and amortisation		(142,194)	(211,061)	(142,194)	(211,061)
Occupancy expense		(74,499)	(145,197)	(74,499)	(145,197)
Patent fees		(17,818)	(12,149)	(17,818)	(12,149)
Corporate costs		(1,054,663)	(455,606)	(1,036,952)	(455,606)
Consultancy fees		(350,941)	(889,753)	(350,941)	(889,753)
Travel and accommodation		(72,494)	(80,659)	(72,494)	(80,659)
Insurance expense		(28,733)	(49,017)	(28,733)	(49,017)
Finance costs		(373,779)	(348,796)	(373,779)	(348,796)
Other expenses from ordinary activities		(178,204)	(225,099)	(164,227)	(225,099)
Loss before income tax	4	**(3,358,932)**	**(3,473,180)**	**(3,327,244)**	**(3,473,180)**
Income tax (expense)/benefit relating to ordinary activities	5	2,880,000	-	2,880,000	-
Net loss attributable to the members of Environmental Clean Technologies Limited		**(478,932)**	**(3,473,180)**	**(447,244)**	**(3,473,180)**

		2009 Cents	2008 Cents
Earnings per security (EPS) from loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	18	(0.14)	(1.20)
Diluted earnings per share	18	(0.14)	(1.20)

The above Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet
As at 30 June 2009

		CONSOLIDATED		COMPANY	
	Notes	2009 $	2008 $	2009 $	2008 $
CURRENT ASSETS					
Cash and cash equivalents	6	886,581	324,433	886,581	324,433
Trade and other receivables	7	77,132	40,497	77,132	40,497
Other	8	130,595	27,545	130,595	27,545
Total Current Assets		1,094,308	392,475	1,094,308	392,475
NON-CURRENT ASSETS					
Property, plant and equipment	9	316,465	437,316	316,465	423,340
Intangible assets	10	9,600,000	-	-	-
Other financial assets	10	-	-	6,720,000	-
Deferred tax asset	11	-	-	2,880,000	-
Total Non-Current Assets		9,916,465	437,316	9,916,465	423,340
Total Assets		**11,010,773**	**829,791**	**11,010,773**	**815,815**
CURRENT LIABILITIES					
Trade and other payables	12	1,063,017	330,199	1,063,017	347,911
Interest bearing liabilities	13	1,677,749	-	1,677,749	-
Total Current Liabilities		2,740,766	330,199	2,740,766	347,911
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	-	1,427,456	-	1,427,456
Other financial liabilities	15	661,000		661,000	
Total Non-Current Liabilities		661,000	1,427,456	661,000	1,427,456
Total Liabilities		**3,401,766**	**1,757,655**	**3,401,766**	**1,775,367**
NET ASSETS		**7,609,007**	**(927,864)**	**7,609,007**	**(959,552)**
EQUITY					
Contributed equity	16	37,716,486	28,700,683	41,008,412	31,992,609
Reserves	17	1,195,346	1,195,346	1,195,346	1,195,346
Retained losses	17	(31,302,825)	(30,823,893)	(34,594,751)	(34,147,507)
TOTAL EQUITY		**7,609,007**	**(927,864)**	**7,609,007**	**(959,552)**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the Year Ended 30 June 2009

		CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
	Notes	$	$	$	$
Total equity at the beginning of the financial year		**(927,864)**	**(2,159,564)**	**(959,552)**	**(2,191,252)**
Share Based Payments		-	422,000	-	422,000
Issue of shares by the Group	16	9,015,803	4,282,880	9,015,803	4,282,880
Net income recognised directly in equity		**9,015,803**	**4,704,880**	**9,015,803**	**4,704,880**
Loss for the year		(478,932)	(3,473,180)	(447,244)	(3,473,180)
Total recognised income and expense for the year		**(478,932)**	**(3,473,180)**	(447,244)	**(3,473,180)**
Total equity at the end of the financial year attributable to members of the Company		**7,609,007**	**(927,864)**	**7,609,007**	**(959,552)**

The above Statement Of Changes in Equity should be read in conjunction with the accompanying notes

Cash Flow Statement
For the Year Ended 30 June 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		197,291	10,953	197,291	10,953
Payments to trade creditors, other creditors and employees (inclusive of goods and services tax)		(2,111,129)	(3,598,338)	(2,111,129)	(3,580,627)
Interest paid		(137,553)	-	(137,553)	-
Interest received		41,186	13,054	41,186	13,054
Grants received		-	25,000	-	25,000
Net cash outflows from operating activities	24	**(2,010,205)**	**(3,549,331)**	**(2,010,205)**	**(3,531,620)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(35,319)	(3,885)	(35,319)	(3,885)
Payment for acquisition of Intellectual Property	28	(1,000,000)	-	(1,000,000)	-
Repayment of borrowings		-	(450,000)	-	(450,000)
Net cash outflows from investing activities		**(1,035,319)**	**(453,885)**	**(1,035,319)**	**(453,885)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuing of shares		3,607,672	4,282,880	3,607,672	4,282,880
Net cash inflows from financing activities		**3,607,672**	**4,282,880**	**3,607,672**	**4,282,880**
Net increase in cash held		562,148	279,664	562,148	297,375
Cash at the beginning of the financial year		324,433	44,769	324,433	27,058
CASH AT THE END OF THE FINANCIAL YEAR	6	**886,581**	**324,433**	**886,581**	**324,433**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Environmental Clean Technologies Limited as an individual entity and the consolidated entity of consisting of Environmental Clean Technologies Limited and its controlled entities.

These accounts were approved by the board of directors on 25 September 2009 and therefore only include information up until this date.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Interpretations and the *Corporations Act 2001.*

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the consolidated and parent financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and liabilities (including derivative instruments).

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. The company and it's controlled entities together are referred to in this financial report as the consolidated entity.

The balances and effects of transactions between entities in the consolidated entity included in the financial statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the consolidated entity.

The acquisition of Asia Pacific Coal & Steel Pty Limited ("APCS") on 25 May 2006 was treated as a reverse acquisition in accordance with AASB 3 – Business Combinations whereby APCS is considered the accounting acquirer on the basis that APCS is the controlling entity in the transaction. As a result, APCS is the continuing entity for consolidated accounting purposes and the legal parent Environmental Clean Technologies Ltd is the accounting subsidiary. Investments in subsidiaries are accounted for at cost in the individual financial statements of Environmental Clean Technologies Limited.

1. Summary of Significant Accounting Policies (cont)

(c) Going concern

For the year ended 30 June 2009 the company (parent) and consolidated entity (group) had a net tangible asset deficiency of $1,990,993 and $1,990,993 respectively, a net current asset deficiency of $1,646,458 and $1,646,458 respectively, an operating loss before tax of $3,327,244 and $3,358,932 respectively (2008: parent $3,473,180, group $3,473,180), and negative cash flow from operating activities of $2,010,205 and $2,010,205 respectively (2008: parent $3,531,620, group $3,549,331). Included with the net current asset deficiency for the company and consolidated entity is a convertible note liability of $1,677,749. Furthermore, the company and consolidated entity do not have a source of income and are reliant on equity capital or loans from third parties to meet their operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the company and consolidated entity to continue as going concerns 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 company and consolidated entity are going concerns, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. To this end, the company and consolidated entity are expecting to fund ongoing obligations as follows:

i. A Share Purchase Plan and subsequent shortfall raising was completed on 10 June 2009, delivering a total of $3,487,805 out of a maximum that was targeted of $3,500,000. This fundraising program has enabled the company to purchase the Coldry IP and employ additional staff, and support resource (including the imminent appointment of a Coldry Business Manager) that will allow the company to focus on pursuit of its global sales objectives and the establishment of profitable commercial operations. The Share Purchase Plan provides evidence that the company can raise capital from existing and new investors to fund its ongoing obligations.

ii. The company has issued as part of the Share Purchase Plan, 490,747,192 options that can be converted by option holders to ordinary shares in the company at an exercise price of two cents per share. Should all options be converted into shares, the company will raise $9,814,944. Subsequent to 30 June 2009 the company's share price on the ASX has traded in excess of the option exercise price and 23,726,848 options have been converted (at $0.02 per share) to ordinary shares, raising additional capital of $427,083 (after the payment of a 10% commission to the broker that is managing the share purchase plan).

iii. In January 2007, the company's convertible note holder (RC Johnson Pty Ltd) entered into a written agreement to subscribe to $2,000,000 worth of Convertible Notes in ECT at 22c per share at an interest rate of 7.5% per annum. The Convertible Note Coupon had a life of 3 years and finalises in January 2010. As detailed above, a convertible note liability of $1,677,749 is included within the net current liability deficiency for the company and consolidated entity at 30 June 2009. The company's Board has signed a mandate letter with Phillip Capital to refinance the convertible note obligation with third party investors and defer its payment to a period greater than 12 months after the date of this financial report. The Board is confident that refinancing of the convertible note obligation will be completed prior to January 2010.

iv. Access to a $15 million equity line of credit facility for three years (executed in September 2007 and expiring in September 2010) with Fortrend Securities Pty Ltd. ECT has successfully utilised this equity line of credit previously in October 2008, November 2008 and December 2008 and have raised over $250,000.

v. ECT has signed a Coordination Agreement with Thang Long Investment and Commercial Joint Stock Company (TinCom), which formalises the establishment of a Special Purpose Vehicle (SPV) to invest funds into a feasibility study for the construction of Coldry plant licensed to produce up to 100 million tonnes per annum of Coldry over the next five decades. This Agreement demonstrates that the company's intellectual property is attractive to potential investors and is moving toward commercialisation.

1. Summary of Significant Accounting Policies (cont)

(c) Going concern (continued)

Cash flow forecasts have been prepared by management that demonstrate that the company and consolidated entity have sufficient cash flows to meet their operating commitments over the next twelve months based on the above factors, and for that reason the financial statements have been prepared on the basis that the company and consolidated entity are going concerns, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

Should the consolidated entity or company be unable to continue as a going concern, they may be required to realise their 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 report does 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 company or consolidated entity not continue as a going concern.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(e) Government grants

Grants from the Government are recognised as income where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash and are not subject to significant risk of changes in value, net of bank overdrafts.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is calculated on a straight line basis for all plant and equipment, with the exception of plant under construction. Estimates of remaining useful lives are made on a regular basis. The useful lives of plant and equipment is currently assessed at 1 – 7.5 years.

1. Summary of Significant Accounting Policies (cont)

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and thereafter are measured at amortised cost, less an allowance for doubtful debts. They are non-derivative financial assets with fixed or determinable amounts not quoted in an active market.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(i) Trade and other creditors

Trade accounts payable and other creditors represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(j) Borrowings

Borrowings are initially recognised at fair value (less transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowing using the effective interest rate method.

(k) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are incurred in the construction of a qualifying asset in which case the borrowing costs are capitalised as part of the asset.

(l) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(m) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the current provision for employee benefits and is measured at the amount expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date, is recognised in the non-current provision for employee benefits. It is accrued in respect of all employees at the present value of future amounts expected to be paid based on a projected weighted average increase in wage and salary rates over an average period of 12 years. Present values are calculated using a weighted average rate based on government guaranteed securities. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Superannuation

Contributions to the employee superannuation plan are charged as expenses as the contributions are paid or become payable.

(n) Leased assets

Leases of assets under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases as distinct from operating leases under which the lessor effectively retains substantially all such risks and benefits. Property, plant and equipment acquired by finance leases is capitalised at the present value of the minimum lease payments as a finance lease asset and as a corresponding lease liability from date of inception of the lease. Lease assets are amortised over the period the entity is expected to benefit from the use of the assets or the term of the lease whichever is shorter. Finance lease liabilities are reduced by the component of principal repaid. Lease payments are allocated between the principal component of the liability and interest expense.

Other operating lease payments are charged to the income statement in the period in which they are incurred.

Assets sold as sales-type finance leases are brought to account at the beginning of the lease as a receivable, being the present value of the minimum lease payments and any unguaranteed residual value. The fair value of the leased asset is recognised as revenue, and its carrying amount at the inception of the lease is recognised as the cost of sales to arrive at gross profit.

Operating lease revenues are recognised in the financial statements in the period in which they are receivable.

(o) Revenue recognition

Revenue is recognised for the major business activities as follows:

Rendering of Services

Revenue from a contract to provide design and engineering services is recognised by reference to the stage of completion of the contract.

Interest Revenue

Interest revenue is recognised using the effective interest rate method when it accrues.

1. Summary of Significant Accounting Policies (cont)

(p) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Any deferred settlement of cash consideration is discounted to its present value as at the date of acquisition. The discount rate used is the incremental borrowing rate that the Company can obtain from an independent financier under comparable terms and conditions.

Provisions for restructuring costs and related employee termination benefits are recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to the restructuring as at the acquisition date and the amount can be reliably estimated.

(q) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss in respect to goodwill cannot be reversed.

(r) Earnings Per Share

Basic Earnings Per Share

Basic earnings per share for continuing operations and total operations attributable to members of the Company are determined by dividing net profit after income tax from continuing operations and the net profit attributable to members of the Company respectively, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period. The number of shares used in the calculation at any time during the period is based on the physical number of shares issued.

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.

(s) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for 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 Group for similar financial instruments.

(t) Research and development expenditure

Expenditure in respect of research and development expenditure is charges to the income statement as incurred.

(u) Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable but at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(v) New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests.

Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective from annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires, adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided on when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income".

The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

1. Summary of Significant Accounting Policies (cont)

(v) New standards and interpretations issued but not yet effective (continued)

Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries.

Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations

AASB 2008-1 changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

AASB 2009-2

AASB 2009-2 amends AASB 7 to required enhanced disclosures about fair value measurements and liquidity risk. AASB 2009-2 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Estimated impairment of non current assets

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(ii) Fair value estimate of debt and equity portions of Convertible notes

AASB 139 – Financial Instruments: Recognition and Measurement requires that convertible notes require separate accounting of the fair value of the debt and equity portions of the financial instruments. The fair value of the debt portion of the financial instrument is calculated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar pure debt financial instruments. The Group has therefore been required to make assumptions regarding the relevant current market interest rate that is available to the Group. Refer to note 13 for details of these assumptions.

	CONSOLIDATED	COMPANY

	2009 $	2008 $	2009 $	2008 $
3. Revenue				
Operating revenue				
Revenue from continuing operations:				
Grants received	-	25,000	-	25,000
Miscellaneous	-	588	-	588
Rental income from subleases	-	30,482	-	30,482
	-	56,070	-	56,070
Other revenue:				
Interest Received	41,186	13,054	41,186	13,054
R&D Refund	232,625	-	232,625	-
Other	-	18,565	-	18,565
Total operating revenue	273,811	87,689	273,811	87,689
Non-Operating revenue				
Debts forgiven under deed of commercial arrangement	-	351,527	-	351,527
Total revenue	**273,811**	**439,216**	**273,811**	**439,216**

4. Expenses

Loss before income tax includes the following specific expenses:

	2009 $	2008 $	2009 $	2008 $
Depreciation				
Plant and equipment	142,194	211,061	142,194	211,061
Borrowing Costs				
Interest and finance charges paid/payable	122,978	154,394	122,978	154,394
Unwinding of discount on convertible note	250,801	194,402	250,801	194,402
	373,779	348,796	373,779	348,796
Research & Development expenditure	577,471	906,517	577,471	906,517
Superannuation Expense	33,584	8,320	33,584	8,320
Rental expense relating to operating leases				
Minimum lease payments	31,269	145,197	31,269	145,197

5. Income Tax Expense

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
(a) Income tax expense/(benefit)				
Current tax	-	-	-	-
Deferred tax	(2,880,000)	-	(2,880,000)	-
	(2,880,000)	-	(2,880,000)	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	**(3,358,932)**	**(3,473,180)**	**(3,327,244)**	**(3,473,180)**
Tax at the Australian tax rate of 30% (2006 – 30%)	(1,007,680)	(1,041,954)	(998,173)	(1,041,954)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	-	(126,600)	-	(126,600)
Deferred tax asset not recognised	-	1,168,554	-	1,168,554
Tax benefit as a result of an offset against the deferred tax liability recorded on acquisition of the I.P	(1,872,320)	-	(1,881,827)	-
Income tax expense/(benefit)	(2,880,000)	-	(2,880,000)	-
(c) Gross deferred tax assets not recognised	234,864	2,108,347	207,736	2,090,725

The Directors of Environmental Clean Technologies Ltd (ECT) have resolved to form a tax consolidated group with its 100% owned controlled entities and as a consequence the financial accounts have been prepared on a tax consolidated basis.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
6. Current Assets – Cash and Cash Equivalents				
Cash at bank and on hand	886,581	324,433	886,581	324,433
7. Current Assets - Receivables				
Trade debtors	1,500	37,079	1,500	37,079
Allowance for doubtful debts	-	(37,079)	-	(37,079)
	1,500	-	1,500	-
Goods and services tax (GST) receivable	75,632	40,497	75,632	40,497
	77,132	40,497	77,132	40,497

During the year ended 30 June 2008, the allowance for doubtful debts, were offset against the debtor amount of $37,079 not recovered. Receivables considered impaired are: Consolidated $nil (2008: $37,079); Parent $nil (2008: $37,079). Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Ageing Analysis - Trade Debtors

Name	Total Due	0 - 30	31 - 60	61 - 90	90+
Walter Piccoli – Thiess Pty Ltd	1,500	450	1,050	-	-

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
8. Current Assets – Other	$	$	$	$
Deposits Paid	18,489	-	18,489	-
Loan – Kos Galtos (refer Note 23(d))	27,750	-	27,750	-
Other Debtors	43,163	-	43,163	-
Prepayments	41,193	27,545	41,193	27,545
	130,595	27,545	130,595	27,545

9. Non-Current Assets - Property, Plant and Equipment

Plant and equipment (P&E):				
Plant and equipment – at cost	635,203	630,516	635,203	630,516
Less: Accumulated depreciation	(350,259)	(210,151)	(350,259)	(210,151)
	284,944	420,365	284,944	420,365
Furniture & Fixtures (F&F):				
Furniture & Fixtures – at cost	12,813	23,136	12,813	1,773
Less: Accumulated depreciation	(1,597)	(7,595)	(1,597)	(208)
	11,216	15,541	11,216	1,565

9. Non-Current Assets - Property, Plant and Equipment (cont.)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Leasehold Improvements (LI):	$	$	$	$
Leasehold Improvements – at cost	21,705	2,112	21,705	2,112
Less: Accumulated depreciation	(1,400)	(702)	(1,400)	(702)
	20,305	1,410	20,305	1,410
	316,465	**437,316**	**316,465**	**423,340**

2009	**Total** $	**P&E** $	**F&F** $	**LI** $
CONSOLIDATED				
Carrying amount at 1 July 2008	437,316	420,365	15,541	1,410
Additions	35,319	4,687	11,040	19,593
Disposals	(13,976)	-	(13,976)	-
Depreciation/amortisation expense	(142,194)	(140,108)	(1,389)	(698)
Carrying amount at 30 June 2009	316,465	284,944	11,216	20,305
COMPANY				
Carrying amount at 1 July 2008	423,340	420,365	1,565	1,410
Additions	35,319	4,687	11,040	19,593
Disposals	-	-	-	-
Depreciation/amortisation expense	(142,194)	(140,108)	(1,389)	(698)
Carrying amount at 30 June 2009	316,465	284,944	11,216	20,305

2008	**Total** $	**P&E** $	**F&F** $	**LI** $
CONSOLIDATED				
Carrying amount at 1 July 2007	644,492	630,516	13,976	-
Additions	3,885	-	1,773	2,112
Disposals	-	-	-	-
Depreciation/amortisation expense	(211,061)	(210,151)	(208)	(702)
Carrying amount at 30 June 2008	437,316	420,365	15,541	1,410
COMPANY				
Carrying amount at 1 July 2007	630,516	630,516	-	-
Additions	3,885	-	1,773	2,112
Disposals	-	-	-	-
Depreciation/amortisation expense	(211,061)	(210,151)	(208)	(702)
Carrying amount at 30 June 2008	423,340	420,365	1,565	1,410

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $

10. Non-Current Assets

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Other financial assets	-	-	6,720,000	-
	-	-	6,720,000	-

On 29 June 2009, ECT acquired the units in the Coldry Trust and the shares in Maddingley Coldry Pty Ltd, the entities which own the Coldry intellectual property. Refer note 28 for further details.

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Intangible Assets[6]				
Patents/Intellectual property – at cost	9,600,000	-	-	-
Less: Accumulated depreciation	-	-	-	-
	9,600,000	-	6,720,000	-
Reconciliation of Intangible Asset:				
Balance at the beginning of year	-	-	-	-
Additions	9,600,000[7]	-	-	-
Disposals	-	-	-	-
Amortisation charged	-	-	-	-
Closing carrying value at 30 June 2009	9,600,000	-	-	-

11. Tax

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Deferred Tax Asset	2,880,000	-	2,880,000	-
Deferred Tax Liability	(2,880,000)	-	-	-
Net tax assets	-	-	2,880,000	-

The board of Environmental Clean Technologies Limited (as head company) and all its wholly owned entities have elected to form a consolidated tax group at the earliest time consistent with taxation law and practice, and in any event no later than 1 July 2008. The consolidated entity has recognised a deferred tax liability of $2,880,000 as a result of the recognition of the Coldry Licence upon consolidation of the Coldry Unit Trust purchased during the year. The company (parent) has available to it, sufficient losses available to recognise a deferred tax asset to offset the tax liability recognised on consolidation. The deferred tax asset of $2,880,000 has been recognised in the company accounts and offset against the deferred tax liability in the consolidated accounts.

[6] On 29 June 2009, ECT acquired 100% of the issued units and equity in the Coldry Trust and Maddingley Coldry Pty Ltd. On 22 June 2009, ECT announced that it had signed a Coordination Agreement with Thang Long Investment and Commercial Stock Company ("TinCom"), which formalised the establishment of a Special Purpose Vehicle to invest funds into a feasibility study for the construction of a Coldry plant licensed to produce up to 100 million tonnes per annum of Coldry over the next five decades. Under this agreement, the project will receive a 50 year licence from ECT. This asset is a finite life intangible asset and will be amortised over its useful life from 1 July 2009, which is expected to be the licence period. However, the amortisation period and estimates of useful life will be finalised by the company during the half year ended 31 December 2009.

[7] An independent valuation was undertaken of the Coldry I.P using the relief from royalty methodology as this is generally accepted as the most reliable method for valuing licensable intellectual property.

12. Current Liabilities – Payables

Trade payables	353,838	99,308	353,838	99,308
Other payables	209,179	230,891	209,179	230,891
Loan - APCS	-	-	-	17,712
Matmor Extension[8]	500,000	-	500,000	-
	1,063,017	330,199	1,063,017	347,911

Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 26.

	Note	CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
		$	$	$	$
13. Current Liabilities – Interest Bearing Liabilities					
Convertible Note		1,677,749	-	1,677,749	-
		1,677,749	-	1,677,749	-

The debt portion of the convertible note has been calculated at its fair value in accordance with AASB 139 – Financial Instruments: Recognition and Measurement.
The convertible note issued January 2007 for $2,000,000 is redeemable after 3 years, with contracted interest payable every six months at 7.5% per annum.
In calculating the fair value of the debt portion of the financial instrument, the directors have discounted the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments which the directors have assessed to be 28.75%

	Note	CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
		$	$	$	$
14. Non-Current Liabilities -					
Interest Bearing Liabilities					
Convertible Note		-	1,427,456	-	1,427,456
		-	1,427,456	-	1,427,456
15. Non-Current Liabilities -					
Other Financial Liabilities					
Earn Out Creditor	28	661,000	-	661,000	-
		661,000	-	661,000	-

[8] On 1 July 2009, this liability was settled by the issue of 12,500,000 shares in ECT.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
16. Contributed Equity				
Balance at beginning of financial year	28,700,683	24,411,300	31,992,609	27,703,226
Issue of shares by the group	9,015,803	4,282,880	9,015,803	4,282,880
Transfer of fair value of options exercised from Options reserve	-	6,503	-	6,503
Balance at end of financial year	37,716,486	28,700,683	41,008,412	31,992,609

Reconciliation of Company share movements	No of shares	$
Balance at 30 June 2007	**261,287,203**	**27,703,226**
Issue of shares through year	46,195,823	4,217,852
Exercise of options through year	6,502,857	65,029
Transfer of fair value of options exercised from options reserve	-	6,502
Balance at 30 June 2008	**313,985,883**	**31,992,609**
Issue of shares through SPP	177,523,596	3,183,333
Issue of shares as consideration for acquisition of I.P	55,000,000	5,059,000
Issue of shares through other activities	31,977,077	709,470
Exercise of options through year	6,400,000	64,000
Balance at 30 June 2009	**584,886,556**	**41,008,412**

These ordinary shares, give the holder voting rights in the company and entitles the holder to dividend distributions in proportion to the number of and amounts paid on the shares held.

Share options

At the date of this report, the following options to acquire Ordinary shares of the company were on issue:

	Number	Exercise Price	Expiry Date	Number Vested	Number Unvested
Unlisted ordinary options	41,666,666	$0	15/10/2010	41,666,666	-
Unlisted ordinary options	6,000,000	$0	15/02/2010	3,500,000	2,500,000
Unlisted ordinary options	10,000,000	$0	15/02/2010	-	10,000,000
Unlisted ordinary options	1,500,000	$0	05/10/2010	-	1,500,000
Unlisted ordinary options	1,252,478	$0	12/12/2010	1,252,478	-
Unlisted ordinary options	1,000,000	$0	14/02/2011	1,000,000	-
Unlisted ordinary options	1,539,145	$0	02/06/2011	1,539,145	-
Unlisted ordinary options	708,306	$0	25/09/2011	708,306	-
Unlisted ordinary options	794,806	$0	08/10/2011	794,806	-
Unlisted ordinary options	962,106	$0	17/11/2011	962,106	-
Unlisted ordinary options	360,999	$0	23/12/2011	360,999	-
ESIO	490,747,192	$0	16/01/2014	490,747,192	-
	556,531,698			542,531,698	14,000,000

16. Contributed Equity (cont.)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by reference to cashflow forecasts in relation to operating revenue and expenditure. The Group also monitors its capital expenditure requirements to identify any additional capital required. This is obtained via the formation of strategic alliances, utilisation of the existing Fortrend facility or the acquisition of a zero coupon convertible note. The gearing ratios at 30 June 2009, were as follows:

	CONSOLIDATED		COMPANY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	$
Total interest bearing liabilities	1,677,749	1,427,456	1,677,749	1,427,456
Less cash and cash equivalents	(886,581)	(324,433)	(886,581)	(324,433)
Net debt	791,168	1,103,023	791,168	1,103,023
Total equity	7,609,007	(927,864)	7,609,007	(927,864)
Gearing ratio	10.4%	54.3%	10.4%	54.3%

17. Reserves and Retained Losses

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Reserves				
Share option reserve	427,497	427,497	427,497	427,497
Convertible notes reserve	767,849	767,849	767,849	767,849
Total reserves	1,195,346	1,195,346	1,195,346	1,195,346
Movements in reserves were:				
Share option reserve				
Opening balance	427,497	12,000	427,497	12,000
Fair value of options issued during the year	-	422,000	-	422,000
Transfer of fair value of options exercised to contributed equity	-	(6,503)	-	(6,503)
Closing balance	427,497	427,497	427,497	427,497
Convertible note equity reserve				
Opening balance	767,849	767,849	767,849	767,849
Equity component of convertible notes issue	-	-	-	-
Closing balance	767,849	767,849	767,849	767,849
Accumulated Losses				
Accumulated losses at the beginning of the financial year	(30,823,893)	(27,350,713)	(34,147,507)	(30,674,327)
Net loss attributable to members of the Group	(478,932)	(3,473,180)	(447,244)	(3,473,180)
Accumulated losses at the end of the financial year	(31,302,825)	(30,823,893)	(34,594,751)	(34,147,507)

Nature and purpose of reserves

Share option reserve

The share option reserve is used to recognise:

- The fair value of options issued to employees but not exercised
- The fair value of options issued to employees

Convertible note equity reserve

The Convertible note equity reserve is used to recognise the fair value of the equity component of convertible notes issued by the Group.

18. Earnings Per Share

	2009 Cents	2008 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the Company	(0.14)	(1.20)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.14)	(1.20)
Profit attributable to the ordinary equity holders of the Company	(0.14)	(1.20)

	2009 $	2008 $
(c) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(478,932)	(3,473,180)

	2009 Number	2008 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	354,009,534	289,872,993

There are 111,287,554 (2008 – 48,427,319) weighted average number of share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

Since 1 July 2009, 36,823,863 shares (including 23,726,848 options converted) and 2,127,660 options have been issued.

19. Controlled Entities

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest 2009 %	2008 %
Parent entity			
Environmental Clean Technologies Limited	Australia		
Controlled entities			
Asia Pacific Coal and Steel Pty Ltd (i)	Australia	100%	100%
Enermode Pty Ltd (i)	Australia	100%	100%
Coldry Unit Trust	Australia	100%	-

(i) small proprietary company which in accordance with the Corporations Act 2001, is relieved from the requirement to lodge audited financial statements.

20. Commitments and Contingent Liabilities

Participants agreement with Maddingley Associates

(a) Capital Commitment

On 29th July 2005 Asia Pacific Coal and Steel Limited ("APCS") signed a participants agreement with Maddingley Associates with the objective for APCS to licence and commercialise the Coldry and Matmor technology owned by Maddingley Associates.

This agreement was then subject to a deed of variation following the acquisition of 100% of the equity of APCS by Environment Clean Technologies Limited ("ECT") on 25 May 2006.

As part of the participants agreement and deed of variation, APCS and ECT have committed to complete agreed milestones along an agreed critical path. A Deed of Variation was entered into on 30 June 2009 to extend the milestones for the development and construction of the first Matmor plant to 31 December 2014 and not 31 December 2011 as per the original milestones. The commitments and date of achievement of the milestones are as follows:

- Complete Matmor design and construction brief for construction of Matmor Steel Plant by 1 July 2010.
- Commence construction of the 6000 tonne per annum Matmor Steel Plant by 31 December 2012.
- Complete construction of the Matmor Steel Plant by 31 December 2014.

(b) Contingent liability

The Maddingley agreement and subsequent deed of variation states that should the agreement be terminated by any reason other than breach or default on the part of Maddingley Associates, then APCS will grant to Maddingley Coal an option to buy the following for $1:

- The benefits of all contracts, licences and sublicences entered into in relation to the Licenced Technology;
- All right, title and interest of APCS relating to the Matmor Licensed Technology;
- All right, title and interest of APCS in any improvements at JBD Industrial Park including any modifications or upgrades to the Coldry Pilot Plant;
- All the leasehold or other interest of APCS to JBD Industrial Park or any part thereof.

As part of the fulfilment of the agreement is dependent on the completion of future events as above there is potentially a loss to the consolidated entity of $316,465 should it fail to meet the obligations and Maddingley exercise the option to purchase the Coldry Pilot Plant upgrades which at 30 June 2009 have a net book value of $316,465 for $1.

21. Remuneration of Auditors

During the year the following fees were paid/payable to the auditor of the Company and its related practices:

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Assurance services				
Audit and Review Services				
Fees paid/payable	53,800	66,970	53,800	66,970
Other	-	-	-	-
	53,800	66,970	53,800	66,970

22. Key Management Personnel Disclosures

Directors

The following persons were directors of the Company during the financial year:

C Galtos – Non-Executive Director (resigned 30 July 2008)
D Brockenshire – Non-Executive director
D Woodall – Non-Executive Chairman
J Hutchinson – Non-Executive director
S Carter – Non-Executive director (appointed 8 May 2009)

Other key management personnel

In addition, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

J Macpherson – Company Secretary (resigned 5 August 2009)
K Galtos – Chief Executive Officer

Key management personnel compensation

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	508,658	523,125	508,658	523,125
Post-employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Share-based payments	-	360,500	-	360,500
Termination Benefits	-	61,500	-	61,500
	508,658	945,125	508,658	945,125

Further information on key management personnel can be found in the remuneration report within the director's report.

Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issues on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report within the director's report.

22. Key Management Personnel Disclosures (cont.)

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Environmental Clean Technologies Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2009	Balance at start of year	Granted as compensation	Exercised	Other changes[9]	Balance at end of the year	Vested and exercisable	Unvested
Con Galtos	9,500,000	-	-	-	9,500,000	-	9,500,000
Kos Galtos	3,000,000	-	-	2,750,000	5,750,000	2,750,000	3,000,000
Jan MacPherson	1,000,000	-	-	550,000	1,550,000	1,550,000	-
D Brockenshire	-	-	-	550,000	550,000	550,000	
J Hutchinson	-	-	-	550,000	550,000	550,000	

2008	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Con Galtos	-	9,500,000	-	-	9,500,000	-	9,500,000
Kos Galtos	-	3,000,000	-	-	3,000,000	-	3,000,000
Jan MacPherson	-	1,000,000	-	-	1,000,000	1,000,000	-

Other transactions with directors and other key management personnel

Directors of the Company

Aggregate amounts of each of the above types of other transactions with directors of the Company and their director-related entities were as follows:

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Amounts recognised as expenses				
Legal services – Blairgowrie Pty Ltd (Jan Macpherson)	67,064	60,740	67,064	60,740

All legal services were charged on normal commercial terms and conditions.

[9] Options acquired in Share Purchase Plan

22. Key Management Personnel Disclosures (cont.)

Directors and Executives equity holding:

Fully paid ordinary shares issued by Environmental Clean Technologies Limited

2009

	Held at 1 July 2008 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.[10]	Held at 30 June 2009
C Galtos	416,666	-	-	-	416,666
D Woodall	-	-	-	-	-
D Brockenshire	-	-	-	935,000	935,000
J Hutchinson	1,844,519	-	-	275,000	2,119,519
J Macpherson	-	-	-	375,000	375,000
S Carter	-	-	-	-	-
K Galtos	-	-	-	1,375,000	1,375,000

2008

	Held at 1 July 2007 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.	Held at 30 June 2008
C Galtos	-	-	-	416,666	416,666
M d'Almedia[11]	-	-	-	1,863,632	1,863,632
J McMullan[12]	-	-	-	-	-
D Woodall	-	-	-	-	-
S Fraval	-	-	-	-	-
D Mills[13]	-	-	-	-	-
D Brockenshire	-	-	-	-	-
S Henbury[14]	-	-	-	-	-
J Hutchinson	1,844,519	-	-	-	1,844,519
R C Johnson	53,467,255	-	-	-	53,467,255

[10] Other changes refer to shares acquired on market as well as those subscribed for in the Share Purchase Plan.
[11] M d'Almeida resigned as Chairman on 22 April 2008.
[12] J Mc Mullan resigned as Director on 29 November 2007.
[13] D Mills resigned as CEO on 14 May 2007.
[14] S Henbury resigned as Company Secretary on 1 June 2007.

23. Related party transactions

(a) Parent entities

The legal and ultimate parent entity within the Group is Environmental Clean Technologies Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Loans to/from related parties

The following loans occurred with related parties:

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Loan to Kos Galtos				
Balance at beginning of the year	-	-	-	-
Loan – Kos Galtos	27,750	-	27,750	-
Balance at end of the year	27,750	-	27,750	-
Loan from R C Johnson				
Balance at beginning of the year	-	-	-	778,000
Loan advanced	-	-	-	-
Loan repayments received	-	-	-	(426,473)
Loan Forgiven	-	-	-	(351,527)
Balance at end of the year	-	-	-	-

The loan provided to Kos Galtos, is an unsecured loan comprising of the consideration payable by K Galtos in relation to the shares subscribed for under the share purchase plan. A small portion is also in relation to salary advanced during the year ended 30 June 2009. This loan has been provided interest free and will be repaid in monthly instalments not exceeding 12 months from 1 July 2009.

R C Johnson was a former Director of Asia Pacific Coal and Steel Pty Ltd. He provided a loan which was repayable on demand with interest payable on the outstanding balance at 7.5% per annum. This Loan was forgiven on 31 December 2007.

24. Notes to the Cash Flow Statements

Reconciliation of Net Cash Flows from Operating Activities to Net Profit from Ordinary Activities after Income Tax

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Operating loss after income tax	(478,932)	(3,473,180)	(447,246)	(3,473,180)
Debt forgiven	-	(351,527)	-	(351,527)
Depreciation and amortisation	142,194	211,061	142,194	211,061
Matmor Extension	500,000	-	500,000	-
Doubtful Debt Provision	-	37,079	-	37,079
Issue of share options	-	414,473	-	414,473
Changes in assets and liabilities (net of effects of acquisition and disposal of entities):				
(Increase)/decrease in trade and other debtors	(102,607)	22,339	(102,607)	22,339
(Increase)/decrease in deferred tax asset	(2,880,000)	-	(2,880,000)	-
Increase/(decrease) in trade and other payables	809,140	(409,576)	777,454	(391,865)
Net cash outflow from operating activities	(2,010,205)	(3,549,331)	(2,010,205)	(3,531,620)

25. Segment Information

The company operated within one business segment, being the research and development of dewatering and related technology, and in one geographic segment being Australia.

26. Financial Risk Management

Financial risk management

The Group's operations expose it to various financial risks including market, credit, liquidity and cash flow risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Board and Chief Executive Officer on a regular basis by reviewing current and potential sources of funding, cashflow and operating/capital expenditure forecasts, to manage credit, liquidity and cash flow risk.

(a) Market risk

Foreign exchange risk

The Group's operations are currently solely within Australia, and therefore are not exposed to any foreign exchange risk.

Cash flow and fair value interest rate risk

The Group currently has minimal exposure to interest rate risk with its borrowings being a fixed rate convertible note.

As at the reporting date, the Group had no variable rate borrowings, as such the 2009 and 2008 reports would not be impacted by changes in interest rates.

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

(b) Credit risk

Credit risk is managed on a group basis. 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 is the carrying amount of the financial assets as summarised in Note 7. The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

26. Financial Risk Management (cont)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available to meet the Groups needs.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2009

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(1,063,017)				(1,063,017)
Loans					
Convertible Note		(1,677,749)			(1,677,749)
Earn Out			(661,000)		(661,000)

Group – 30 June 2008

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(99,308)	(230,891)			(330,199)
Loans		-			-
Convertible Note			(1,427,456)		(1,427,456)

Parent – 30 June 2009

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(1,063,017)				(1,063,017)
Loans					
Convertible Note		(1,677,749)			(1,677,749)
Earn Out			(661,000)		(661,000)

Parent – 30 June 2008

	Less than 3 months	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	$	$	$	$	$
Non-Interest Bearing	(99,308)	(248,603)			(347,911)
Loans		-			-
Convertible Note			(1,427,456)		(1,427,456)

26. Financial Risk Management (cont)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for 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 Group for similar financial instruments.

27. Events Subsequent to Reporting Date

There has been one significant event occurring after balance date which have significantly affected or may significantly affect the Company's operations or results of those operations or the Company's state of affairs in future financial years.

On 1st July the Company entered into an agreement with Intersuisse whereby it would provide to the Company an option conversion facility. Intersuisse undertook to acquire options (ESIO) on its own account, pay the 2.0 cents per option exercise price to the Company to convert the option to a listed ordinary share (ESI) and dispose of the shares on the market. Intersuisse was paid a rebateable upfront fee of $100,000 for establishment of the facility which was satisfied by the issue of 2,127,660 ESIO options at 4.7 cents per option. A 10% commission is payable by the Company to Intersuisse on all funds raised by the conversion of options. The first $100,000 of commission's payable by the Company for funds raised pursuant to the facility is rebateable against the establishment fee. As of the date of this report Intersuisse have converted 23,726,848 ESIO options to ESI ordinary shares raising $427,083 (after the payment of the 10% commission) for working capital purposes.

28. Business Combination

(a) Summary of acquisition

On 29 June 2009, ECT acquired the units in the Coldry Trust and the shares in Maddingley Coldry Pty Ltd, the entities which own the Coldry intellectual property.

The acquired business contributed no revenues and nil net profit to the Group for the period from 29 June 2009 to 30 June 2009.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below)	$
Cash Paid	1,000,000
Earn Out liability – refer note 15	661,000
Equity consideration	5,059,000
	6,720,000
Fair value of net identifiable assets acquired (refer to (c) below)	6,720,000
Goodwill	-

	CONSOLIDATED	
	2009	2008
	$	$
(b) Purchase consideration[15]		
Outflow of cash:		
Cash consideration	1,000,000	-
Other consideration:		
Earn Out liability[16]	661,000	-
Equity consideration	5,059,000	-
	6,720,000	-

	Acquiree's carrying amount	Fair Value
(c) Assets & Liabilities acquired		
The assets and liabilities arising from the acquisition are as follows:		
Intangible Assets: patents/intellectual property	-	9,600,000
(Less) Deferred Tax Liability		(2,880,000)
Net identifiable assets acquired[17]	-	6,720,000

[15] The cost to ECT has been $1,000,000 in cash, 55 million shares in ECT, 110 million options in ECT and the payment of up to $3,000,000 as an earn-out payable based on a rate of $0.50 for every tonne of coal produced from any commercialisation of the Coldry Technology. The 55 million fully paid shares were issued at a fair value of 7.4 cents per share. The fair value of the share price was based on the ASX market price on the date of issue. The directors were of the view that the ASX market price on the date of issue did not reflect fair value. Consequently, the fair value has been estimated by reference to the fair value of the assets and liabilities acquired in the business combination.

[16] The fair value of the earn-out has been calculated based on the co-ordination agreement with TinCom where the expected royalty payments have been calculated using the production timetable and a rate of $0.50 per tonne of coal. The cash payments have been discounted back to net present value at a discount rate assessed within the range 39.6% to 43.5% (mid point of 41.5% used).

[17] The valuation methodology used to value the Coldry I.P was the relief from royalty methodology as this is generally accepted as the most reliable method for valuing licensable intellectual property.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 55 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

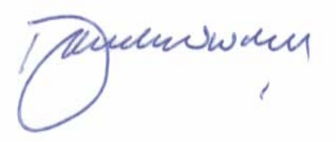
(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 17 to 21 of the Directors' Report comply with Accounting Standard AASB 124 "Related Party Disclosures" and the Corporations Regulations 2001.

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

This declaration is made in accordance with a resolution of the directors.



David Woodall
Director

Melbourne

30 September 2009

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Environmental Clean Technologies Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Environmental Clean Technologies Limited and the consolidated entity comprising Environmental Clean Technologies Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Environmental Clean Technologies Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

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Chartered Accountants
& Business Advisers

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As referred to in Note 1(c) to the financial report, under "Going Concern", as at 30 June 2009 the company (parent) and consolidated entity (group) had a net tangible asset deficiency of $1,990,993 (excluding investment in subsidiaries) and $1,990,993 respectively, a net current asset deficiency of $1,646,458 and $1,646,458 respectively, an operating loss before tax of $3,327,244 and $3,358,932 respectively (2008: parent $3,473,180, group $3,473,180), and negative cash flow from operating activities of $2,010,205 and $2,010,205 respectively (2008: parent $3,531,620, group $3,549,331). These conditions along with matters described in Note 1(c) give rise to a material uncertainty, which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns, and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report has been prepared on a going concern basis and therefore does 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 necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 21 of the directors' report for the period ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Environmental Clean Technologies Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

PKF

PKF

30 September 2009
Melbourne

David Garvey

D J Garvey
Partner

Corporate Directory

Directors	D Woodall D Brockenshire J Hutchinson S Carter
Secretary	J Macpherson(resigned 5 Aug 2009) J Osborne (appointed 4 Aug 2009)
Principal registered office in Australia	Level 1 530 Little Collins Street Melbourne Vic 3000
Share registers	Security Transfer Registrars Pty Ltd 770 Canning Highway, Applecross WA 6153
Auditors	PKF Chartered Accountants Level 14 140 William Street Melbourne Vic 3000
Accountants	RSM Bird Cameron Level 8, Rialto 525 Collins Street Melbourne Vic 3000
Solicitors	Deacons RACV Tower, 485 Bourke St Melbourne Vic 3000 Barwon Law 30 King Street Glen Iris Vic 3146
Exchange listings	Environmental Clean Technologies Ltd's shares are listed on the Australian Stock Exchange. **www.asx.com.au** (ESI)
Website	www.ectltd.com.au

Shareholder Information

The shareholder information set out below was applicable as at 2 September 2009.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shares
1 - 1000	781
1,001 – 5,000	747
5,001 – 10,000	444
10,001 – 100,000	1,558
100,001 and over	738
	4,268

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	Percentage of issued shares
JBD Industrial Park Pty Ltd	47,583,000	7.69%
R C Johnson Pty Ltd	18,121,166	2.93%
Paldar Nominees Pty Ltd	16,056,500	2.60%
About Time Super Pty Ltd	10,313,158	1.67%
RBC Nexia Investor Services A/C	10,000,000	1.62%
Jackson St Pty Ltd	9,187,099	1.48%
Caracob Pty Ltd	7,248,457	1.17%
HSBC Custody Nominees	6,910,155	1.12%
Barakat J & M	6,640,561	1.07%
McEwin I R	6,500,000	1.05%
Graeme A Wood Pty Ltd	6,000,000	.97%
D Wilson Investments Pty Ltd	5,951,731	.96%
Giovinazzo D	5,110,000	.83%
Wood R J	5,000,000	.81%
Romfal Sifat Pty Ltd	5,000,000	.81%
B & R Super Pty Ltd	4,950,000	.80%
Paldar Nominees Pty Ltd	4,925,000	.80%
J B No. 2 Pty Ltd	4,490,554	.73%
Blue Flock Pty Ltd	4,000,000	.65%
Douglas R	3,950,000	.64%
	187,937,381	30.40%

C. Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	**Percentage of issued shares**
JBD Industrial Park Pty Ltd	47,583,000	7.69%
R C Johnson Pty Ltd	18,121,166	2.93%

D Voting rights

The voting rights attaching to each class of security are set out below.

Ordinary shares

On a show of hands, each member present in person and each other person present as a proxy of a member has one vote. On a poll each member present in person has one vote for each fully paid share held by the member and each person present as a proxy of a member has one vote for each fully paid share held by the member that the proxy represents.