ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

ACN 009 120 405

2010 ANNUAL REPORT

30 June 2010

www.ectltd.com.au

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HIGHLIGHTS 2010

- Multi-million dollar Coldry deal – Coldry license agreement signed with Vietnam's TinCom
- Loy Yang agreement – confirms key site for first scaled-up Coldry production facility
- MoU with Alexis Minerals International for Coldry production plant in East Kalimantan
- MoU to enter Eastern European lignite market
- MATMOR passes technical and market analyses by independent experts
- Financials – Placement of $2.64m, conversion of options funds working capital
- Key appointments – Ashley Moore, Coldry Business Manager, Larry Hanley, Non-Executive Director

CHAIRMAN'S MESSAGE

"We can look forward to an exciting year ahead as we firmly focus on meeting the growing energy needs of emerging markets"

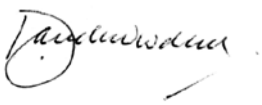
Dear Shareholders,

This past financial year has been a pivotal one for your Company in which we have achieved significant progress on multiple fronts. In a historic step for your Company, TinCom Chairman, Thang van Luong and I signed what we believe is the largest trade deal between a Victorian and a Vietnamese company on June 25, 2010. The ground-breaking deal was witnessed by a senior Vietnamese trade delegation, led by Vietnam's Minister for Planning and Investment, H.E. Vo Hong Phuc and Australia's Federal Minister for Trade, Hon. Simon Crean.

The license agreement was signed with Victoria Coldry Pty Ltd, the special purpose vehicle created by ECT and TinCom to finance the construction of the world's first commercial Coldry plant in the Latrobe Valley, Victoria. Black coal equivalent Coldry pellets from the plant will be exported to Vietnam, helping to underpin the energy security of that country's rapidly growing economy.

Understandably, this deal has been the major focus of our small management team and its achievement is tribute to a high level of commitment and hard work over many months. Fortunately these types of infrastructure projects, with their long lead times and high capex requirements are an area in which our Chief Executive, Kos Galtos excels. Meticulous planning, step-by-step implementation and follow through are the hall marks of our business models for both Coldry and MATMOR, which are outlined later in this report. We are confident they will be successfully executed under Kos' stewardship.

Our financial position is sound and we are on track to achieve key objectives in the 2011 financial year that will consolidate the commercial prospects of our core technology platforms. I'd like to thank you, our loyal shareholders for your support, and my fellow directors for their highly valuable contribution to the ongoing success of the Company.



Dave Woodall
Chairman

CHIEF EXECUTIVE'S MESSAGE

Dear Shareholders

I am very pleased to provide this report on your Company for the period of the 2009-2010 financial year.

ECT set about four key activities:

- Reach agreement to access coal, site and site services in Victoria
- Reach binding agreement with TinCom for the Victoria Coldry project
- Progress global sales opportunities
- Advance MATMOR commercialisation toward pilot plant feasibility study

These objectives have been achieved, and together form a solid foundation for continued advancement.

Corporate

ECT is ultimately a sales and marketing led, technology commercialisation vehicle. Our business model is based on licensing technology, essentially creating annuity based revenue streams without needing to raise equity or carry debt to finance construction.

Internally, our capability lies in Sales and Marketing, supported by Commercialisation Management, Operations Management and Corporate Governance. This internal capability is complemented externally by our engineers at Arup, and other key service providers.

I am proud of the way the members of our small team have pulled together to achieve our objectives this year and thank each one for their dedication. The appointment of Coldry Business Manager, Ashley Moore in October 2009 was critical in driving our flagship Victoria Coldry project to binding agreement.

GEAC MoU

The Memorandum of Understanding with Great Energy Alliance Corporation (GEAC), the owners of Loy Yang A power station, provides the framework for the localisation study due to commence late 2010. The MoU provides for the supply of coal, services and a site package for Stage 1 of the Victoria Coldry Project.

Victoria Coldry Project

The binding License Agreement establishing the Victoria Coldry Project was signed on 25 June 2010 in the presence of Vietnam's Minister for Planning and Investment and Australia's Minister for Trade.

This important milestone also ratified the robustness of our business model which includes a detailed step-by-step engagement process for prospective Coldry licensees/plant developers. This proven model is being applied to up-and-coming flagship projects in Indonesia and Poland, while prospective partners in Greece, India and China are also considering opportunities for Coldry deployment.

"Victoria Coldry Project is a technology-leveraged resource play worth $1.5Bn p.a."

Kos Galtos, Chief Executive

An important corporate milestone was achieved on June 25 2010 when, in the presence of Australia's Trade Minister and Vietnam's Minister for Planning and Investment, a trade deal projected to be worth A$1.5 billion a year was signed off by your Company and Hanoi, Vietnam based TinCom.

The Victoria Coldry Project is an unparalleled export opportunity based on a unique 'resource and technology' play. The vast Loy Yang lignite resource can be upgraded to a cleaner black coal equivalent feedstock by our Coldry process for export to Vietnam. This will help fuel the burgeoning Vietnamese economy, while mitigating CO_2 emissions when compared to affordable alternatives.

Vietnam's Minister for Planning and Investment issued TinCom with the country's largest ever foreign investment license - $100M - paving the way for the Victoria Coldry Project. TinCom is a diverse business with interests in property development, construction, cement, iron and steel, brewing and finance. As funders of the Victoria Coldry Project, TinCom will own 90% of the joint venture vehicle following financial close. ECT will receive 10% free carry equity in the project.

Project Timeline

Stage	Capacity (tonnes per year)
Stage 1	2 million
Stage 2*	5 million
Stage 3*	10 million
Stage 4*	20 million

*Timing for stages 2 through 4 is reliant on the upgrade of rail and port infrastructure. Having worked with the State Government on the logistics issues, we're satisfied with their capability to deliver this capacity.

Coldry Pipeline

ECT's global sales strategy for Coldry involves establishing Coldry production footprints in markets with two chief attributes: large low-grade coal resources and substantial demand for feedstock from power stations.

Effort is being made to prioritise opportunities with the highest potential of success and two further flagship projects, in SE Asia and Eastern Europe were initiated during the financial year. The global financial crisis has slowed the progress of overseas projects in particular, but we believe these projects will gain momentum as the year progresses.

Indonesia is an export hub for supplies to Asia and future thermal coal demand from China and India will drive Indonesian coal production and export capacity further. Both have shifted from net exporter to net importer in order to meet domestic energy needs. Emerging markets, such as Bangladesh, Thailand, Vietnam and the Philippines, are expected to require significant imports of coal over the next two decades to supply planned growth in coal-based power.

The appointment of Coldry Business Manager, Ashley Moore in October 2009 has driven our flagship Victoria Coldry project to binding agreement.

Projects in Poland and East Kalimantan are advancing.

Parties in Greece, India and China continue to discuss opportunities for Coldry deployment.

Alexis Minerals, Indonesia

A second Coldry plant prospect for ECT to access large Indonesian coal resource was announced during the financial year. ECT signed a Heads of Agreement with Alexis Minerals International Pty Ltd (AMI) to construct a plant for the production of 10M tonnes per annum of Coldry over the next 30 years. Special purpose vehicle, Coldry East Kalamantan Pty Ltd, has been established for the project.

PGE Poland

A third flagship project was initiated with ELBIS Sp.zo.o, a wholly owned subsidiary of the State-controlled power utility PolskaGrupaEnergetyczna (PGE) S.A, to co-develop a localised business case for a Coldry plant in Poland. The proposed site is the 4400MW Belchatów power plant complex, the largest lignite power station in Europe.

CHIEF EXECUTIVE'S MESSAGE CONTINUED

MATMOR Advancement

One of the earliest milestones in the financial year was the extension to 2014 of the milestone for scale up to pilot plant whilst retaining exclusive rights to the MATMOR intellectual property. This gave us the time to complete key studies and engineering work.

An Independent Marketing Report by Melbourne based energy and resources consulting firm NEGOTIACTION confirmed our belief that the market dynamics are very favourable for the deployment of MATMOR. The report identified niche, high margin opportunities that are not being exploited by traditional or emerging technologies.

"There are several factors in favour of MATMOR – a significant increase in steel demand throughout Asia and India, increasing input prices, and the need for a low-cost operation that can be deployed at a regional level."

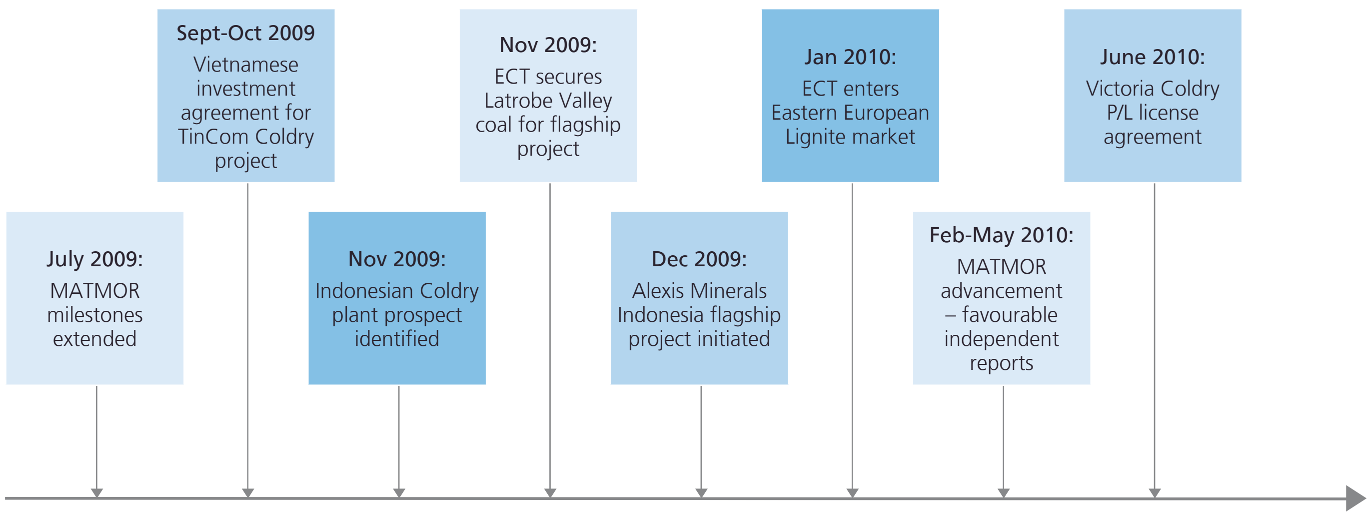
ECT Chairman Mr David Woodall

A technical report by HATCH made recommendations for engineering work that involves testing and documenting in greater detail aspects of the plant which will help refine the assumptions for scale up moving forward. We refer to this work as our 'Gap Closure Campaign' which is on track for completion in H2 2010. ECT will then be in a position to seek partners for the development of a pilot scale plant that has a target capacity of 7,500 metric tones per annum of iron.

The milestone for scale up to pilot plant was extended to 2014, providing ECT with the time necessary to complete key activities whilst retaining the rights to the MATMOR Intellectual Property.

Key activities to 30 June 2010 included detailed Market Analysis to inform both sales and R&D strategy, in addition to the commencement in H1 2010 of the Gap Closure campaign, which will conclude H2, 2010 and form the basis for the pilot plant design.

The solid progress of ECT throughout the year has been possible in large measure by the support of our Shareholders and their participation in the $2.64 million capital raise in December 2009 as well as the conversion of options during the year that raised a further $682,206. These funds enabled the Company to confidently commit resources to the continued development of MATMOR and progress global sales opportunities for Coldry.



Outlook

Our focus over the coming year will be on increased sales activity that secures partners for additional Coldry production sites in strategic locations and for the development of our first MATMOR pilot scale plant at Bacchus Marsh.

We have an exciting year ahead to achieve these milestones in alignment with our business strategy. I would like to thank the ECT team for its continued passion and commitment to our shared objectives of delivering commercially practical, environmentally cleaner technologies and processes and significant returns to our shareholders.

Kosmas Galtos
Chief Executive

KEY PERSONNEL - BOARD OF DIRECTORS

Dave Woodall

MBA, Dip Mech Engineering, FAICD, FAIM
Chairman

- Dave Woodall has held senior positions with Queensland China Council (Chairman), Saudi Cable Company (logistics and procurement executive), MIM Holdings (Executive General Manager, Marketing and Commercial), Grainco Australia Ltd (CEO), Minitrade Pty Ltd (CEO) and Queensland Country Credit Union Ltd (Chairman)
- He was awarded Rabobank Agribusiness Leader of the Year award in 2005 and is currently a Director of Enigman International Resourcing Pty Ltd, Electronic Exchanges Limited and Australian Grain Exchange Ltd

John Hutchinson

OAM Dip Mech Eng, FIE Aust, RFD ED
Deputy Chairman

- John is a consultant to the energy industry following a long career in energy, which included 6 years as a Senior General Manager with the State Electricity Commission of Victoria, 2 years as Chief Executive Officer of the Coal Corporation of Victoria and 2 years as the first Chief Executive Officer of Energy Brix Australia
- His engineering activities extended to the Royal Australian Engineers where he achieved 29 years of Army Reserve service retiring as Lieutenant Colonel
- He is a member of the Gippsland Area Consultative Committee. John recently completed a successful 4 year period as Chair of the Sustainable Gipplsand Advisory Committee which contributed significantly to the investment of more than $90 million towards Gipplsland's sustainable future
- John's other achievements include 12 years as Council member for Monash University, Chair of the Monash University's Gippsland Advisory Council, Executive Board Member of the Gippsland Economic and Ecology Network, Board Member, President and Paul Harris Fellow of the Rotary Club of Moe

Dennis Brockenshire

OAM, D Tech, MBA, B Comm, Dip Elec. Eng, Dip Mech. Eng, FAICD, FIE (Aust)
Non Executive Director

- Dennis has over 35 years experience in senior management positions including 13 years as Managing Director of Barwon Water and 30 years experience in the energy industry
- He is the past Chairman of the Geelong Area Consultative Committee and a past Director of the Victorian Water Industry Association, Savewater Alliance and the G21 Geelong Regional Alliance, Electrical Development Association and the Water Services Association of Australia

Stephen Carter

MBA, Dip. Applied Science, Advanced Dip. Company Directorship - FAICD, MSAA
Non Executive Director

- An accomplished Chief Executive with demonstrated skills and experience in delivering strategic projects including, the commissioning of Crown Casino, the commercial preparation for the integration of Ansett/Air New Zealand, delivery of a multi-million dollar funding package for the redevelopment of the Melbourne Showgrounds, the review and transformation of Air New Zealand's Engineering Division and the commercial repositioning of Spotlight Pty Ltd.

Larry Hanley

MBA, B Comm
Non-Executive Director

- Larry Hanley is an experienced director, public accountant and company auditor with extensive background in financial and capital management.
- He is the founding shareholder and Director of Moneylink Financial Planning Pty Ltd, York Funds Management Ltd and Superannuation Partners Pty Ltd.

KEY PERSONNEL - MANAGEMENT

Kosmas Galtos
Chief Executive

- Kos Galtos has been ECT Ltd's Chief Executive since May 2008. He is an experienced executive and thrives in domains that are typified by significant uncertainty and complexity. He was responsible for the design and execution of strategies that enabled Siemens PLC to marshal the intellectual capital of key executives and strengthen its position in key growth markets
- Since Kos assumed his current role, ECT has bolstered its technology portfolio, secured major investments, negotiated globally significant off-take agreements, and entered into advantageous strategic partnerships with industry leaders. Accordingly, ECT has experienced significant advancement during his tenure
- As the leader of ECT his priorities include securing key accounts, bolstering the company's portfolio of intellectual property, and securing investment capital. He is committed to ECT and is working closely with enterprise and government to achieve the company's objectives

John Osborne
BSc, FRMIT (Management), DipGradCorpGov, ACIS
Company Secretary

- Mr Osborne has many years of financial, commercial and company secretarial experience with listed companies and in consulting roles.
- He is presently also Company Secretary of Vision Group Holdings Limited, an ASX listed company.

Ashley Moore
Business Manager – Coldry

- Mr Moore is a seasoned Chemical Industry professional with extensive experience in all facets of Manufacturing, Supply Chain, Sales and Industrial Marketing. He holds a Bachelors degree in Chemical Engineering from the University of Melbourne, and has more than twenty years of industry experience in Australia and internationally
- His career started with global specialty chemical manufacturing firm Cabot Corporation in Australia, and proceeded to include assignments in various parts of the manufacturing field in the U.S.A., the U.K., Japan, Indonesia and Malaysia. He covered roles ranging from plant engineering and management, construction and commissioning, as well as regional operations management. His career expanded to later cover regional Marketing in Asia Pacific. In 2005, he joined Delta EMD, a global specialty chemical firm in the downstream minerals sector responsible for Sales, Marketing and Supply Chain

Adam Giles
Operations Manager

- Adam Giles has 17 years business and management experience across both private and public sectors with the past 5 years spent consulting to ECT and several other clients on new technology commercialisation
- His long term involvement with the development of the Coldry and MATMOR technologies provides a valuable background, helping inform strategic direction
- Key responsibility areas include Technology Development and Product Management, Investor & Media Relations and recently, Operations Management

COLDRY

Coldry is an economic method for dewatering lignite and sub-bituminous coals, creating energy rich, black coal equivalent pellets for local consumption or transport to export markets.

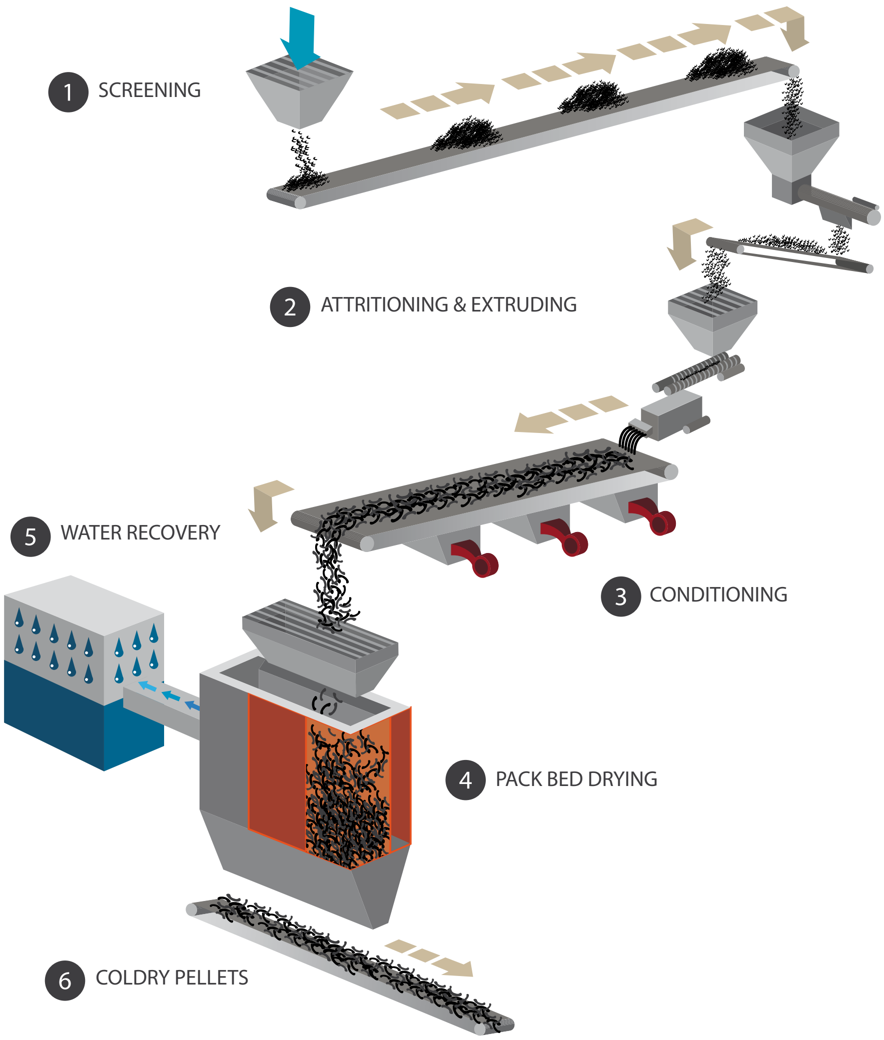
The move toward renewable energy is steady, but slow. Coal fired power stations being built today have a 25 year design life, which means they will need a supply of coal for years to come.

The projected growth in coal based power generation is 1300 Gigawatts by 2030, mostly in Asia.

High quality black coal is becoming harder to source and secure, driving energy consumers, particularly in emerging economies, to look toward abundant low rank coals that emit much more CO_2 than black coal when burned to generate electricity.

Lignite upgraded by the Coldry process has enhanced energy value, lower carbon emissionsand is no longer confined to mine-mouth power generation applications. Coldry therefore offers energy security to coal based power stations by supplying a high quality energy alternative to thermal coal.

Coldry Process



Coldry Pilot Plant

Located at Bacchus Marsh, Victoria, the Coldry Pilot Plant is the hub of R&D and allows sample testing and benchmarking of lignite from around the world.

Coldry Plant Manager

Chris Closter has been instrumental in the hands-on R&D efforts which have seen Coldry progress from a batch process in 2004 to a refined continuous process today.

Coldry Business model

Coldry commercialisation is underpinned by commitments to Coldry Project Feasibility Studies from credible parties in attractive markets.

ECT is working vigorously with a number of qualified parties to build investment-ready business cases and has three flagship projects underway in Australia (TinCom – Loy Yang), Indonesia (AMI-East Kalamantan) and Poland (Belchatów). Additional potential projects in India, China and Greece have been identified.

The stage of progress of the projects that make up ECT's Coldry business is summarised in Table 1.

1. Export Biased	2. Export & Domestic	3. Domestic Biased	4. Import & Domestic	5. Import Biased
Australia New Zealand	Indonesia Pakistan Poland	Germany USA	China India	Vietnam Korea Japan

COLDRY CONTINUED

Table 1: Coldry's engagement process

Stage	Activity	TinCom Victoria	AMI Indonesia	ELBIS Poland
Opportunity Identification	• Identification of prospective licensor Coldry plant developer	☑	☑	☑
Opportunity Screening and Pursuit	• Selling Coldry Value Proposition	☑	☑	☑
	• Facilitate understanding of Coldry technology and economics	☑	☑	☑
	• Secure interest to test available coal resources	☑	☑	☑
	• Establish indicative production costs	☑	☑	☑
	• Presentation of Coldry business proposal	☑	☑	☑
	• Establish commitment to advance a project (LOI)	☑	☑	☐
Project conceptualisation and Technology Licence Structuring	• Identify availability of critical project elements	☑	☑	☐
	• Determine scale stages of project	☑	☑	☐
	• Licensing terms	☑	☑	☐
	• Heads of Agreement	☑	☑	☐
3 - 9 Months	• Coordination Agreement	☑	☐	☐
Project Feasibility	• Conduct Project-specific Feasibility Study	☐	☐	☐
3 - 6 Months	• Revised Project Capital Cost and Production Cost estimate	☐	☐	☐
Project Structuring	• Secure land rights	☐	☐	☐
	• Secure government and regulatory approvals	☐	☐	☐
	• Structure project vehicle	☐	☑	☐
	• Finalise supply contracts	☐	☐	☐
	• Finalise off-take contracts	☐	☐	☐
	• Finalise Coldry licensing agreement	☐	☐	☐
	• Finalise EPC contract	☐	☐	☐
	• Determine risk allocation and guarantees (including government)	☐	☐	☐
	• Secure project financing	☐	☐	☐
3 - 12 Months	• Final Investment Decision	☐	☐	☐
Construction and Commissioning	• Technology deployment	☐	☐	☐
	• Project management	☐	☐	☐
24 - 36 Months	• Plant Commissioning	☐	☐	☐
Production and Asset Management	• Plant operations	☐	☐	☐
	• Plant maintenance	☐	☐	☐
	• Off-take logistics (if relevant)	☐	☐	☐
	• Ongoing regulation compliance	☐	☐	☐
	• Continuous Improvement	☐	☐	☐

Victoria Coldry Pty Ltd

Snapshot: Special Purpose Vehicle

Operations: Latrobe Valley, Victoria Australia

Plant Site: LoyYang Power Station

Partner: ThangLuong Investment and Joint Stock Company (TinCom), Vietnam

Ownership: 90% TinCom/10% ECT

Status: Detailed, site-specific design and engineering works by Arup due to commence H2 2010

The License Agreement signed on 25 June 2010 provides the SPV with:

- Exclusive right to construct Coldry export plants in Victoria, Australia and Vietnam in addition to the non-exclusive right to construct plants in the rest of Australia and Indonesia
- Exclusive right to market Coldry in Victoria for 5 years, with a trigger to extend for a further 5 years upon plant expansion to 5 M mtpa be achieved within 5 years
- Exclusive rights to manage and market Coldry product imports into Vietnam
- Rights to build up to 100M mtpa of Coldry plant capacity globally to meet the rapidly growing needs of Vietnam's economy

ECT Benefits

- **Stage 1 Target:** Production of 2 million metric tonnes per annum (Mmtpa) of Coldry BCE pellets by early 2014. ECT is entitled to a $5 per tonne royaltyunder the license agreement with the Joint Venture company.
- **Stages 2, 3 & 4:** Target to increase output to 5, 10 then 20Mmtpa over first decade of operation, subject to the State of Victoria delivering rail and port infrastructure upgrades, generating substantial royalty revenue to ECT
- ECT has 10%, undilutable, free carry equity in Victoria Coldry Pty Ltd potentially delivering a dividend based revenue stream in addition to the royalty, while bringing a multi-million dollar asset onto its balance sheet

MATMOR

MATMOR is a unique method for producing high quality iron from cheap, abundant brown and sub-bituminous coals and metal bearing media such as high and low grade iron ore, mill scale and nickel tailings.

Since the advent of coke based iron production in 1709, primary iron making has relied on high quality black coal as its reductant and heat source. The MATMOR process is positioned to revolutionise primary iron making thanks to the design of our simple, low cost, low emission, patented MATMOR retort using cheaper, alternative raw materials.

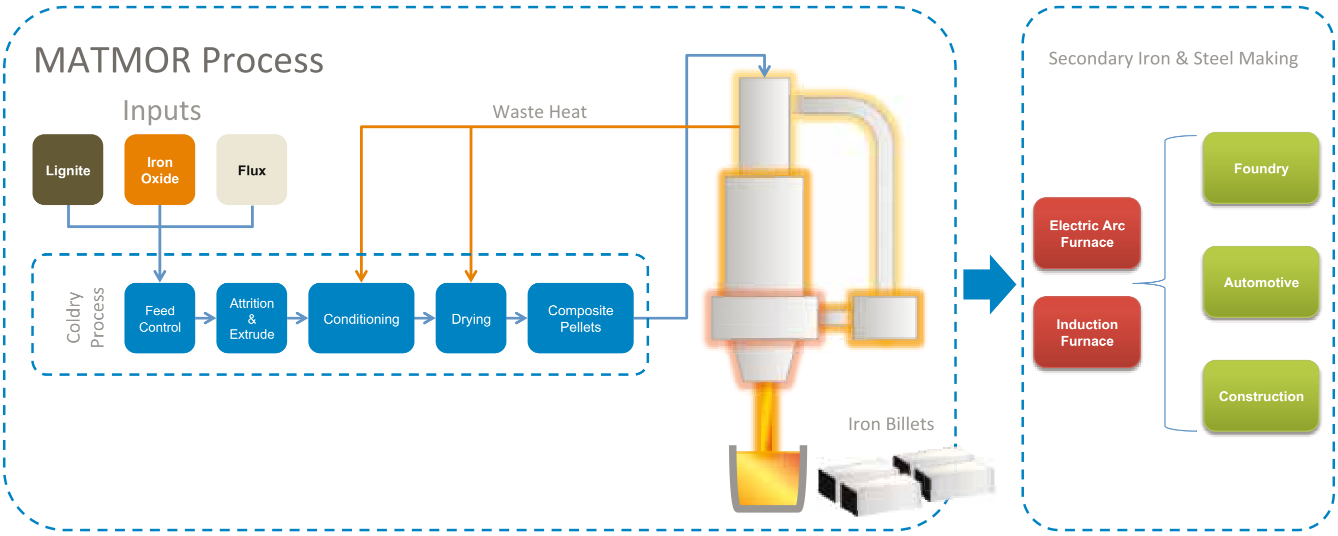
The primary iron production market is mature and dominated by multi-national incumbents with billions of dollars invested in legacy assets. Traditionally, development of new iron making technology has cost several hundred million dollars and a decade or more to develop. In addition, the iron market is cyclical and heavily dependant on the price of metallurgical coal and high grade iron ore.

MATMOR is able to side-step both barriers as it employs alternative inputs, making it viable at smaller a scale, lending it to deployment based on mini-mill economics, benefiting from cheaper local inputs and associated transport cost savings of iron product in local markets.

MATMOR comprises two exclusive facets:

1. **Inputs** – It uses brown coal (lignite or subbituminous coal) as a reductant and heat source – no other technology can claim this. The front end, or pelletisation stage, relies on the Coldry Process intellectual property.

2. **Plant Design** – It employs our unique MATMOR retort – a vertical furnace that works with the natural chemistry of brown coal.



MATMOR Research Manager

Keith Henley-Smith has extensive global iron and steel making experience along with a deep understanding of the chemistry underpinning the MATMOR process.

MATMOR Plant

A MATMOR test plant was installed in 2007 at our test facility in Bacchus Marsh Victoria. The plant has undergone a series of developmental test burns to optimise the process, gauge the performance of a range of inputs and provide data to inform our next stage of development.

During steady-state production the plant can produce up to 1 metric tonne of liquid iron a day. Trials across different coals in combination with various iron ores and other iron bearing material such as mill scale and nickel tailings have consistently resulted in recovery of more than 95% of the iron with very low impurities.

The Participation Agreement governing ECT's rights and obligations in commercialising the MATMOR process requires scaling up to a Pilot Plant by 2014. To this end, ECT has assessed the requirements and is engaged upon a focused "gap closure campaign" to inform the detailed design for the Pilot Plan.

Review & Assessment	Gap Closure Campaign	Pilot Plant	Commercial Plant
– Gap Analysis – Performed by independent engineering HATCH – Status: Delivered	– Implement Recommendations & Test Plan – Cost: $500k – Duration: 6 months – Inform Detailed Design for Pilot Plant	– Detailed Design - $500k – Build Cost: $TBC – Duration: 18 months – Outcome: 7,500 mtpa liquid metal	– Detailed Design - $750k – Build Cost: $TBC – Duration: 18 months – Outcome: 100,000+ mtpa Commercial Plant

The forward business plan will involve identifying a suitable strategic partner on a royalty return basis for the heavy R&D spend required for commercialisation.

GREEN CREDENTIALS

- **Exponentially enhanced net energy content – increased up to 285% for 60% moisture Victorian Latrobe Valley Lignite – resulting in significant efficiency gains and CO_2 reductions**
- **The improved energy value of Coldry pellets is greater than the energy required to make them. The Coldry process uses virtually free, low grade waste heat from a co-located power station to facilitate drying and minimise energy input.**
- **Coldry is not a zero emission solution but it is a viable, front-end solution that can reduce CO_2 emissions by between 5% and 40% at a cost per tonne significantly less than Carbon Capture & Storage (CCS)**.

There is no such thing as clean coal. However there is 'cleaner' coal.

So what is the basis for understanding the 'Green' credentials of Coldry?

It comes down to two simple concepts:

1) Net Energy Footprint

2) Net Carbon Footprint

Net Energy Footprint

The net energy footprint of a lignite drying technology must be positive, while its net carbon footprint (including end use) must be negative compared to using unprocessed lignite.

The Coldry process achieves a net positive energy footprint thanks to its use of waste heat to facilitate drying in addition to working with the natural chemistry of lignite to actively expel moisture from within its porous structure. Simply, the improved energy value of Coldry pellets is greater than the energy required to make them.

Net Carbon Footprint

The net carbon reduction is achieved because the carbon emission reduction experienced by the power station is greater than the carbon emitted producing Coldry.

Coldry is not a zero emission solution. It is a transitional solution that mitigates emissions now. The reality is, even with best efforts, society will use coal until cleaner energy alternatives are developed to a level affordable to average citizens.

The growth in power demand in developing nations, and therefore the need for energy security, is a significant driver behind the forecast increase in coal demand and use. As demand increases, prices naturally increase and lignite becomes a cheaper alternative to black coal. Is it better to dry the brown coal and mitigate emissions, or just burn anything we can get to keep the lights on?

Front-end CO_2 Solution

CCS is touted as a solution to carbon emissions. The idea is to capture, compress and bury the CO_2. In theory, it's a great idea to tackle the problem on the way to renewables. However, in practice it is years off commercialisation and will likely cost between US$54 and US$136 a tonne (Global CCS Institute report – Economic Assessment of Carbon Capture and Storage Technologies – page 109).

CCS is a 'back-end' solution. Coldry is a front-end solution.

Coldry can reduce CO_2 emissions as a front-end solution by between 5% and 40% at a cost per tonne significantly less than CCS. It makes economic sense to avoid the emissions using Coldry rather than capture and store them.

Black Coal Equivalent

By using low rank coals dewatered by Coldry technology to produce Coldry BCE pellets, the CO_2 emissions fall in line with black coal, significantly mitigating the environmental impact compared to as-mined brown coal.

Coldry pellets can be used in local black coal fired power stations and transported to remote black coal fired power plants

10-30% Coldry:Lignite mix can be used in existing lignite-fired plants for emissions reduction of 5%-15%, without modification to the plant

100% Coldry is possible in significantly upgraded lignite plants

New state-of-the-art black coal power stations can replace old, inefficient lignite-fired power stations, reducing emission by up to 40%

Net Water Footprint

For every tonne of Coldry produced in Victoria under the VCPL project, the Coldry plant reduces evaporative water loss from the host power station by up to 1,000 litres of water. Additionally, the Coldry process can recover up to 1000 litres of 'Class A' distilled water, suitable for industrial applications without costly treatment. These significant water impacts provide a potential environmental windfall of up to 40 billion litres per year for local waterways when Coldry is fully deployed.

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CORPORATE GOVERNANCE STATEMENT

The Environmental Clean Technologies Limited (ECT) 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 Securities Exchange Listing Rules.

ECT keeps the market informed through the annual report, half yearly report and by disclosing material developments to the Australian Securities 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 four 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 three committees comprised of representative members of the Board.

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

There are three board members within this committee with the responsibility of advising the full Board on matters pertaining to executive remuneration and incentive programs.

Strategic Planning Committee

There are two board members and the Chief Executive within this committee, with the responsibility for the development and maintenance of the Company's strategic plan.

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 Securities 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 Technologies Limited 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 2010 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. 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. Further information regarding our corporate governance and Board practices can be found at our website, www.ectltd.com.au.

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 five 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 four directors are independent non-executive directors. Mr John Hutchinson, Dr Dennis Brockenshire and Mr Larry Hanley are shareholders 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.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee is chaired by Dr Dennis Brockenshire. Other members of this Committee, Mr John Hutchinson and Mr Dave Woodall as non executive directors. The Remuneration Committee advises the Board on matters pertaining to executive remuneration and incentive programs.

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 services of the Company Secretary during the 2010 financial year were provided 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 financial controller appointed during the year.

Nomination Committee

A formal Nomination Committee has not been formed as a separate committee as all director and senior management appointment issues are dealt with by the full board.

Audit and Compliance Committee

Mr John Hutchinson, an independent director, chairs this Committee. Dr Dennis Brockenshire was a member of this committee but following the appointment of Mr Larry Hanley as a Director in April 2010 he stepped down as a member and was replaced by Mr Hanley. The Chairman of the Company, Mr Dave Woodall, remains an ex-officio member of the Committee. 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 and Compliance Committee meetings are minuted and the Committee reports to the Board at the next Board meeting following the Audit Committee meeting.

Strategic Planning Committee

A Strategic Planning Committee was formed in 2009 and is chaired by Dr Dennis Brockenshire. Other members of this Committee are Mr Stephen Carter, as non executive director and Mr Kos Galtos, the Company's Chief Executive. The Chairman of the Company, Mr Dave Woodall, is an ex-officio member of the Committee. The Strategic Planning Committee is responsible for the development and maintenance of the Company's strategic plan.

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.

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. 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. The equity component of his remuneration been agreed by the Board and it is intended to seek shareholder approval for a formalised executive incentive 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 2010.

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

Mr Larry Hanley
MBA, B.Com, Dip F.P.
Appointed 1 April 2010.

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, or pending patents in all major markets with significant brown coal deposits.

DIRECTOR'S REPORT CONTINUED

Significant Changes and Key Events

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

- In July 2009 the company appointed Intersuisse to manage divesture of options allocated in the recent share purchase plan.
- In July 2009 the company agreed with the owners of the MATMOR technology to extend the milestones for the development and construction of the first MATMOR plan by three years to the end of 2014.
- In August 2009 Ms Jan Mcpherson resigned as Company Secretary and was replaced by Mr John Osborne.
- In October 2009 Mr Ashley Moore was appointed Business Manager Coldry to assist the commercialisation process.
- In November 2009 the company completed an arrangement whereby its obligation to redeem $2 million worth of convertibles notes in early 2010 was deferred to November 2011. The terms of the extended convertible notes was an interest rate of 10% p.a. and entitled the holders to convert their notes to ordinary shares at up to a 30% discount to the market price of the ordinary shares prior to the new maturity date. By May 2010 all of the convertible notes had been converted into ordinary shares and the company became debt free.
- In November 2009 the company entered into a heads of agreement with Alexis Minerals International (AMI) form an SPV to attract investment to undertake a feasibility study into constructing a Coldry plant in East Kalimantan, Indonesia. The SPV is formed in December 2009. AMI has rights to extensive low rank coal reserves in East Kalimantan suitable for the Coldry process.
- In November 2009 the company enters into a memorandum of understanding with Great Energy Alliance Corp (GEAC) to participate in a feasibility study for the first scaled up Coldry production facility at GEAC's Loy Yang Power facility, as well as providing a path toward a formal coal supply agreement following the feasibility study.
- In December 2009 the company places 60 million new ESI shares and 30 million new ESIO options to raise $2.6 million for ongoing development and working capital purposes
- In January 2010 the company receives a $257,672 refund for its research and development activities in the 2007 financial year.
- In January 2010 the company enters a memorandum of understanding with a Polish state owned power utility to develop a business case for the development of a Coldry plant in Poland.
- The company provided an update of its commitment to prove up the MATMOR technology in February 2010 and this was followed up in May 2010 with the release of an independent market report identifying niche, high margin opportunities for the MATMOR technology to produce high quality, high purity and high iron content product.
- In April 2010 Mr Larry Hanley appointed a director of the company.
- Throughout the year the company vigorously pursued the development of its proposed venture with Thang Long Investment and Commercial Joint Stock Company (TinCom) to undertake a feasibility study to evaluate establishing a 2 million tonne per annum Coldry plant in the Latrobe Valley for production in 2014 and expanding to 20 million tonnes by 2020. The Company signed an agreement in August 2009 to establish a Special Purpose Vehicle (SPV) to invest funds for the feasibility study. Following Vietnamese Government approvals in September and October 2009 for Tincom the make an investment in the SPV, Victoria Coldry Pty Ltd, was formed in January 2010.
- In June 2010 Victoria Coldry entered into a binding license agreement with the Company to use the Coldry technology to manufacture and market Coldry pellets from a facility in the Latrobe Valley.

Operating Results

The consolidated loss of the consolidated entity after providing income tax and eliminating non-controlling interests was $3,728,403 (2009: ($478,932)).

Review of Operations

ECT has significantly advanced its flagship Coldry project in Victoria following the signing of a binding license agreement with Vietnamese partner TinCom on 25 June, 2010. The Victoria Coldry project is targeted to commence commercial production late 2013, early 2014.

With the appointment of a Coldry Business Manager, the sales pipeline continues to be developed, with initial agreements and indicative business case's underway in Indonesia and Poland. Further business development activity is underway in China, India and Greece.

The Company continues to pursue opportunities to establish revenue opportunities via the establishment of Regional Operating Companies with selected partners.

MATMOR has progressed through Gap Analysis and a significant proportion of the Gap Closure programme in its advancement toward the development of a Pilot Plant design. The Company intends to seek suitably qualified strategic partners to not only help fund MATMOR development, but contribute technical and commercial resources and expertise.

Dividends

No dividends were paid or recommended by the Directors.

Significant Events after the Balance Date

There has been no significant event's 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.

Future Developments and Results

ECT is performing test work on iron oxide samples provided by Gulf Mines Limited from its Nowa Nowa deposit, using the MATMOR process.

Bench scale tests have resulted in the production of metallic iron with high amounts of silicon inherited from the iron oxide. Further sampling from Nowa Nowa will be undertaken and subsequently tested to determine if the iron oxide is suitable for use in the MATMOR process. If the Nowa Nowa samples prove suitable then there exists the potential to add another opportunity for the MATMOR deployment in Victoria.

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.

DIRECTOR'S REPORT CONTINUED

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 2010.

Special responsibilities include Chairman of the Board, Chairman of the remuneration committee, ex-officio member of the audit and compliance committee and strategic planning committee.

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 2010.

Special responsibilities include member of the remuneration committee as a non-executive director as well as Chairman of the audit and compliance committee.

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 2010.

Special responsibilities include member of the remuneration committee as a non-executive director as well as Chairman of the strategic planning committee. Dennis was a member of the audit and compliance committee but resigned his membership in April 2010.

Mr Stephen Carter
MBA, Dip Co. Dir., Dip App. Sc., FAICD
Non-Executive Director.

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 2010.

Special responsibilities include member of the strategic planning committee as a non-executive director.

Mr Larry Hanley
MBA, B.Com, Dip F.P
Non-Executive Director. Appointed 1 April 2010

Larry is an experienced director, public accountant and company auditor with extensive background in financial and capital management. No other directorships of listed companies were held at any time during the three years prior 30 June 2010.

Special responsibilities include member of the audit and compliance committee following the resignation of Dennis Brockenshire in April 2010.

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

Ms Macpherson provided company secretarial services to the company on a part time basis through her legal firm Barwon Law until August 2009. Jan is an experienced practising lawyer, registered tax agent and chartered secretary.

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 2010.

Meetings of Directors

During the year ended 30 June 2010, 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 Compliance Committee		Remuneration Committee		Strategic Planning Committee	
	No. eligible to attend	No. Attended	No. eligible to attend	No. Attended	No. eligible to attend	No. Attended	No. eligible to attend	No. Attended
Dave Woodall	12	11	4	4	4	4	-	-
John Hutchinson	12	12	4	4	4	4	-	-
Dennis Brockenshire	12	10	4	4	4	4	6	6
Stephen Carter	12	11	-	-	-	-	3	3
Larry Hanley	3	3	-	-	-	-	-	-

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 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, at the 2009 Annual General Meeting Dave Woodall retired as a director by rotation and Stephen Carter retired as a director as he had been appointed to fill a casual vacancy. Both directors being eligible offered themselves for re-election and were re-elected. John Hutchinson and Dennis Brockenshire, being the longest serving directors without re-election will retire by rotation at the 2010 Annual General Meeting and, being eligible, will offer themselves for re-election.

Larry Hanley was appointed in April 2010 in addition to the other directors and under the terms of the Constitution will stand down and offer himself for re-election at the 2010 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. Blairgowrie Pty Ltd provided 30 days notice on 7 July 2009 and its services were completed on 4 August 2009.

Chief Executive Pay

The chief executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives upon the satisfaction of set performance targets, and
- long-term incentives upon the satisfaction of set performance targets.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of ECT and the Environmental Clean Technologies Ltd Group are set out in the following tables. The key management personnel of both ECT and the Environmental Clean Technologies Ltd 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 Larry Hanley
Non-Executive Director. Appointed 1 April 2010

Mr Kosmas Galtos
Chief Executive from 1 May 2008. Mr Galtos became a permanent employee of the company on 1 January 2009.

Ms Jan Macpherson
General Counsel and Company Secretary from 14 August 2007. Ms Macpherson provided notice on 7July 2009 and completed services on 4 August 2009.

Mr John Osborne
Company Secretary from 1 August 2009.

REMUNERATION REPORT CONTINUED

Details of remuneration

In the 30 June 2010 financial year, the directors consider that there are only three individuals who meet the definition of executive. All directors and executives are employed by the parent entity and are all key management personnel.

	Short-term benefits			Post employment benefits		Share-based payment	
2010	Cash Salary, & Directors fees $	Consulting fees $	Non-monetary benefits $	Superannuation $	Accrued termination benefit $	Shares/Options $	Total $
Directors							
J Hutchinson	36,000	-	-	-	-	-	36,000
D Woodall	48,000	-	-	4,320	-	-	52,320
D Brockenshire	36,000	-	-	3,240	-	-	39,240
S Carter	36,000	-	-	-	-	-	36,000
L Hanley (appointed 1/4/10)	9,000	-	-	-	-	-	9,000
Executives							
J Macpherson	-	6,520	-	-	-	-	6,520
K Galtos	175,000	-	66,690	-	-	31,000	272,690
J Osborne	-	64,500	-	-	-	-	64,500
Total	**340,000**	**71,020**	**66,690**	**7,560**	-	31,000	**516,270**

Details of remuneration

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

	Short-term benefits			Post employment benefits		Share-based payment	
2009	Cash Salary, Discounts Received & Directors fees $	Consulting fees $	Non-monetary benefits $	Superannuation $	Accrued termination benefit $	Options $	Total $
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

Share-based Compensation

In June 2010 the Chief Executive was issued $25,000 of fully paid shares based on an issue price of 3.4cents equating to 735,294 ordinary shares. Additionally, the Board approved the grant of Long Term Incentive rights to the Chief Executive Mr Galtos to the value of $15,000 at a price based on the VWAP for the month of April 2010 ($0.034 per share, being a right to the issue of 441,176 fully paid ordinary shares). The Long Term Incentive rights are to vest and be converted on a 1 for 1 basis into the fully paid shares for nil consideration on or after 30th April 2012 conditional upon Mr Galtos remaining in the employ of the Company as Chief Executive on 30th April 2012.

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
30 April 2010	N/A	30 April 2012	30 April 2012	Nil	$0.034

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 24 to the financial statements.

	Number of options/rights granted during the year		Number of options vested during the year	
Name	2010	2009	2010	2009
Directors or Executives of Environmental Clean Technologies Limited				
Kos Galtos	441,176	0	0	0

The assessed fair value at grant date of options granted to individuals during the 2010 year have been recognised as an expense over a two year period on a straight line basis adjusted for the probability of the benefit vesting.

The assessed fair value at grant date of options granted to individuals in prior years were recognised immediately, as there were no vesting conditions requiring the executives to remain in employment. Fair values at grant date were 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.

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 may vest	Financial years in which options expire	Maximum total value of grant yet to vest $
Kos Galtos	2010	-	-	30/06/2012	30/06/2012	15,000
Danny Mills (i)	2008	100%	-	30/06/2008	30/06/2011	N/A

(i) Prior period executive resigned 14 May 2007.

(End of Remuneration Report)

REMUNERATION REPORT CONTINUED

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	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	-
Listed options (ESIO)	493,764,535	$0.02	16/01/2014	493,764,535	-
	543,549,041			542,049,041	1,500,000

Since 1 July 2009, 34,110,317 options were converted (at $0.02 per share) to ordinary shares.

Insurance and Indemnities of Officers and Directors

The Company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as a director, 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 2010 amount to $19,980 (2009: $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 27.

Auditor

PKF continues in office in accordance with section 327 of the Corporations Act 2001.

Signed at Melbourne this 31 August 2010, in accordance with a resolution of the directors.

D Woodall
Director

AUDITOR’S INDEPENDENCE DECLARATION

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 2010, 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

31 August 2010
Melbourne

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These financial statements include the consolidated financial statements for the consolidated entity consisting of Environmental Clean Technologies Limited (ECT) and its subsidiaries. The financial statements are presented in the Australian currency.

ECT Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8
530 Little Collins Street
Melbourne Vic 3000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 17 and in the Directors' report on pages 14-26, both of which are not part of these financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial statements, and other information are available on our website.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	$	$
Revenue from continuing operations	4	884,085	273,811
EXPENSES			
Materials		(25,184)	(30,104)
Expert Reports		(655,108)	(331,374)
MATMOR extension		-	(500,000)
Employee benefits expense		(974,641)	(477,940)
Share based payments		(6,000)	-
Depreciation and amortisation		(594,506)	(142,194)
Occupancy expense		(104,088)	(74,499)
Patent fees		(41,319)	(17,818)
Corporate costs		(846,669)	(1,054,663)
Consultancy fees		(333,961)	(350,941)
Travel and accommodation		(164,640)	(72,494)
Insurance expense		(56,102)	(28,733)
Finance costs		(369,843)	(373,779)
Unwinding of Earn Out		(265,287)	-
Other expenses from ordinary activities		(175,140)	(178,204)
Loss before income tax	5	**(3,728,403)**	**(3,358,932)**
Income tax (expense)/benefit relating to ordinary activities from continuing operations	6	-	2,880,000
Net result attributable to the members of Environmental Clean Technologies Limited		**(3,728,403)**	**(478,932)**
Total Comprehensive Income attributable to the members of Environmental Clean Technologies Limited		**(3,728,403)**	**(478,932)**

		2010	2009
		Cents	Cents
Earnings per security (EPS) from loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	20	(0.48)	(0.14)
Diluted earnings per share	20	(0.48)	(0.14)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2010

		Consolidated	
	Notes	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,016,760	886,581
Trade and other receivables	8	56,632	77,132
Other current assets	9	410,126	130,595
Total Current Assets		1,483,518	1,094,308
NON-CURRENT ASSETS			
Investments accounted for using the equity method	10	2	-
Property, plant and equipment	11	234,315	316,465
Intangible assets	12	9,120,000	9,600,000
Total Non-Current Assets		9,354,317	9,916,465
Total Assets		**10,837,835**	**11,010,773**
CURRENT LIABILITIES			
Trade and other payables	14	454,023	1,063,017
Interest bearing liabilities	15	-	1,677,749
Provisions	16	58,885	-
Total Current Liabilities		512,908	2,740,766
NON-CURRENT LIABILITIES			
Other financial liabilities	17	926,287	661,000
Total Non-Current Liabilities		926,287	661,000
Total Liabilities		**1,439,195**	**3,401,766**
NET ASSETS		**9,398,640**	**7,609,007**
EQUITY			
Contributed equity	18	43,228,522	37,716,486
Reserves	19	433,497	1,195,346
Retained losses	19	(34,263,379)	(31,302,825)
TOTAL EQUITY		**9,398,640**	**7,609,007**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Issued Capital $	Reserves $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**28,700,683**	**1,195,346**	**(30,823,893)**	**(927,864)**
Loss for the year	-	-	(478,932)	(478,932)
Total comprehensive income for the year	**-**	**-**	**(478,932)**	**(478,932)**
Issue of shares by the Group	9,015,803	-	-	9,015,803
Equity component of convertible notes issue	-	-	-	-
Balance 30 June 2009	**37,716,486**	**1,195,346**	**(31,302,825)**	**7,609,007**
Balance at 1 July 2009	**37,716,486**	**1,195,346**	**(31,302,825)**	**7,609,007**
Loss for the year	-	-	(3,728,403)	(3,728,403)
Total comprehensive income for the year	**-**	**-**	**(3,728,403)**	**(3,728,403)**
Share based payments	-	6,000	-	6,000
Transfer between reserve	-	(767,849)	767,849	-
Issue of shares by the Group	5,512,036	-	-	5,512,036
Balance 30 June 2010	**43,228,522**	**433,497**	**(34,263,379)**	**9,398,640**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		234,316	197,291
Payments to trade creditors, other creditors and employees (inclusive of goods and services tax)		(3,234,645)	(2,111,129)
Interest paid		(81,667)	(137,553)
Interest received		67,398	41,186
Net cash outflows from operating activities	**26**	**(3,014,598)**	**(2,010,205)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(32,356)	(35,319)
Payment for acquisition of Intellectual Property	29	-	(1,000,000)
Net cash outflows from investing activities		**(32,356)**	**(1,035,319)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		3,177,133	3,607,672
Net cash inflows from financing activities		**3,177,133**	**3,607,672**
Net increase in cash held		130,179	562,148
Cash at the beginning of the financial year		886,581	324,433
CASH AT THE END OF THE FINANCIAL YEAR	**7**	**1,016,760**	**886,581**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are those of the consolidated entity consisting of Environmental Clean Technologies Limited and its controlled entities. As a result of the Corporations Amendment (Corporate Reporting Reform) Bill 2010 given Royal Assent on 28 June 2010, parent entity numbers do not have to be disclosed for financial years ended 30 June 2010, except for a required note disclosure, as displayed in Note 30.

These accounts were approved by the board of directors on 26 August 2010 and therefore only include information up until this date.

a) Basis of preparation

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

Compliance with IFRSs

The consolidated financial statements of Environmental Clean Technologies Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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) at fair value, certain classes of property, plant and equipment and investment property.

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.

Financial statement presentation

The group has applied the revised *AASB 101 Presentation of Financial Statements (2007)* from 1 January 2009. The revision of this standard now requires the group to present all non-owner changes to equity ('comprehensive income') in the statement of comprehensive income. The group has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised *AASB 101*.

b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(k).

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

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Environmental Clean Technologies.

Joint ventures – joint venture entities

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the net result of the partnership is recognised in the Statement of Comprehensive Income.

The net result on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Environmental Clean Technologies Limited.

c) Segment Reporting

The consolidated entity has applied *AASB 8 Operating Segments* with effect from 1 July 2009. Previously operating segments were reported in accordance with AASB 114 Segment reporting. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity the chief operating decision maker is the Board of Directors.

d) Going concern

For the year ended 30 June 2010 the consolidated entity (group) had an operating loss before tax of $3,728,403 (2009: $3,358,932), and negative cash flow from operating activities of $3,014,598 (2009: $2,010,205). Furthermore, the consolidated entity does not have a source of income and is 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) ECT signed a license agreement with Vietnamese company Thang Long Investment and Joint Stock Company (TinCom) in June 2010, with exports from this agreement forecast to exceed $1.5Bn a year by early 2020's. Stage 1 construction of 2 million metric tonne per annum (Mmtpa) of Coldry Black Coal Equivalent (BCE) pellets by late 2013 will generate $10M per year revenue, based on A$5 per tonne royalty. The deal follows the release of a detailed term sheet on 6 May 2010 which includes the exclusive right to market the Coldry Product within Victoria for 5 years from the date of completion of the Stage 1 plant construction as well as exclusive rights to manage and market Coldry product imports into Vietnam and the license to Coldry intellectual property that enables exclusive construction of export plants in Victoria, Australia and Vietnam as well as non-exclusive rights for plant construction in Indonesia and the rest of Australia.

ii) A capital raising through the placement of new fully paid ordinary shares and listed options was completed on 3 December 2009, raising a total amount of $2.64 million providing evidence that the company can raise new capital from existing and new investors. The issue price of the new shares under the placement to institutional, experienced and sophisticated investors was $0.044 per share. One listed option was issued for each 2 new shares subscribed for under the placement.

iii) As at 30 June 2010 the company has on issue as part of the Share Purchase Plan and other placements, 493,764,535 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 $9.87 million. During the year the company's share price on the ASX has traded in excess of the option exercise price and 34,110,317 options have been converted (at $0.02 per share) to ordinary shares, raising additional capital of $682,206.

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. The Company has received a formal offer to extend the facility for a further three years.

The ability to raise further capital and cash flow forecasts prepared by management demonstrate that the Company has sufficient cash flows to meet its commitments over the next twelve months.

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

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

e) 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 profit or loss, except when deferred in equity as qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities, carried at fair value are reported as part of the fair value gain or loss.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration, the type of customer, the type of transaction and the specifics of each arrangement.

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 a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

g) 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.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary, to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the revenue on a straight-line basis over the expected lives of the related assets.

h) 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 there are offsetting deferred tax liabilities or 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Tax consolidation legislation

Environmental Clean Technologies Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Environmental Clean Technologies Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Environmental Clean Technologies Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

i) Leases

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 as an expense 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.

j) Research and development expenditure

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

k) Business combinations

Acquisitions on or after 1 July 2009

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

Acquisitions prior to 1 July 2009

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group as well as any transaction costs directly attributable to the acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement where settlement is probable. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date On an acquisition-by- at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

l) 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

m) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

n) Trade and other receivables

Trade receivables are recognised initially at fair value and thereafter are measured at amortised cost, using the effective interest method, less provision for impairment. They are non-derivative financial assets with fixed or determinable amounts not quoted in an active market and are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

o) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight line basis for all plant and equipment, with the exception of plant under construction, to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term. Estimates of remaining useful lives are made on a regular basis. The useful lives of plant and equipment are currently assessed at 1 – 7.5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(l)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

p) Intangible Assets

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Licences comprise intellectual property and registered trademarks and patents. Amortisation is calculated using the straight line method, over the estimated useful lives of 20 years.

q) 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.

r) Borrowings

Borrowings are initially recognised at fair value (less transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Comprehensive Income as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

s) 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

t) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

u) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the end of reporting period are recognised in respect of employees' services up to the end of reporting period 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. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

All employees of the group are entitled to benefits from the group's superannuation plan on retirement, disability or death. The group has a defined contribution section within its plan. The defined contribution section receives fixed contributions from group companies and the group's legal or constructive obligation is limited to these contributions. The employees of the parent entity are all members of the defined contribution section of the group's plan.

Contributions to the employee superannuation plan are charged as expenses as the contributions are paid or become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

v) 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:

- The result attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares. 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.

w) 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.

x) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

z) 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 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations which are applicable to the Group is set out below.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]* (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group has not yet decided when to adopt AASB 9.

Revised AASB *124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

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.

a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Income taxes

The group is subject to income taxes in Australia. The group estimates its tax liabilities based on the understanding of the tax laws and advice from tax experts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determinations are made.

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised.

b) Critical judgements in applying the entity's accounting policies

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.

3. SEGMENT INFORMATION

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The company operates predominantly in the environmental and energy industry, and a single geographic segment being Australia. The board of directors assess the operating performance of the group based on management reports that are prepared on this basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2010 $	2009 $
4. Revenue from Continuing Operations		
Other revenue:		
Interest Received	88,576	41,186
R&D Refund	543,182	232,625
Total operating revenue	**631,758**	**273,811**
Non-Operating revenue		
Gain on Settlement of Financial Liability	252,327	-
Total revenue	**884,085**	**273,811**

	Consolidated	
	2010 $	2009 $
5. Expenses		
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	114,506	142,194
Amortisation	480,000	-
Finance and Borrowing Costs		
Interest and finance charges paid/payable	99,172	122,978
Unwinding of discount on convertible note	244,453	250,801
	343,625	373,779
Research & Development expenditure	307,219	577,471
Superannuation Expense	61,519	33,584
Rental expense relating to operating leases		
Minimum lease payments	51,948	31,269

	Consolidated	
	2010 $	2009 $
6. Income Tax Expense		
a) Income tax expense/(benefit)		
Current tax	-	-
Deferred tax	-	(2,880,000)
	-	(2,880,000)
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (Increase) in deferred tax assets	144,000	(2,880,000)
(Decrease) increase in deferred tax liabilities	(144,000)	-
	-	(2,880,000)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(3,728,403)**	**(3,358,932)**
Tax at the Australian tax rate of 30% (2006 – 30%)	(1,118,521)	(1,007,680)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	(1,800)	-
Deferred tax asset not recognised	1,120,321	-
Tax benefit as a result of an offset against the deferred tax liability recorded on acquisition of the I.P	-	(1,872,320)
Income tax expense/(benefit)	-	(2,880,000)
c) Gross deferred tax assets not recognised	313,388	234,864

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement sets out the funding obligations of members of the tax consolidated group. Payments are required to/from the head entity equal to the current tax liability/(asset) assumed and any deferred tax assets arising from unused tax losses assumed by the head entity, resulting in the head entity recognising inter-entity payable/(receivable) equal to the tax liability/(asset) assumed. Contributions to fund the any tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant authorities.

The head entity, in conjunction with other members of the tax consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2010 $	2009 $
7. Current Assets – Cash and Cash Equivalents		
Cash at bank and on hand	1,016,760	886,581

	Consolidated	
	2010 $	2009 $
8. Current Assets – Trade and Other Receivables		
Trade debtors	-	1,500
Goods and services tax (GST) receivable	56,632	75,632
	56,632	77,132

	Consolidated	
	2010 $	2009 $
9. Current Assets – Other		
Deposits Paid	18,689	18,489
Loan – Kos Galtos (refer Note 25)	11,625	27,750
Other Debtors	21,179	43,163
Prepayments	32,714	41,193
R & D Tax Offset Receivable	308,865	-
Loan – Coldry East Kalimantan	17,054	-
	410,126	130,595

	Consolidated	
	2010	2009
	$	$
10. Non-Current Assets – Investments accounted for using the equity method		
Shares in Victoria Coldry Pty Ltd	1	-
Shares in Coldry East Kalimantan Pty Ltd	1	-
	2	-

	Consolidated	
	2010	2009
	$	$
11. Non-Current Assets - Property, Plant and Equipment		
Plant and equipment (P&E):		
Plant and Equipment – at cost	646,078	635,203
Less: Accumulated depreciation	(445,886)	(350,259)
	200,192	284,944
Furniture & Fixtures (F&F):		
Furniture & Fixtures – at cost	16,531	12,813
Less: Accumulated depreciation	(4,579)	(1,597)
	11,952	11,216
Office Equipment (OE):		
Office Equipment – at cost	39,468	21,705
Less: Accumulated depreciation	(17,297)	(1,400)
	22,171	20,305
	234,315	316,465

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2010

	Total $	P&E $	F&F $	OE $
CONSOLIDATED				
Carrying amount at 1 July 2009	316,465	284,944	11,216	20,305
Additions	32,356	10,876	3,718	17,762
Disposals	-	-	-	-
Depreciation/amortisation expense	(114,506)	(95,628)	(2,982)	(15,896)
Carrying amount at 30 June 2010	234,315	200,192	11,952	22,171

2009

	Total $	P&E $	F&F $	OE $
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

	Consolidated	
	2010	2009
	$	$
12. Non-Current Assets		
Intangible Assets[1]		
Patents/Intellectual property – at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(480,000)	-
	9,120,000	9,600,000
Reconciliation of Intangible Asset:		
Balance at the beginning of year	9,600,000	-
Additions	-	9,600,000[2]
Disposals	-	-
Amortisation charged	(480,000)	-
Closing carrying value at 30 June 2010	9,120,000	9,600,000

	Consolidated	
	2010	2009
	$	$
13. Deferred Tax		
Deferred Tax Asset	2,736,000	2,880,000
Deferred Tax Liability	(2,736,000)	(2,880,000)
Net tax assets	-	-

The consolidated entity has recognised a deferred tax liability of $2,736,000 as a result of the recognition of the Coldry Licence upon consolidation of the Coldry Unit Trust, amortised over its useful life of 20 years. The company (parent) has available to it, sufficient losses available to recognise a deferred tax asset to offset the tax liability recognised on consolidation. A deferred tax asset of $2,736,000 has been recognised in the company accounts and offset against the deferred tax liability in the consolidated accounts.

[1] 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 20 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.

[2] 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2010 $	2009 $
14. Current Liabilities – Trade and Other Payables		
Trade payables	224,627	353,838
Other payables	229,396	209,179
MATMOR Extension[3]	-	500,000
	454,023	1,063,017

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.

	Consolidated	
	2010 $	2009 $
15. Current Liabilities – Interest Bearing Liabilities		
Convertible Note	-	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.

On 17 November 2009, ECT negotiated the redemption of convertible notes with a face value of $2,000,000 due for redemption in June 2010 by the issuance of replacement convertible notes with a face value of $2,000,000 and a maturity date of 17 November 2011. The terms of these replacement convertible notes include interest payable at 10% per annum and the entitlement of the note holders to convert their notes at a 20% discount to the company's VWAP for the 10 trading days up to and including the conversion date.

These new notes were fully converted during this financial period.

	Consolidated	
	2010 $	2009 $
16. Current Liabilities - Provisions		
Provision for Annual Leave	58,885	-
	58,885	-

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

		Consolidated	
	Notes	2010 $	2009 $
17. Non-Current Liabilities - Other Financial Liabilities			
Earn Out Creditor	29	926,287	661,000
		926,287	661,000

	Consolidated	
	2010 $	2009 $
18. Contributed Equity		
Balance at beginning of financial year	37,716,486	28,700,683
Issue of shares by the group	5,512,036	9,015,803
Transfer of fair value of options exercised from Options reserve	-	-
Balance at end of financial year	43,228,522	37,716,486

	No of Shares	$
Reconciliation of Consolidated share movements		
Balance at 30 June 2008	**313,985,883**	**28,700,683**
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**	**37,716,486**
Issue of shares as consideration for extension of MATMOR	12,500,000	500,000
Issue of shares via placement	60,000,000	2,506,000
Issue of shares through conversion of convertible note	91,614,276	1,767,374
Issue of shares through other activities	1,582,309	56,455
Exercise of options through year	34,110,317	682,207
Balance at 30 June 2010	**784,693,458**	**43,228,522**

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.

18. Contributed Equity (Cont.)

Share Options

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

	Number Price	Exercise Date	Expiry Vested	Number Unvested	Number
Unlisted ordinary options	41,666,666	$0.12	15/10/2010	41,666,666	-
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	495,764,535	$0.02	16/01/2014	495,764,535	-
	545,549,041			544,049,041	1,500,000

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 2010, were as follows:

	Consolidated	
	2010 $	2009 $
Total interest bearing liabilities	-	1,677,749
Less cash and cash equivalents	(1,016,760)	(886,581)
Net debt	(1,016,760)	791,168
Total equity	9,398,640	7,609,007
Gearing ratio	Nil	10.4%

	Consolidated	
	2010 $	2009 $

19. Reserves and Retained Losses

	2010 $	2009 $
Reserves		
Share option reserve	433,497	427,497
Convertible notes reserve	-	767,849
Total reserves	433,497	1,195,346

Movements in reserves were:

	Consolidated	
	2010 $	2009 $
Share option reserve		
Opening balance	427,497	427,497
Fair value of options issued during the year	6,000	-
Transfer of fair value of options exercised to contributed equity	-	-
Closing balance	433,497	427,927

	Consolidated	
	2010 $	2009 $
Convertible note equity reserve		
Opening balance	767,849	767,849
Equity component of convertible notes issue	-	-
Transfer between reserve	(767,849)	-
Closing balance	-	767,849

	Consolidated	
	2010 $	2009 $
Accumulated Losses		
Accumulated losses at the beginning of the financial year	(31,302,825)	(30,823,893)
Net loss attributable to members of the Group	(3,728,403)	(478,932)
Transfer between reserve	767,849	-
Accumulated losses at the end of the financial year	(34,263,379)	(31,302,825)

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.

Share based payments

During the 30 June 2010 financial year the company issued short term and long term incentives to the Chief Executive Officer which consisted of:

- Shares issued: $25,000 (735,294 fully paid ordinary shares issued at 3.4 cents).
- Share rights issued: $15,000 (rights to 441,176 fully paid ordinary shares issued at 3.4 cents).

No share based payments have occurred in the prior financial year.

At the beginning of the year there were 14,000,000 share options from share based payments on issue.

During the year 12,500,000 options have expired (2009: Nil). At the date of the report, the share options that remaining outstanding from share based payments in the current or prior financial years are:

- 441,176 Share rights vesting on 30 April 2012.
- 1,500,000 Share options exercisable by 5 October 2010 at 25 cents.

No share options were exercised during the current reporting period (2009: Nil) from previously issued share based payments.

	2010 Cents	2009 Cents
20. Earnings Per Share		
a) Basic earnings per share		
Loss attributable to the ordinary owners of the Company	(0.48)	(0.14)
b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary owners of the Company	(0.48)	(0.14)
Profit attributable to the ordinary owners of the Company	**(0.48)**	**(0.14)**

20. Earnings Per Share (cont.)

	2010 $	2009 $
c) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the ordinary owners of the Company used in calculating basic earnings per share	(3,728,403)	(478,932)

	2010 Number	2009 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	693,336,238	354,009,534

There are 547,252,838 (2009 – 111,287,554) 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 2010, there have been no new securities issued.

21. Controlled Entities

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest 2010 $	 2009 $
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%	100%
ECT Coldry Pty Ltd (i)	Australia	100%	100%
Maddingley Coldry Pty Ltd (i)	Australia	100%	100%

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

22. 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:

- 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 $234,315 should it fail to meet the obligations and Maddingley exercise the option to purchase the Coldry Pilot Plant upgrades which at 30 June 2010 have a net book value of $234,315 for $1.

23. Remuneration of Auditors

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

	Consolidated	
	2010 $	2009 $
Assurance services		
Audit and Review Services		
Fees paid/payable	71,000	53,800
Other	-	-
	71,000	**53,800**

24. Key Management Personnel Disclosures

Directors

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

D Brockenshire – Non-Executive director

D Woodall – Non-Executive Chairman

J Hutchinson – Non-Executive director

S Carter – Non-Executive director

L Hanley – Non-Executive director

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)

J Osborne – Company Scretary (appointed 1 August 2009)

K Galtos – Chief Executive

Key management personnel compensation

	Consolidated	
	2010 $	2009 $
Short-term employee benefits	502,710	508,658
Post-employment benefits	-	-
Long term benefits	-	-
Share-based payments	6,000	-
Termination Benefits	-	-
	508,710	508,658

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.

24. 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:

2010	Balance at start of year	Granted as compensation	Exercised	Other changes[4]	Balance at end of the year	Vested and exercisable	Unvested
Con Galtos	9,500,000	-	-	(9,500,000)	-		
Kos Galtos	5,750,000	441,176		(3,000,000)	3,191,176		
Jan MacPherson	1,550,000	-	-	-	1,550,000		
D Brockenshire	550,000	-	-	-	550,000	550,000	
J Hutchinson	550,000	-	-	-	550,000	550,000	
L Hanley	11,606,845 (held at appointment)	-	-	-	11,606,845		

2009	Balance at start of year	Granted as compensation	Exercised	Other changes[5]	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	

[4] Expired

[5] Options acquired in Share Purchase Plan

24. Key Management Personnel Disclosures (cont.)

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	
	2010 $	2009 $
Amounts recognised as expenses		
Legal services – Blairgowrie Pty Ltd (Jan Macpherson)	-	67,064

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

Directors and Executives equity holding:

Fully paid ordinary shares issued by Environmental Clean Technologies Limited

2010	Held at 1 July 2009 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.[6]	Held at 30 June 2010
C Galtos	416,666	-	-	-	-
D Woodall	-	-	-	-	-
D Brockenshire	935,000	-	-	-	935,000
J Hutchinson	2,119,519	-	-	-	2,119,519
J Macpherson	375,000	-	-	-	375,000
S Carter	-	-	-	-	-
L Hanley	4,007,824[7]				4,007,824
J Osborne	-	-	-	-	-
K Galtos	1,375,000	735,294	-	-	2,110,294

[6] Other changes refer to shares acquired on market.

[7] Held on appointment.

24. Key Management Personnel Disclosures (cont.)

2009	Held at 1 July 2008 No.	Granted as compensation No.	Received on exercise of options No.	Other change No.[8]	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

25. 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 21

c) **Key management personnel**
Disclosures relating to key management personnel are set out in note 24.

d) **Loans to/from related parties**
The following loans occurred with related parties:

	Consolidated	
	2010 $	2009 $
Loan to Kos Galtos		
Balance at beginning of the year	27,750	-
Loan Drawdown	11,625	27,750
Loan Repayment	(27,750)	-
Balance at end of the year	**11,625**	**27,750**

The loan provided to Kos Galtos, is an unsecured loan comprising of the consideration payable by K Galtos in relation to tax withheld from his short term incentive payment. This loan has been provided interest free and will be repaid in monthly instalments not exceeding 12 months from 1 July 2010. Interest charged on the loan repaid during the year was nil. If this loan was provided on an arms length transaction, interest would have approximated $1,738 based on an interest rate of 9% p.a.

[8] Other changes refer to shares acquired on market as well as those subscribed for in the Share Purchase Plan.

26. Notes to the Statement of Cash Flows

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

	Consolidated 2010 $	Consolidated 2009 $
Operating loss after income tax	(3,728,403)	(478,932)
Depreciation and amortisation	594,506	142,194
MATMOR Extension	-	500,000
Unwinding of Earnout	265,287	-
Changes in assets and liabilities (net of effects of acquisition and disposal of entities):		
(Increase)/decrease in trade and other debtors	(259,031)	(102,607)
(Increase)/decrease in deferred tax asset	-	(2,880,000)
Increase/(decrease) in trade and other payables	113,043	809,140
Net cash outflow from operating activities	**(3,014,598)**	**(2,010,205)**

27. 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 end of reporting period, the Group had no variable rate borrowings, as such the 2010 and 2009 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 end of the reporting period is the carrying amount of the financial assets. 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.

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 end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – 30 June 2010	Less than 3 months $	3 months to 1 year $	1 - 5 years $	5 + Years $	Total $
Non-Interest Bearing	-	-	-	-	-
Loans	-	-	-	-	-
Convertible Note	-	-	-	-	-
Earn Out	-	-	(926,287)	-	(926,287)

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)

Parent – 30 June 2010	Less than 3 months $	3 months to 1 year $	1 - 5 years $	5 + Years $	Total $
Non-Interest Bearing	-	-	-	-	-
Loans	-	-	-	-	-
Convertible Note	-	-	-	-	-
Earn Out	-	-	(926,287)	-	(926,287)

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)

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.

28. Events Subsequent to end of reporting period

There has been no significant event's 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.

29. 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 17	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	-

b) Purchase consideration[9]

Outflow of cash:	2009 $
Cash consideration	1,000,000
Other consideration:	
Earn Out liability[10]	661,000
Equity consideration	5,059,000
	6,720,000

c) Assets & Liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair Value
Intangible Assets: patents/intellectual property	-	9,600,000
(Less) Deferred Tax Liability	-	(2,880,000)
Net identifiable assets acquired[11]	-	6,720,000

[9] 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.

[10] 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).

[11] 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.

30. Parent Entity Disclosures

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2010 $	2009 $
a) Financial Information		
Loss from ordinary activities after tax	(3,248,403)	(447,244)
Total Comprehensive Income	884,085	273,811
Current Assets	1,483,518	1,094,308
Non Current Assets	9,834,316	9,916,465
Total Assets	11,317,835	11,010,773
Current Liabilities	512,908	2,740,766
Non Current Liabilities	926,287	661,000
Total Liabilities	1,439,195	3,401,766
Net Assets	9,878,640	7,609,007
Share Holder Equity		
Issued Capital	46,520,448	41,008,412
Share Options Reserve	433,497	427,497
Convertible Note Reserve	-	767,849
Accumulated Losses	(37,075,305)	(34,594,751)
Total Equity	9,878,640	7,609,007

b) Guarantees

Environmental Clean Technologies Ltd has not issued any guarantees to any subsidiaries.

c) Other Commitments

Environmental Clean Technologies Ltd has no commitments to acquire property, plant and equipment, and has no contingent liabilities

d) Contingent Liabilities

Environmental Clean Technologies Ltd has no contingent Liabilities.

DIRECTORS' DECLARATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

In the directors' opinion:

(a) the financial statements and notes set out on pages 29 to 69 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 2010 and of their performance 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

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Dave Woodall
Chairman

Melbourne

31 August 2010

INDEPENDENT AUDIT REPORT PAGE 1

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of 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 consolidated entity's financial position as at 30 June 2010 and of its 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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INDEPENDENT AUDITORS REPORT PAGE 2

PKF

Chartered Accountants
& Business Advisers

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

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report which indicates for the year ended 30 June 2010 the consolidated entity had an operating loss before tax of $3,728,403 (2009: $3,358,932), and negative cash flow from operating activities of $3,014,598 (2009: $2,010,205). Furthermore, the consolidated entity does not have a source of income and is reliant on equity capital or loans from third parties to meet its operating costs. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 necessary if the entity does not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the period ended 30 June 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

PKF

PKF

D J Garvey
Partner

31 August 2010
Melbourne

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 August 2010.

A. Distribution of equity securities

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

	Ordinary Shares (ESI)	Listed Options (ESIO)
1 - 1000	779	4
1,001 – 5,000	722	2
5,001 – 10,000	399	0
10,001 – 100,000	1,751	161
100,001 and over	1050	377
	4,701	544

SHAREHOLDER INFORMATION CONTINUED

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares (ESI) are listed below:

Ordinary Share (ESI)	Number held	Percentage of issued shares
JBD Industrial Park Pty Ltd	47,400,000	6.04%
Paldar Nominees Pty Limited	16,056,500	2.05%
Halcrows Holdings Pty Limited	14,621,167	1.86%
Mr Iain Robert Mcewin	13,993,360	1.78%
ANZ Nominees Limited	9,246,743	1.18%
HSBC Custody Nominees	8,401,155	1.07%
RBC Dexia Investor Services Aust. Nom. Pty Ltd	8,000,000	1.02%
Caracob Pty Ltd	7,248,457	0.92%
Joseph Barakat & Marie Barakat	6,640,561	0.85%
Graeme A Wood Pty Ltd	6,000,000	0.76%
Tilstar Investments Pty Ltd	6,000,000	0.76%
D Wilson Investments Pty Ltd	5,451,731	0.69%
Rob Wood Investments Pty Ltd	5,365,500	0.68%
CBD Plaza (Aust) Pty Ltd	5,320,010	0.68%
Mr Michael John Deboer	5,227,280	0.67%
L J Thomson Pty Ltd	5,000,000	0.64%
B & R Superannuation Pty Ltd	4,950,000	0.63%
Mr Peter Andrew Proksa	4,900,000	0.62%
Rob Wood Investments Pty Ltd	4,842,099	0.62%
Mr Daniel Giovinazzo	4,000,000	0.51%
Top 20 Ordinary Shareholders Total	188,664,563	24.04%
Total Ordinary Shares as at 25 August 2010	784,693,457	

Twenty largest quoted option holders

The names of the twenty largest holders of quoted options (ESIO) are listed below:

Listed Options exercisable at 2.0¢ on or before 16 January 2014 (ESIO)	Number held	Percentage of issued shares
JBD Industrial Park Pty Ltd	110,000,000	22.19%
About Time Superannuation Pty Ltd	24,200,000	4.88%
Graeme A Wood Pty Ltd	16,000,000	3.23%
Dr Liliana Elberg	15,000,000	3.03%
Mr Iain Robert Mcewin	13,590,920	2.74%
Larry Hanley Pty Ltd	11,520,000	2.32%
Rob Wood Investments Pty Ltd	10,500,000	2.12%
Mr Alex Elberg	10,000,000	2.02%
Dr Philip Wood	9,000,000	1.82%
Blue Flock Pty Ltd	8,000,000	1.61%
Mr Daryl William James	7,318,421	1.48%
Hanley Family Pty Ltd	5,900,000	1.19%
B & R Superannuation Pty Ltd	5,500,000	1.11%
Rob Wood Investments P/L	5,000,000	1.01%
Mr Robert Douglas	4,200,000	0.85%
Balgownie Securities Pty Ltd	3,831,500	0.77%
Fiori Pty Ltd	3,467,501	0.70%
Mr Lyndon Benecke & Mrs Katherine Benecke	3,400,853	0.69%
Mr Emilio Mosca & Mrs Anna Mosca	3,375,000	0.68%
Mr Joseph Di Gregorio	3,341,281	0.67%
Top 20 Total	273,145,476	55.10%
Total Listed Options as at 25 August 2010	495,764,535	

SHAREHOLDER INFORMATION CONTINUED

Shareholder Information (cont.)

C. Substantial holders

Substantial holders in the company are set out below:

Ordinary Share (ESI)	Number held	Percentage of issued shares
JBD Industrial Park Pty Ltd	47,400,000	6.04%

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.

CORPORATE DIRECTORY

Directors	D Woodall D Brockenshire J Hutchinson S Carter L Hanley
Secretary	J Macpherson (resigned 5 Aug 2009) J Osborne (appointed 4 Aug 2009)
Principal registered office in Australia	Level 8 530 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	Norton Rose RACV Tower, 485 Bourke St Melbourne Vic 3000
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

ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED

CONTACT

Principal registered office in Australia
Level 1
530 Little Collins Street
Melbourne Vic 3000

Share registers
Security Transfer Registrars Pty Ltd
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