ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

ANNUAL REPORT 2015-16

Corporate Directory

Directors	Glenn Fozard (Chairman) Ashley Moore (Managing Director) Barry Richards David Smith
Company Secretary	Adam Giles
Registered Office	Suite 502, 9 Yarra St South Yarra VIC 3141
Principal place of business	Suite 502, 9 Yarra St South Yarra VIC 3141
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
Auditor	BDO East Coast Partnership Level 14, 140 William Street Melbourne VIC 3000
Bankers	National Australia Bank Limited 3/330 Collins Street Melbourne VIC 3000
Stock exchange listing	Environmental Clean Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: Shares - ESI; Options - ESIOA, ESIOB)
Website	www.ectltd.com.au
Corporate Governance Statement	The Corporate Governance Statement of the company can be found at http://www.ectltd. com.au/about-us/corporate-governance/ This statement has been approved by the Board and is current as at 31 August 2016.

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Overview

Overview

Key achievements in 2015-16

- Tripartite Collaboration Agreement Signed
- Techno-Economic Feasibility Study Completed
- Bacchus Marsh High Volume Test Facility upgrades commenced


RAKESH KUMAR
S.K. ACHARYA
GLENN FOZARD
ASHLEY MOORE

Chairman's Message

Dear Shareholder,

On behalf of the Board, I am pleased to share with you the 2016 Annual Report.

Your Managing Director Ashley Moore will talk to the Operations in the next section, so I wanted to briefly provide a strategic focus on where we are, how we reached this point and where we're headed.

Over the past year, we've focused our energy and attention on advancing our key objective: the development of an integrated Coldry Demonstration and Matmor Pilot project in India. We built on that milestone with the delivery of the Techno-Economic Feasibility Study at the end of June

And, as this Annual Report goes to print, we're substantially advanced on the commercial negotiations for the Master Project Agreement that will define the next steps for delivery of our key objective.

The significance of what we've achieved to date should not be underestimated.

By all accounts, we're the first Australian company to achieve this level of engagement with not one, but two Indian government owned enterprises. What makes this achievement extraordinary is the fact that we're pursuing this business on the back of two first-of-a-kind, Australian developed and owned technologies.

As anyone with experience in commercialisation will attest, this is no small feat.

What has driven this is a result of three things:

1) Market demand; growth

2) Political drivers; Economic, energy, resource and environmental policy leadership

3) Teamwork; ECT, NLC and NMDC have taken a collaborative approach

Clearly the driving force is the market side demand from India as it manoeuvres its economy and directs its endeavours to meet the tremendous need for energy and resources as it seeks to bring all of its citizens affordable, reliable electricity and pursues the increase of its domestic steel making capacity in support of nation-building infrastructure.

Prime Minister Modi has set the tone for the nation and his people are rallying behind him.

In addition to this demand are India's domestic constraints:

- No coking coal
- Limited high grade thermal coal
- Internal transport logistics issues
- Iron ore resources that generate more fines than comparable international mines

We built on that milestone with the delivery of the Techno-Economic Feasibility Study at the end of June

These factors have led to a heavy reliance on imported coal sources, which effects the economy through balance of payments. It also effects energy and resource security. Higher prices or supply disruptions become economic impediments.

Coldry and Matmor provide the opportunity to diversify supply through the utilisation of India's abundant domestic resources.

From an environmental perspective, India has committed to reduce its CO_2 intensity under the Paris Climate Agreement. Coldry and Matmor are aligned with this commitment, reducing the CO_2 emissions intensity of power generation from brown coal and steel making.

In terms of teamwork, we've engaged with our partners on a transparent basis, seeking to collaborate to deliver the solutions they need.

This has found a cultural fit, with strong relationships developed on the back of our eagerness to learn and work with the system and people in a collegiate manner. Their success will be our success.

It is common to read about the cultural differences as one of the biggest obstacles to overcome when entering the India market or doing business with India. Suffice to say, as I expressed to Minister Goyal on our last meeting, ECT likes to follow the three 'P's when doing business in India; Patience, with Polite Persistence. While things are done differently in India, if you wish to be effective you must find a way to merge our Australian approach with the local way of doing business

Many organisations think they can simply transplant their normal ways of doing things into India and expect it to work – it probably won't! Understanding the Indian perspective, adapting how our offering fits into Indian requirements and keeping our eyes open to the rapid changes that are happening in India on a daily basis – these are the keys to success in India. That, and the fact your Managing Director has been doing business in India since the early 1990's, with over 100 visits.

With the above in mind, and considering that we build upon our current progress with the commencement of the project in India, I'd like to take a moment to paint a picture of what the future may hold.

To do this I must start by revealing Matmor's best kept secret: Hydrogen.

Hydrogen is a highly valuable and sought after industrial chemical. In recent times, it's also become the global gateway to a clean energy future, with industry conglomerates in countries like Japan investing heavily in hydrogen generation technology development, with an eye on how they can use Victoria's world-class brown coal reserves to deliver a cleaner energy solution.

The pursuit of an economic method for generating hydrogen is one of the great modern energy challenges and I'm pleased to confirm that ECT is positioning to take on part of that challenge.

Last year we alluded to new findings and developments in relation Matmor. We will soon be able to disclose more of these advances and implications of our R&D activities as we prepare to lodge a new patent application in this space.

We've been developing our unique Matmor iron making technology for over a decade, and are poised to scale up that process in India. In the throes of developing the Matmor process for iron and steel making we made several fundamental breakthroughs that led us to a new and unique, low temperature approach to hydrogen generation. These breakthroughs are driving further R&D focusing on improved capability around liberation of Hydrogen from lignite in what we believe could be a new benchmark in efficient hydrogen generation.

For context, hydrogen production from natural gas is well understood but the inputs, operating and capital costs are high.

Generating hydrogen from thermal (black) coal is also well understood, but the process involves gasification where temperatures are up to 1500°C and the use of pure oxygen, so while the input costs are low, the capital and operating costs are high.

Generating hydrogen from a lower cost feedstock like lignite could prove to be a significant edge in the global effort to develop a hydrogen economy.

In short, since we purchased the Matmor technology in December 2014, the company has been investing in the development of a greater understanding of the organic and inorganic chemistry behind the Matmor process.

This development has led to entirely new and unique discoveries allowing us to unlock the powerful chemistry of hydrogen and better control and harness these reactions, leading to new patent applications in development and currently in progress.

It must be noted that a lot of these new discoveries have been facilitated by Keith Henley-Smith, who now carries the new title of Chief Metallurgical Scientist. Keith will continue to experiment at the cutting edge of innovation and is now supported by our newest metallurgical engineer, Lachlan Bartsch.

Exciting opportunities lay before us as we develop and commercialise this process at scale in our Indian project as well as scoping new opportunities here in Australia for application to the Latrobe Valley resource.

At ECT, we have a guiding mantra that helps us focus our efforts and attention: 'Only disclose that which you can explain. Only explain that which you can protect. Only protect that which you can monetise'.

Explain. Protect. Monetise.

We look forward to continuing these efforts and thank you, our shareholders (and optionholders) for your continued, invaluable support in realising our audacious objectives.

Sincerely,

Glenn Fozard
Executive Chairman

Managing Director's Message

Dear Shareholder,

I am very pleased to provide this report on your Company for the period of the 2015-16 financial year.

In the coming pages I focus on areas of key interest to shareholders, highlight important takeaways from the detailed Directors Report and take a look forward at the year ahead.

Before covering our performance for the year, I'd like to acknowledge our team. Our small group has worked tirelessly to deliver the outcomes and progress and continue to dedicate their exceptional efforts in the pursuit of our objectives.

I'd like to touch on a couple of team changes as well. During the course of the year we added to our capability with the appointment of Mr Lachlan Bartsch and, more recently, Mr Jim Blackburn.

Lachlan's appointment to the position of Chief Engineer – Matmor will focus on project execution activities, allowing Keith Henley-Smith to focus his efforts as Chief Scientist on fundamental research.

Jim's appointment to the position of Chief Operating Officer will focus on assisting me across day to day general operations as we step up efforts in India, including finance, accounting, management reporting and high level R&D Program Management.

Our Company Secretary, Mr Adam Giles will maintain is focus on corporate governance, with Jim and Lachlan's appointment allowing him to expand his focus on the important role of corporate communications, encompassing sales & marketing support, branding, investor, media and government relations.

These additions complement the existing skill-sets and help position the Company for the next stage of activity.

Before I dive deep into the past 12 months' operations, I'd like to remind shareholders that how we approach our objectives is as important to our success as the milestones we achieve.

Layered across all we do is a culture and focus driven by the following core values:1.

1. Bridging the Gap:

We are focused on technology as an enabler to a zero-emissions future.

2. Frugal Innovation:

We strive to deliver innovative outcomes through reducing complexity, cost conscious execution and fit-for-purpose engineering.

This means we:

- Ensure that the most appropriate outcome can be developed at the lowest cost and shortest lead time (delivery on time and within budget)
- Work with urgency
- Actively seek continuous improvement opportunities

3. Collaboration:

We work collaboratively to yield the best possible outcomes.

This means we:

- work with each other internally in an open and honest manner
- partner with external stakeholders with respect and trust
- are one team with one agenda

4. Integrity:

When we say we will do something, we do it – and we do it responsibly.

This means we:

- Follow through with commitments on time with the appropriate quality
- Compliance with laws and commercial best practice
- We stand up for what is fair and right ethically with no double standards

5. Sustainability:

We consider the safety, quality and environmental outcomes of our decisions.

This means we:

- Have a passion for quality which is built into our processes and projects
- Consider the impact of our daily decisions on our future (our people, our company and our stakeholders) and that of the environment around us
- Respect Safety, Health and the Environment in all we do

Operations

The important activities and achievements included:

- Passed through Indian Government approvals process to progress with NLC & NMDC (Ministry of Coal, Ministry of Steel, Department of Public Enterprises, Cabinet Secretariat). Arduous, time consuming, frustrating, but very positive for ECT's profile in India, as well as with the Australian Government, who supported us so strongly via the New Delhi High Commission)
- Signed the Tripartite Collaboration Agreement in Jan 2016, initiating the work programs needed to deliver on objectives
- Completed the Techno-Economic Feasibility (TEF) study in June 2016, having selected MN Dastur as our Matmor engineering partner, and worked closely with NLC & NMDC throughout the 5 month works program.
- Achieved first regular commercial sales of trial run by-product
- Developed and (as of the distribution of this report) commenced commissioning the Bacchus Marsh Coldry High Volume Test Facility
- Commenced the Pilot Plant development program for Matmor with additional works at our Test Plant in Bacchus Marsh

TEF Highlights

The following Table summarises the outcomes of the economic analysis provided by Dastur:

	BF - BOF	DRI - EAF	C/M - EAF	C/M - EAF
	Blast Furnace - Basic Oxygen Furnace	Coal Based DRI - Electric Arc Furnace	Coldry / Matmor - Electric Arc Furnace	Coldry / Matmor - EAF + Power Generation
Case / Scenario	Base Case	Base Case	Base Case	Mid Case
	Crore ₹	Crore ₹	Crore ₹	Crore ₹
CAPEX	2,522	2,257	1,400	1,607
OPEX	969	1,187	1,085	1,002
SALES	1,264	1,372	1307	1,307
Gross Profit	**295**	**185**	**222**	**305**
IRR (Ungeared)	**9.1%**	**5.0%**	**14.1%**	**17.2%**

Table 1 Summary of Economic Potential for the Coldry-Matmor Integrated Steel Plant at commercial scale

This impressive result has been achieved despite the market price for coking coal, thermal coal, and iron ore being – at the time – at recent historical and cyclical lows, reducing the relative competitive advantage of using lower cost raw materials and having a lower capital cost plant.

For comparison, we have updated the numbers to reflect current commodity and steel pricing, with the results as follows:

	BF - BOF	DRI - EAF	C/M - EAF	C/M - EAF
	Blast Furnace - Basic Oxygen Furnace	Coal Based DRI - Electric Arc Furnace	Coldry / Matmor - Electric Arc Furnace	Coldry / Matmor - EAF + Power Generation
Case / Scenario	Base Case	Base Case	Base Case	Mid Case
	Crore ₹	Crore ₹	Crore ₹	Crore ₹
CAPEX	2,522	2,257	1,400	1,607
OPEX	969	1,187	1,085	1,002
SALES	1,347	1,309	1,376	1,376
Gross Profit	**-17**	**139**	**271**	**354**
IRR (Ungeared)	**Negative**	**2.2%**	**17.5%**	**20.0%**

The improvements are nothing short of compelling.

This highlights the benefit of raw material diversification and decoupling from the traditional commodity markets.

In continuing to support the project development process and timeline, the report highlighted the opportunity to drive a relatively low value, low-grade lignite resource up the value chain to a higher value metallurgical application - a significant additional value proposition for NLC's abundant lignite resources.

Similarly, NMDC can access similar benefits as the Matmor process liberates stranded iron ore fines and slimes to drive increased value from its mining efforts.

Combined, the outcome of leveraging lower value and stranded resources will deliver a solution that has broader implications for both NLC and NMDC:

Energy & Resource security;

Through the Coldry / Matmor innovation, lignite can be used instead of higher-cost coking coal. Soft iron ores, fines, and slimes can move up the value chain, as diversified sources of supply and displace the import of higher-cost lump ore.

- This diversification of supply via the upgrading of lower-value and stranded domestic resources increases self-reliance, assisting India to decouple from the risks of heavy reliance on international suppliers of coking coal, and enabling the use of a broader range of domestic iron ore sources.

Economic security;

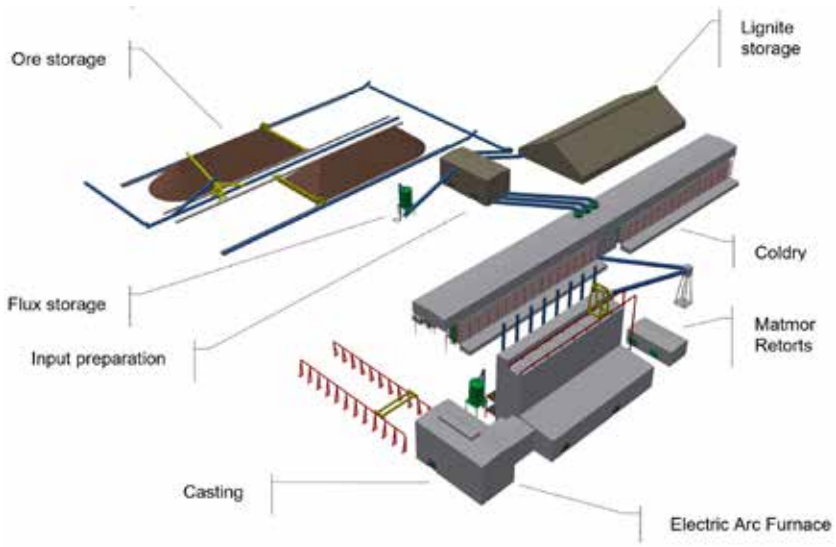
- The Coldry and Matmor technologies act as economic levers, upgrading lignite to enable higher value applications that can broaden supply options across thermal coal, gas, oil and fertiliser markets, mitigating reliance on imports.
- Coldry increases the efficiency at which the lignite resource is used, extending its useful life and extracting greater value.
- Matmor's potential lies in its ability to take 'waste' iron ore, combine it with low-cost lignite and turn it into a high-value product. It opens the door to alternative iron ore sources, diversifying supply and mitigating imports, resulting in improved commercial competitiveness, an improved balance of payments, increases in GDP and contributes to affordable iron and steel supply in support of infrastructure growth.

Sustainability;

- Energy security underpins economic security, which in turn supports the cost of environmentally cleaner pathways.
- At the broader national level, increased economic prosperity leads to better ability to invest in, and respond to key environmental outcomes.
- The Coldry-Matmor process for steel making has lower emissions intensity than incumbent processes, helping mitigate environmental impact.

The TEF report encompasses a study conducted in the second quarter of 2016 by MN Dastur, which considered the viability of a commercial scale Coldry-Matmor plant. The Dastur study was, in part, based on a comparison of the costs involved in the construction and operation of a process plant to produce 500,000 tonnes of billet steel in India. Principally the study compares the capital and operating costs of the Coldry-Matmor technology with established technologies for steel production, and their relative financial performance under a range of scenarios.

Capital and operating costs of traditional approaches to steel production (Blast



Furnace & Basic Oxygen Furnace; Coal based Direct Reduced Iron & Electric Arc Furnace) are compared to a Coldry-Matmor plant integrated with an Electric Arc Furnace. The comparison is based on utilisation of the iron ore fines produced by NMDC to the greatest extent possible and, if compatible with the technology, utilising NLC's lignite resources to produce billet steel. This study reviews the production cost and the capital cost of each process option and quantifies the economic and strategic advantages of the Coldry-Matmor integrated steel plant as a means to validate the investment in innovation required to advance the technology to commercial production.

The Dastur study provided the technical and economic rationale to proceed to the detailed design phase, and from there to the funding and construction of a Matmor Pilot / Coldry Demonstration Plant in Neyveli.

Once completed, this pilot-demonstration plant provides the necessary conditions precedent for the construction a full commercial scale Coldry and Matmor plant in 2019, and realisation for both NLC and NMDC of the significant advantage this technology can deliver to India's future steel production industry via lower operating costs and lower cost volatility, lower capital cost, and reducing the dependence on imported raw materials.

The outcome of the TEF was the approval by the respective Boards of NLC and NMDC to finalise the commercial agreements needed to commence the proposed project.

At the time of printing, we are significantly advanced with regard to the negotiation of the Master Project Agreement and will provide updates via the ASX as we advance.

Bacchus Marsh R&D Facility

High Volume Test facility

In mid-2015 we began actively exploring modifications to our Coldry Pilot plant at Bacchus Marsh to enhance its testing capability and generate new scientific knowledge in support of Coldry and Matmor commercialisation objectives.

The requirement for higher testing capacity has been driven by the identification of the need to provide a robust R&D facility that can provide sufficient flexibility and volume of Coldry product to satisfy minimum quantities for end user testing in larger systems. We also need to be able to test operating parameters that sit outside of the current plant configuration and capability. Further, the upgrades will be targeted at increasing efficiency and accuracy in the testing of new brown coals with the aim of reducing test program cycle times in the pursuit of new knowledge and intellectual property.

This is an R&D expense to the business in pursuit of generating new knowledge.

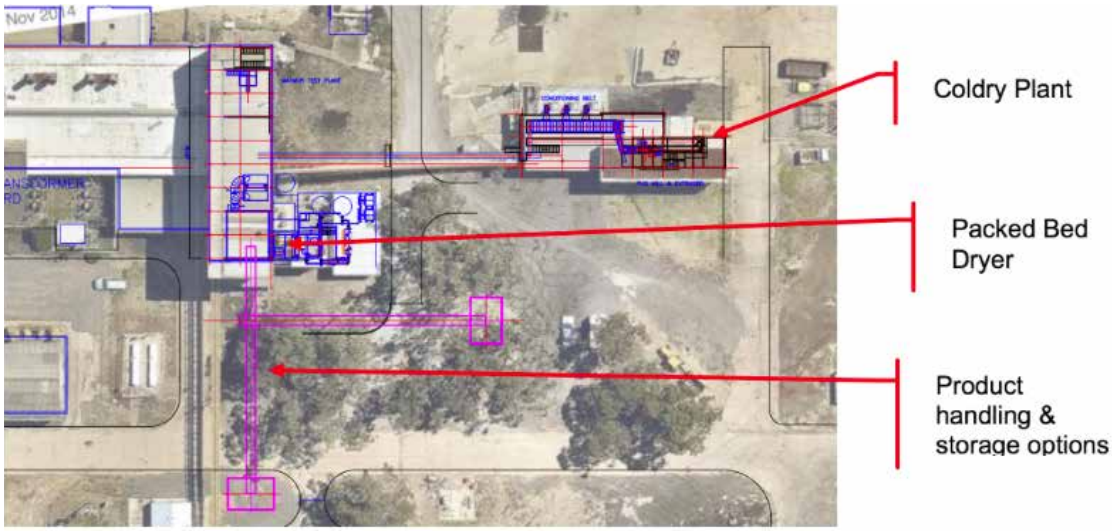
Coinciding with this activity, a confluence of factors in the Victorian market has created a compelling economic opportunity.

The Victorian market for thermal coal has experienced a persistent disconnect from the global market. While the global price for thermal coal has hovered around $60 per tonne for much of the year, remaining supplies of brown coal briquettes are fetching significantly higher prices in Victoria.

The closure of the briquette factory in Victoria is having repercussions. And while there are solutions, such as importing black coal from NSW, or connecting to the gas network, both options are very expensive. Solar and wind aren't appropriate for starting power stations or raising steam.

This has created a potential opportunity to supply a dried brown coal product such as Coldry into the Victorian market. If successful, the Company hopes to defray some of its R&D costs through the sale of output from its R&D activities in the Victorian market while achieving valuable new knowledge from our pilot plant and its resulting products.

The 'waste heat' aspect of the plant is a good example of the type of upgrade being scoped. The Coldry process utilises waste heat to provide evaporative energy to drive cost-effective drying. In the absence of a waste heat source in Bacchus Marsh, the Pilot Plant has been developed around the simulation of waste heat via the use of an LPG-fired hot water heater. This has been identified as the number one limitation both in terms of capability and flexibility.



At 30 June 2016, approximately half of the work needed to deliver on the plant objectives had been completed, with the balance due for completion soon, followed by a period of operational commissioning. A program of experimental activity is set to commence thereafter.

Commercial Sales of Coldry

As shareholders will be aware the Coldry pilot plant is not a commercial facility.

Due to its R&D configuration and small scale the cost of production per tonne is relatively high. While we can't run it as a commercial endeavour we can look to offset R&D expenditure through the sale of experimental product off-take to local commercial consumers who previously used briquettes.

As mentioned, this opportunity is characterised by a disconnect from broader coal markets, creating high prices in Victoria. This has led to a demand for Coldry, with sales of several hundred tonnes delivered during the past year.

Further updates will be provided as activities progress.

Matmor Test Plant Activity

We've pursued two distinct activity paths during the course of the year:

1) Fundamental Research & Development

2) Pilot Plant preparations

The fundamental R&D has continued to build the knowledge base for our breakthroughs relating to the fundamental organic and inorganic chemistry in the Matmor process and the efficiencies we're achieving, leading to the preparation of a new patent for our HydroMOR process.

As you'll appreciate, we can't disclose certain information until we've lodged our patent application, but suffice to say we're quite excited with the positive ramifications this has had on our technology capability and with regard to pilot plant preparation.

The project in India involves the scale up of the Matmor (HydroMOR) process to pilot scale. This is a step up from the 1 tonne per day batch process with no automation to a 1-2 tonne per hour fully automated facility integrated with the Coldry demonstration plant.

Key activities have included the recommissioning of the test plant following upgrades now underway, and the identification and implementation of modifications to incorporate recent breakthroughs in the new process.

Additional data gathering equipment will be added shortly, followed by a series of test runs designed to refine the operating parameters and basis of design for the pilot plant in India.

FY2016-17 – The path ahead

As this report goes to print, we are in the final stages of the commercial negotiations for the Master Project Agreement with NLC and NMDC.

Discussions have significantly progressed between the parties. Major commercial aspects have achieved mutually beneficial alignment, with the funding split settling firmly on contributions of one third each, as originally envisaged.

Achieving the right legal arrangements around the structuring are proving challenging, as expected.

The challenge lies in achieving a tax-effective, regulatory-effective structure that meets the requirements of Indian PSU's while also working for ECT in terms of our requirements under the R&D tax incentive legislation.

In pursuit of getting this right, we have recently completed a review with external, India based legal advisors relating to the tax and compliance issues associated with various structural options to allow the project to move forward. The review was complex, and involved tax, legal, legislative and compliance aspects for the Indian based entities we will be using to execute the project, as well as the Governmental rules associated with how PSUs are intended to conduct their business. This work ensures that we are positioned to appropriately articulate the Pilot / Demonstration project into the future Commercial oriented entity which would follow a successful R&D program. We have spent more time on this than our earlier program plan allowed for, and hope to recover some of that time and return closer to schedule.

At the time of printing, I think it's realistic to say we are expecting a November milestone, vs. our earlier expectation of October.

Following execution of the Master Project Agreement we will proceed to initial funding, then commence final engineering activities ahead of construction.

Finally, I'd like to acknowledge and thank our shareholders for their ongoing support. We have a very stable top 40 and a passionate market following and we look forward to stepping into the project phase this year, and taking a significant step toward the validation of both technologies and the subsequent commercial rollout to deliver on their incredible promise and potential.

Yours sincerely,

Ashley Moore
Managing Director

Board & Key Management

Adam Giles - Corporate Communications & Company Secretary

Adam has over 25 years business and management experience across both private and public sectors. His long-term involvement with the development of the Coldry and Matmor technologies and as a founding shareholder of the Company provides valuable background, helping inform strategic direction. Key responsibility areas include Corporate Communications and Governance.

James Blackburn - Chief Operating Officer

James has a strong executive background as a corporate development practitioner with over 18 years experience in governance, operational, and technical roles across research, investment and corporate services disciplines. James has core responsibility for ECT Corporate Services and plays a key role in the companys commercialisation programs.

Keith Henley-Smith - Chief Scientist – Metallurgy

Keith is a chemical engineer, metallurgist and inventor with over 40 years experience. Mr Henley-Smith leads the fundamental research and development efforts for Matmor.

Warrick Boyle - Chief Engineer – Coldry

Warrick is a Manufacturing and Chemical Engineer with 20 years experience across diverse manufacturing roles in medical, chemical, industrial, pharmaceutical and consumer goods. Warrick's core responsibility is the fundamental process development of the Coldry technology and the operations of the High Volume Test Facility.

Lachlan Bartsch - Chief Engineer – Matmor

Lachlan is a project manager with strong a strong operational background and engineering design experience with a focus on metallurgical applications and design consulting. Lachlan's experience with the multidisciplinary management of feasibility and prefeasibility studies as a Project Engineer and Area Manager, combined with his metallurgical, operational and commissioning experience provides an ideal skillset to drive the Matmor development and commercialisation program.

Board & Key Management

Glenn Fozard - Chairman

Glenn has a strong commercial background and extensive experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the Cleantech and Agricultural sectors, he supports the company with valuable guidance in the technology development, risk management and capital raising areas. Glenn is the founder of Greenard Willing and Chairman of Platinum Road, both specialist financial advisory firms. Glenn has held an advisory position with the company for over five years and has contributed significantly towards the capital raising for the company during that time.

Ashley Moore - Managing Director

Ashley is a Chartered Professional Engineer, with extensive experience in all facets of manufacturing, plant operations, supply chain management, sales and marketing and major project delivery from 30 years in industry. Ashley joined the company in October 2009 as Business Manager, Coldry. Ashley was appointed to the role of Chief Operating Officer of the company in August 2011, and then to Managing Director in 2013.

David Smith - Non-Executive Director

David has a strong legal and commercial background, having practiced commercial law for over 24 years including nearly 17 years as a partner in national firms. He is currently a partner in the intellectual property and technology group at Gadens Lawyers. He has assisted many companies with protecting their intellectual property, IP commercialisation agreements, collaborative research agreements and international negotiations. This year David was recognised as a 'Best Lawyer - Intellectual Property' for the second year running. He is currently Vice President of Bicycle Network where he also chairs the Audit and Risk Committee.

Barry Richards - Non-Executive Director

Barry has a strong industry and commercial background of over 30 years including his role as Managing Director of Mecrus Pty Ltd since its formation over 16 years ago, contract and business development roles with Siemens / Silcar, and operations and maintenance management experience with the State Electricity Commission of Victoria (SECV). He provides extensive experience in business management, major project development and delivery, coal plant operations and maintenance and has a broad understanding of technology and process development.

Coldry Technology

Coldry Technology

General information

- Opens new markets
- Establishes new revenue streams
- Diversifies energy & resource options
- Upward revaluation of stranded or low value low rank coal assets
- Enhanced efficiencies
- Mitigate CO_2 emissions

Introduction

The Coldry process is designed to meet a single crucial objective - reduction of water content.

In doing so, it increases the energy content of the finished product, which significantly increases its value. It's low processing cost also opens significant margin opportunities for lignite asset owners.

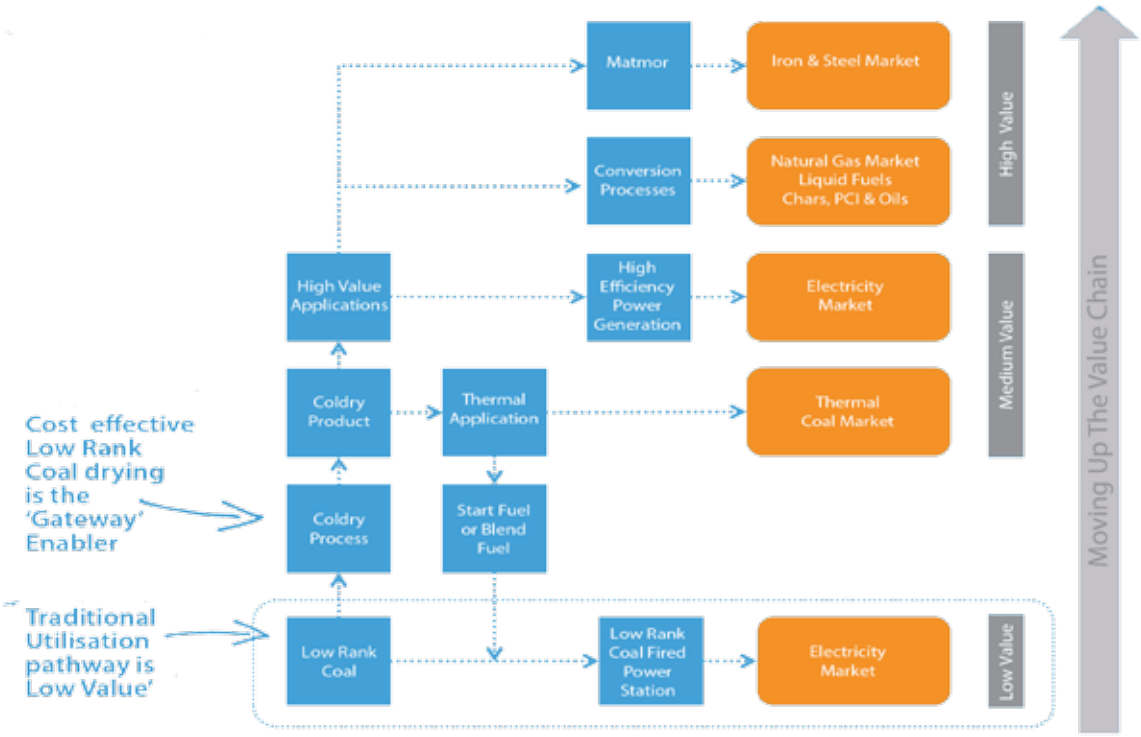
Developed in Australia and patented globally, Coldry is a cost effective and energy efficient method for dewatering high-moisture low rank coals such as lignite, creating an upgraded product similar in material properties to black coal for local and export markets.

ECT have designed Coldry to work as a standalone technology that has applications in the power industry where it can be used to upgrade low-quality coal, reduce CO_2 intensity and increase the efficiency of coal-fired power plants.

The Coldry process also acts as the feed preparation stage for the Matmor process, enabling the high value utilisation of lignite in iron and steel making.

Coldry Value Proposition

By converting high moisture, low calorific value lignite from a low value material with limited usage opportunities into a high energy, low moisture, transportable fuel or raw material, Coldry opens up new markets and a wide range of applications. It also reduces the CO_2 emissions intensity associated with utilisation, enabling greater sustainability of outcomes.



Economic and environmental benefits

In the specific case of India, with its own vast reserves of lignite, a critical economic objective can be achieved in utilisation of Coldry technology. Upgrading of its own domestic resources to serve as additional fuel for power generation allows corresponding decreases in purchases of imported fuel delivering positive economic outcomes.

The Coldry process converts high moisture, low calorific value lignite from a low value material with limited usage opportunities into a high energy, low moisture, transportable fuel or raw material, useful in a wide range of applications. It also reduces the CO_2 emissions intensity associated with utilisation, enabling greater sustainability of outcomes.

Why dry coal?

High-moisture coals have less energy and significantly higher CO_2 footprint when combusted compared to thermal (black) coal or gas.

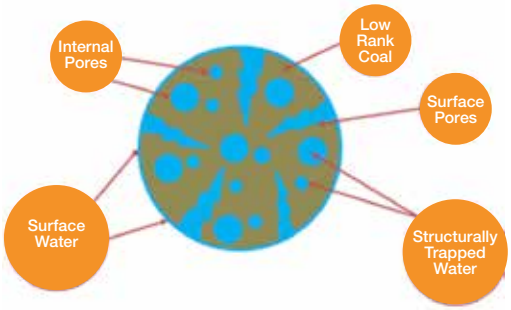
It needs to be dried before it's used.

- Drying is easy.
- Drying efficiently and cost-effectively is the challenge.
- Coldry meets the challenge.

Achieving a net energy uplift and zero CO_2 emissions at the lowest possible marginal cost, is the goal.

"It is difficult to dry low rank coal with high efficiency. For hard coals, the majority of the moisture is present on the surface of coal particles. Energy required to remove free moisture is simply the latent heat of evaporation (~2.27MJ/kg). In contrast a considerable portion of the moisture is held by hydrogen bonds in the capillary pores or interstices of low rank coal particles. Hydrogen bonding increases the strength of moisture holding and more energy is needed to remove a certain amount of moisture from low rank coal. Another severe problem with drying low rank coal is the ease of re-absorption of moisture. To achieve deep drying of low rank coal, the number of hydrogen bonds has to be reduced by destroying them either using thermal or mechanical methods, which is the key to any effective drying process."

Dr Nigel S Dong, IEA Clean Coal Centre



Coldry Process Overview

Coldry achieves low temperature, low pressure, low cost drying through a unique combination of:

1. Brown coal densification
2. Waste heat utilisation

Brown coal densification is a physical and chemical phenomena exhibited by a range of high-moisture coals that results in the expulsion of moisture and densification of the remaining coal solids.

The Coldry technology process involves several process stages:

1. Mechanical Shearing: The majority of the physically trapped moisture is released via destruction of the porous structure of the coal, which is achieved via mechanical shearing, resulting in a coal slurry of suitable consistency for extrusion.
2. Extrusion: The slurry is extruded to produce pellets of optimal dimension for subsequent drying.
3. Drying: Waste energy from a co-located power station (or another low-grade 'waste' energy source) is utilised to cost-effectively evaporate the mobilised water within the pellets, delivering a finished product with less than 15% moisture.

The Coldry process has impressive benefits in comparison to the traditional drying processes, including;

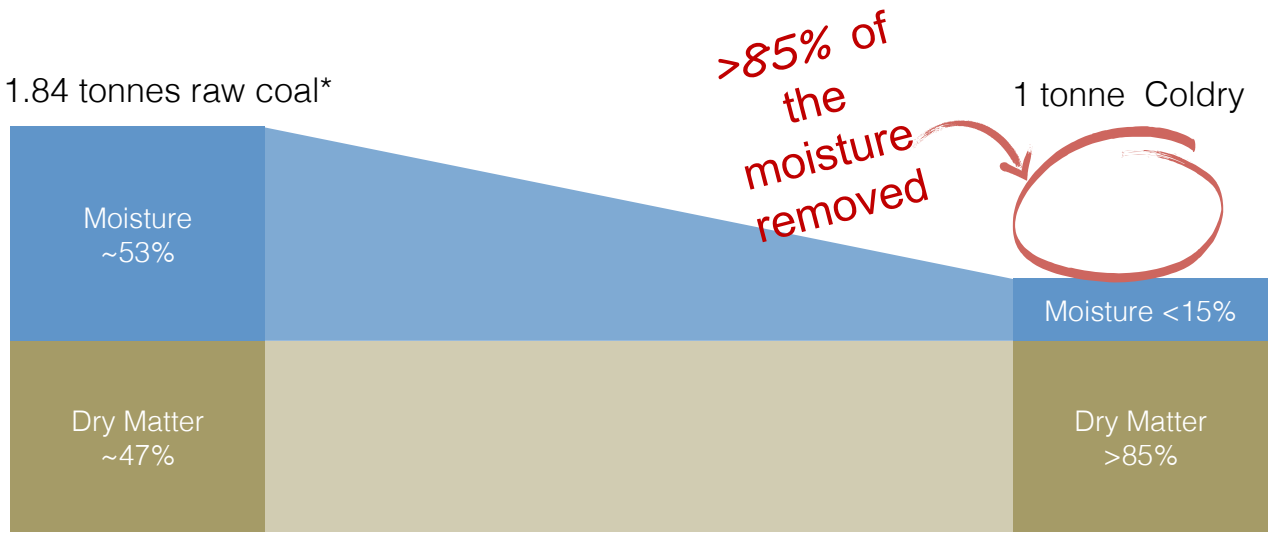
- No direct gaseous emissions (including CO_2, NOx, and SOx);
- Significant energy uplift compared to the raw lignite (200% increase in calorific value);
- Thermally stable finished product, with reduced spontaneous combustion tendencies;
- Where commercially desirable, there is also the option to harvest evaporated moisture.
- Flexibility for use in the upgrade of lower-quality coal for use in power generation and to create the feedstock for an integrated steel-producing DRI facility.

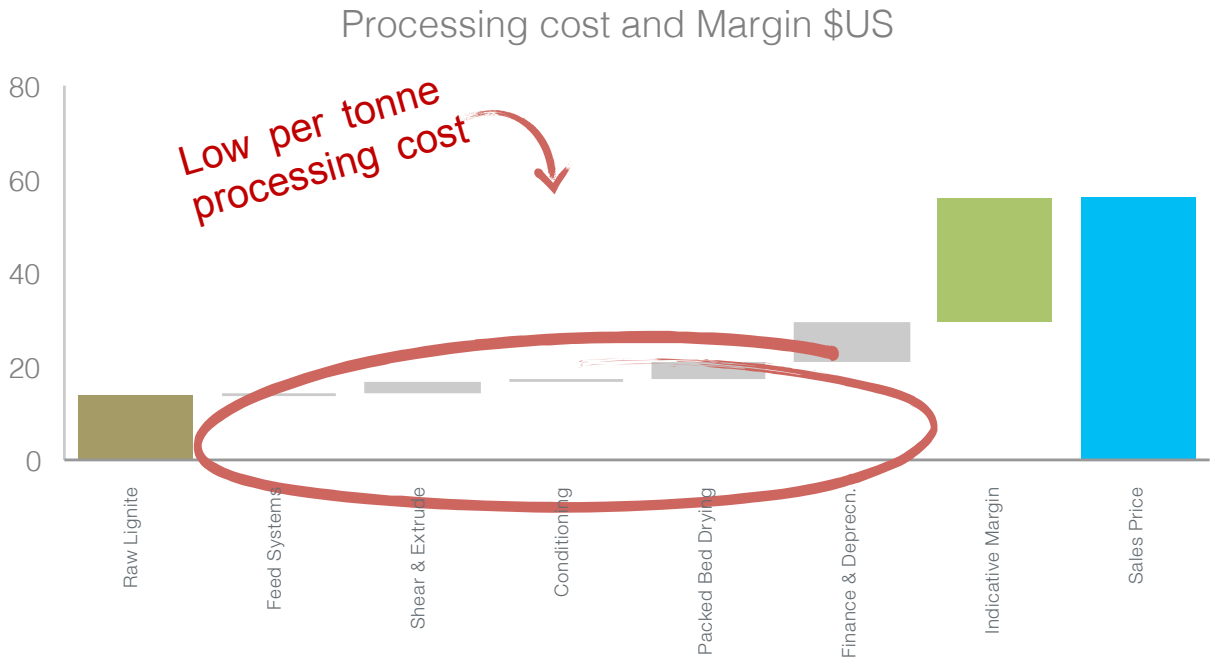
Coldry Value Transformation

"Given India's large demand-supply mismatch of thermal coal, the Coldry technology offers an efficient and cost- effective solution to utilize the 43 BT (est.) lignite reserves of India efficiently to bolster the energy security of the country while mitigating any adverse impact on the climate.

"YES Bank Ltd, India

The marginal upgrading cost supports substantial value add through allowing low-rank coal to service higher value coal markets, with significant margin.





The Coldry process converts high moisture, low calorific value lignite from a low value material with limited usage opportunities into a high energy, low moisture, transportable fuel or raw material, useful in a wide range of applications. It also reduces the CO_2 emissions intensity associated with utilisation, enabling greater sustainability of outcomes.

The process achieves a single objective - reduction of water content. In doing so, it increases the energy content of the finished product, which significantly increases its value. Low cost processing opens significant margin opportunities for the lignite asset owner.

In the specific case of India, with its own vast reserves of lignite, a critical economic objective can be achieved in-utilisation of Coldry technology. Upgrading of its own domestic resources to serve as additional fuel for power generation allows corresponding decreases in purchases of imported fuel. This provides greater productivity for the nation, greater self sufficiency, and lower national debt as the economy transitions from its current developing status.

Status of development

The research and development of the Coldry technology have followed a methodical, stepwise process involving scale-up, validation and optimisation from lab scale to pilot scale to inform the current Coldry plant modular design.

The process is poised for demonstration in partnership with NLC India Limited and NMDC Limited.

Coldry: Pilot Plant

The Coldry process has been proven to pilot plant scale over several years. Located 50km North West of Melbourne near the Maddingley Coal Mine at Bacchus Marsh, our pilot plant is the centre of R&D for the Coldry process as well as for our Matmor technology.

The Coldry Process has been incrementally developed from lab-scale through to batch-scale and then to a continuous process pilot plant, with over 4,000 operational hours, informing refinement and optimisation of the commercial scale design.

Coldry Pilot Plant, Bacchus Marsh, Victoria, Australia

Matmor Technology

Matmor Technology

Introduction

Matmor is a novel iron processing technology that facilitates the efficient production of high quality direct reduced iron from inexpensive materials that have been traditionally thought of as poor or sub-economic quality such as mill scale, nickel tailings, high or low-grade iron ore and iron ore fines and lignite and other low-quality coals.

Matmor, integrated with Coldry, can utilise these low-cost feed materials which are traditionally regarded as sub-economic and low quality due to their incompatibility with traditional iron production techniques.

The Matmor retort processes Coldry pellets specifically blended according to the makeup of the feed materials and can efficiently reduce Iron oxide at relatively low temperature.

The Matmor retort's unique combination of a highly reactive atmosphere, coupled with the pelleted compounding of reductant and ore enable a uniquely efficient metal production.

Matmor Value Proposition

The value proposition for Matmor is characterised by two distinct advantages:

1) Alternative raw material opportunity

2) Lower plant cost

The ‘alternative raw material’ opportunity

There exists a vast, ‘above ground ore body’ in the form of iron ore mine fines and slimes, and industrial wastes such as millscale and nickel refinery tailings.

Current processes can’t utilise fines and wastes without expensive pre-processing.

Matmor liberates this resource in an efficient, cost-effective manner.

Matmor enables a lower cost primary iron production pathway by leveraging two unique features:

1) Decoupling iron making from coking coal

   By utilising the rich organic chemistry within low rank coal, the Matmor process utilises a different chemical pathway to deliver a high quality product without the need for high quality coking coal, resulting in decreased raw material cost and diversified supply options.

2) Exploiting the ‘above ground ore body’

   By harnessing the vast ‘above ground ore body’ that exists as mine tailings, fines and slimes and from industrial wastes such as millscale and nickel refinery tailings, Matmor is able to leverage sunk mining and processing costs by providing a waste remediation solution that turns a contingent liability into a revenue stream.

Tailings storage locks up significant swathes of valuable land. Matmor minimises waste, releasing land for productive use.

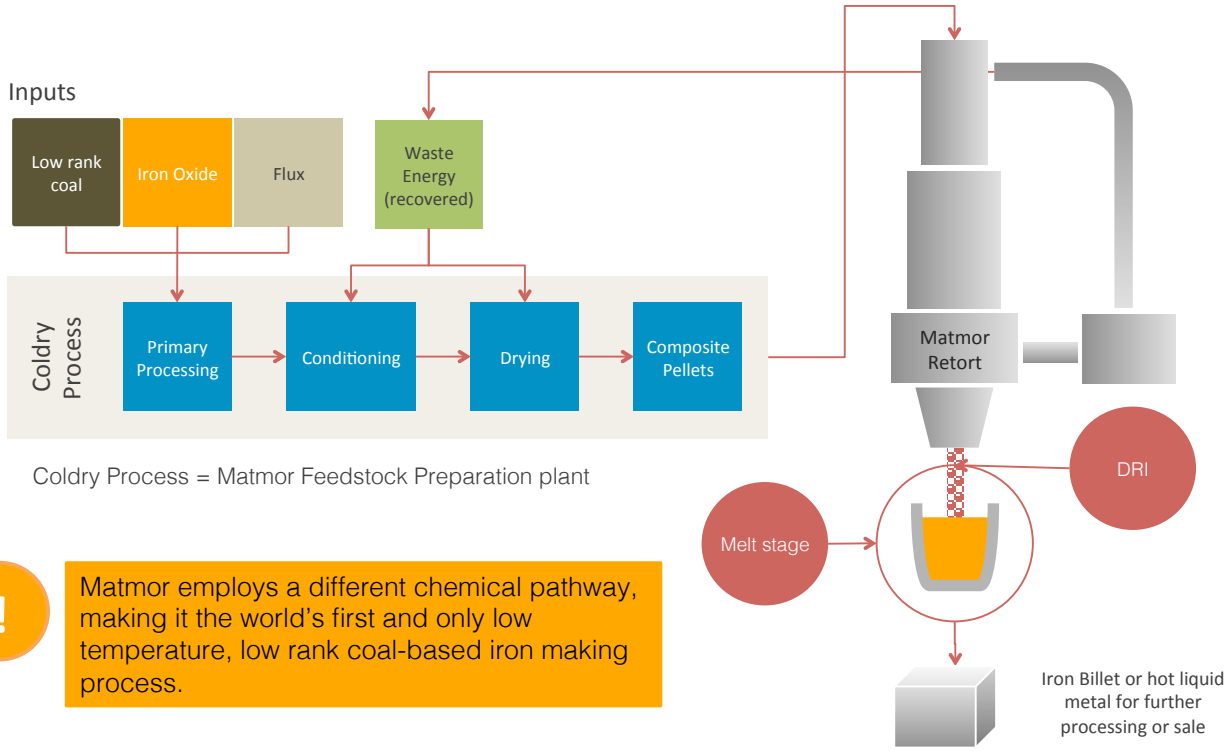
Lower Plant Cost

- The Matmor plant, incorporating Coldry as its front-end raw material preparation stage, is up to 40% less capital intensive than an equivalent capacity Blast Furnace or Coal-based DRI plant.
- Relatively low operation temperatures reduce material capital cost of plant
- Smaller equipment sizes, when compared to existing steel production processes, results in reduced land area requirements
- Efficient reaction kinetics result in lower reductant requirements when compared to DRI technologies
- Simple equipment design facilitates low maintenance requirements, high asset availability and long production lifetime
- Simple process flow and high levels of process automation allow for low operational staffing requirements
- Very low water consumption compared with other DRI technologies

Matmor Technology Overview

Matmor is a vertical DRI retort developed and owned by ECT. It is fed in a semi-continuous method with Coldry 'composite' pellets and efficiently reduces iron oxide at relatively low temperatures. The product of Matmor is comparable to a high-quality DRI pellet which can be fed to traditional steel refining processes.

Matmor Process Diagram



Coldry Process = Matmor Feedstock Preparation plant

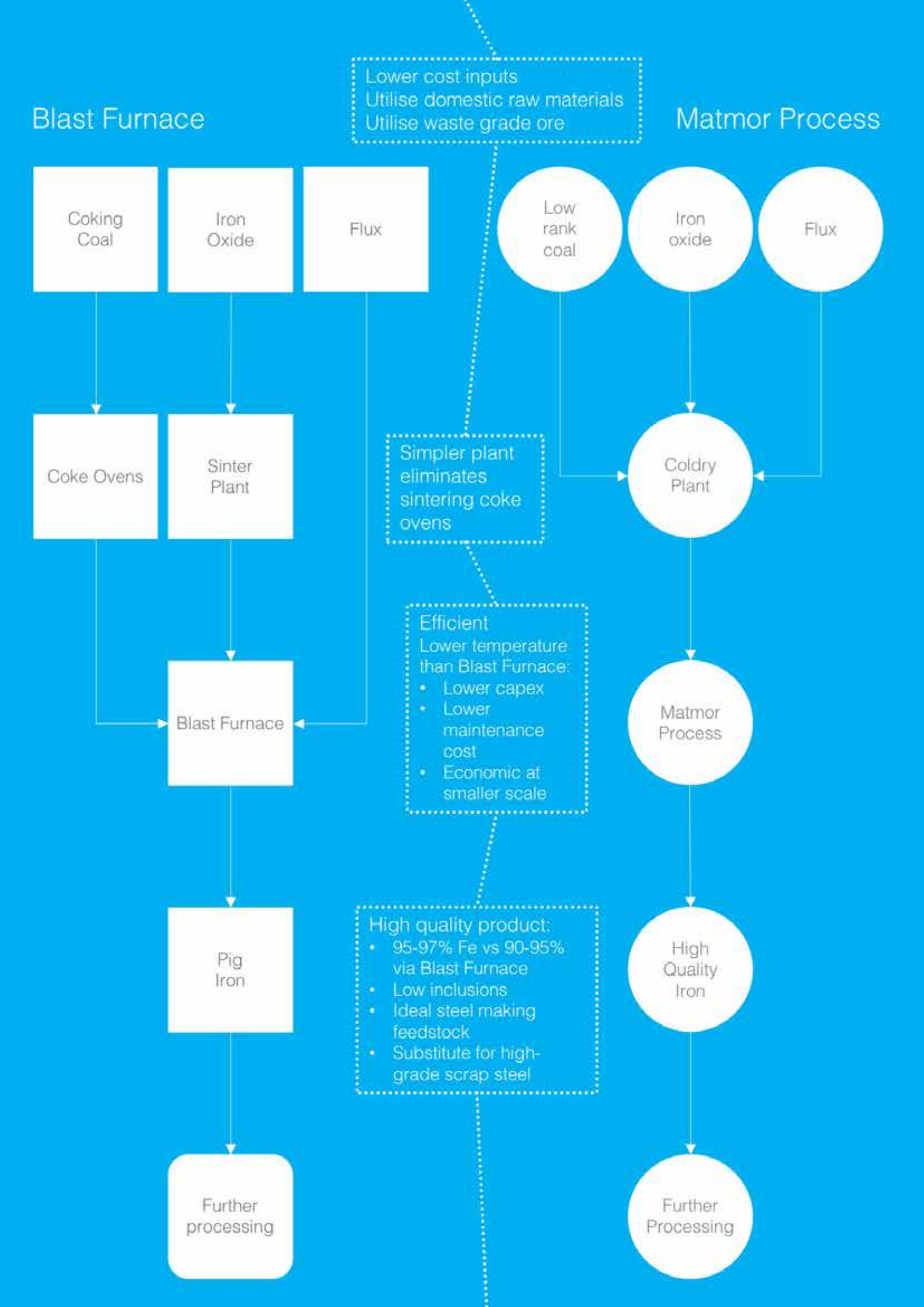
Matmor employs a different chemical pathway, making it the world's first and only low temperature, low rank coal-based iron making process.

Status of development

The research and development of the Matmor technology has followed a methodical, stepwise process involving scale-up, validation, and optimisation from lab scale to test plant and to pilot scale.

Current plans to upgrade the Matmor test facility will inform the Pilot Plant development program and increase confidence as we advance through scale-up toward commercial capacity.

The planned upgrades will result in the facility's ability to process higher volumes of material on a continuous production basis. Continuous operation enables the collection of steady state operation data and inform future engineering design decisions.


Lower cost inputs
Utilise domestic raw materials
Utilise waste grade ore
Blast Furnace
Matmor Process
Coking Coal
Iron Oxide
Flux
Low rank coal
Iron oxide
Flux
Coke Ovens
Sinter Plant
Simpler plant eliminates sintering coke ovens
Coldry Plant
Efficient
Lower temperature than Blast Furnace:
• Lower capex
• Lower maintenance cost
• Economic at smaller scale
Blast Furnace
Matmor Process
Pig Iron
High quality product:
• 95-97% Fe vs 90-95% via Blast Furnace
• Low inclusions
• Ideal steel making feedstock
• Substitute for high-grade scrap steel
High Quality Iron
Further processing
Further Processing

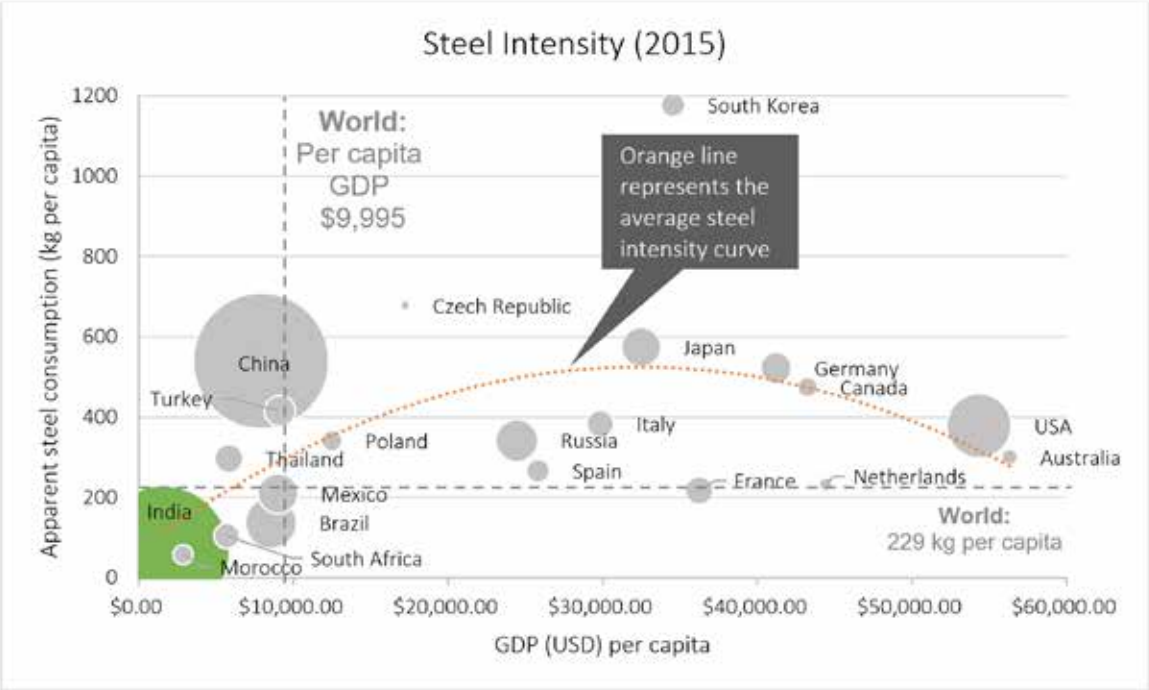
The ‘steel intensity’ challenge

- India is positioned to substantially increase its steel demand, yet is heavily reliant on imports of coking coal and iron ore.
- Matmor opens up new domestic raw material supply options in support of growth in emerging nations.
- In countries with mature steel intensity curves, Matmor is an ideal waste remediation solution.

The most powerful forces driving steel demand are aligned. As economies develop and modernise, steel consumption per capita grows, reflecting a wide range of growing applications – basic infrastructure, water treatment plants, food processing distribution centres, roads, bridges – and, as the middle class emerges, durable goods such as appliances and cars.

The Steel intensity curve is away of looking at trends in-consumption as nations expand their economies overtime. It is well described at Cornerstone magazine website.*

“The steel intensity curve explains the long-term drivers for steel use. The first stage of the curve during an emerging economy’s rapid growth is the most steel intensive, driven largely by high levels of government investment that boost construction and infrastructure demand. In many rapid-growth markets,which are in Stage 1 to the left of the steel intensity curve, steel consumption will continue to be driven by the growth of their construction and infrastructure sector. The steel intensity curve stabilises or starts to decline at around US$15,000–20,000 GDP per capita as a country becomes more developed and urbanisation rates begin to decline (Stages 2 and 3).”



** http://cornerstonemag.net/urbanization-steel-demand-and-raw-materials/*

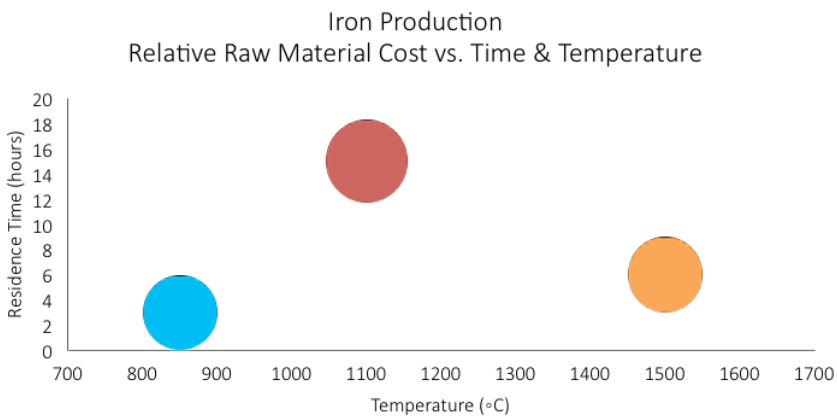
As can be seen in the curve, India has a great deal of steel consumption growth ahead - building basic services such as power, road and rail, accommodation, factories and other necessary infrastructure their population needs.

Growth in demand for both iron ore and coking coal will drive pricing change in both commodities. In specific markets, given different availabilities, this supply-demand pressure will play out in an uneven fashion. In-particular, coking coal supply-demand is likely to see more upward pricing pressure than iron ore, and in India specifically, given a lack of a domestic supply of coking coal, significant supply chain issues will limit the extent to which India will be able to competitively supply its own iron & steel needs.

Enter Matmor technology; A means to separate iron and steel demand from coking coal requirements.

Benefits vs other methods

- Lower Temperature
- Lower residence time, higher productivity
- Lower Cost



Normally used iron production technologies are Blast Furnace, about which we've spoken at great length. Also in common use, and quite prevalent in India is coal based DRI (Direct Reduced Iron - a horizontal roasting.

Basic process comparators of temperature and residence time can provide information on capital cost (the hotter a process is, the more expensive it is to build equipment to contain it) and the productivity of an asset (it you can push more material through faster, your asset is generating greater the opportunity for more revenue).

The typically expected curve is that as you reduce temperature, you reduce the rate at which you are able to process materials, especially for high temperature operations which absorb energy as they are processed. This is definitely the case when you compare Blast furnace to DRI - At several hundred degrees cooler, the DRI process takes substantially longer (2-3x) to achieve reduction of the iron ores to iron. You also see a commensurate reduction in raw material cost, which is a main driver to adopt this competitive technology.

Enter Matmor technology.

It utilises different raw materials, and a different reaction sequence, allowing for dual benefits. Lower temperature, providing for capital cost reductions and energy savings, as well as greater productivity - at residence times around a half of that of Blast furnaces. This makes for greater productivity, lower capital cost, and lower operating costs.

Financial Report

Financial Report

General information

The financial statements comprise those of Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited ('the company') and the entities it controlled at the end of, or during, the year ('together referred to as the consolidated entity').

Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Environmental Clean Technologies Limited (referred to hereafter as the 'company or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

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

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

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of investment, research, development and commercialisation of environmentally cleaner technologies and processes capable of reducing carbon emissions and environmental damage in the energy and resource sectors. Such activities included:

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

Coldry Process

The Coldry process is low temperature, low pressure and therefore a low cost method of de-watering low-rank coal to produce an upgraded black coal equivalent. The process is currently poised to progress from pilot-scale to demonstration- scale allowing techno-economic validation ahead of intended broader commercial roll-out.

The Coldry process produces pellets that are stable, easily stored, can be transported, and are of equal or higher energy value than many black coals. When used in electricity production, Coldry pellets have a significantly lower CO2 footprint than the low-rank coal from which they are made, providing a compelling abatement solution.

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

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

Matmor Process

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

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

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

The Matmor process operates below 1000ºC, compared to a blast furnace which operates at around 1500ºC. Lower temperature operation requires less energy input and results in less thermal stress on the plant, enabling lower cost materials to be used in its construction.

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

Intellectual Property

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

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

Dividends

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

Review of operations

Major Highlights:

14 Dec 2015 – Final clearances were received from the Government of India to proceed with the Tripartite Agreement with Indian public sector undertakings (PSUs) NLC, India's national lignite authority and NMDC, India's national iron ore authority. Following extended reviews by Indian Government agencies, including the Ministry of Coal, Ministry of Steel, Ministry of External Affairs, and the Cabinet Secretariat, clearance for the parties to sign the agreement was provided.

19 Jan 2016 – The Tripartite Agreement was signed in the presence of Mr Sean Kelly, Australia's Consul-General for Southern India, at Neyveli.

30 June 2016 – The Techno Economic Feasibility (TEF) study for a commercial scale integrated Coldry and Matmor facility to produce medium grade billet steel at 500ktpa was completed and provided to partners NLC India and NMDC.

Financial Results:

The reportable loss for the consolidated entity was higher at $4,238k vs prior year of $3,716k. This was driven by higher expenses at $6,639k vs prior year $5,408k. However, the increase in expenses was driven by non-cash adjustments – see below for further commentary. Core cash expenses showed a small reduction year on year, despite increases in Bacchus Marsh plant activity and India project preparation works.

Increased sales of by-products from the consolidated entities R&D activities in addition to the provision of consulting services resulted in a year-on-year increase in sales revenue of $71k.

The Other Revenue category includes the combination of two line items. First, a reduction in recorded AusIndustry R&D rebate ($1,556k vs. prior year $1,679k), driven by changes in accounting treatment of the record date for this revenue. Specifically, the prior year figure included two years' worth of R&D tax incentive rebate reported within the 2014-15 period. The change in accounting policy implemented during the prior reporting period relates to the recognition of the R&D incentive rebate receivable in the year it is earned, versus the prior practice of recognising it when it was paid. The actual R&D tax incentive rebate earned within the year is higher, year-on-year, largely due to the full year of depreciation associated with the Matmor test plant assets purchase (see below; 'Depreciation and Amortisation').

Second, there are adjustments – required by accounting standards – to recognise the change in estimates on the earn-out provision for the Coldry purchase, driven by adjustments to the expected future production profile, increasing this line item by $760,256. This is a non-cash adjustment.

Importantly, higher expenses were driven by much higher non-cash expense items; 'Depreciation & Amortisation' ($3,031k vs. prior year $1,893k) and 'Change in fair value of financial liabilities – Matmor' ($584k vs. prior year nil), offset by lower Finance costs ($658k vs. prior year $1,110k). The higher Depreciation charge is associated with the consolidated entity's acquisition of the Matmor Test Plant assets in December 2014, and the subsequent depreciation over its operating life. This reporting period contains a full year of depreciation, compared to the prior reporting period which contained approximately 6 months' depreciation. The 'Change in fair value' results from an adjustment to the likely timing of the satisfaction of the residual payments for the Matmor Test plant assets, impacting their net present value via change in the discount rate (see Note 16 for further detail). Offsetting the higher non-cash depreciation and adjustment cost increases were reductions in Finance costs, also a largely non-cash expense line item.

In terms of core expense areas; Corporate, Legal, Employee costs, Sales & Marketing, Engineering and Plant costs, Occupancy and Travel & Accommodation, the expenses reduced year on year ($2,365k vs. prior year $2,404k).

This was achieved through reductions in:

- Sales & Marketing expense ($154k year over year; due to change in operational emphasis from project promotion activity to project development activity);
- Legal expense ($24k year-on-year), and;
- Occupancy expense ($19k, realised with new office location). Offsetting these savings were:
- Increased costs associated with the Pilot plant and Engineering costs ($72k year-on-year, associated with additional engineering works to support development, as well as Bacchus Marsh preparatory works ahead of the plant upgrades);
- Corporate expenses ($59k year-on-year, contributed to by increases in Accounting and Audit expense, associated with developing appropriate reporting for Matmor Test Plant assets), and;
- Travel expense ($37k year over year, as activity required additional time to be spent with partners NLC, NMDC, Thermax, Dastur and Yes Bank).

Significant changes in the state of affairs

On 19 January 2016, the company secured a binding agreement to proceed with project development activities for its Coldry and Matmor technologies with India's national lignite authority, Neyveli Lignite Corporation and India's largest iron ore miner, NMDC.

On 20 January 2016, 75,253,967 ordinary shares were issued raising $1,503,971. This was a result of the exercise of 166,667 ESIOA options at $0.009 each, 25,000 ESIOB options at $0.015 each, and the issue of 75,062,300 ordinary shares at $0.02 in satisfaction of the primary Fast Finance debt facility which had a carrying value of $1,501,246 at 31 December 2015, leaving $300,000 which expired on 27 April 2016.

During January 2016, the company received a R&D Tax Incentive refund of $1,114,594 relating to the 2015 financial year.

On 2 February 2016, the company finalised a loan facility agreement with Innovation Structured Finance Co., LLC, a specialty finance company established by Brevet Capital, a New York City based investment manager. The Brevet facility is a senior secured loan, established on commercial terms, and provides short-term flexibility to draw down against the company's current accrued R&D Tax Incentive refund for the 2016 financial year recognised as a receivable amounting to $1,556,315.

On 14 March 2016, the company issued 30 million ESIOB options (value $180,000) and 170 million unlisted options (estimated value $1,136,020 – see note 34 'Share-based payments') as consideration for a performance payment to Platinum Road Nominees pursuant to the Operations Exercise program as previously announced.

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

Matters subsequent to the end of the financial year

The company advised the market that the TEF report, delivered to NLC and NMDC on 30 June 2016, was advancing through the review process with the aim of reaching commercial terms on the project during October 2016. A public version of the TEF report was released on 8 August 2016.

An extension to the Brevet loan facility to support FY 2017 activity was announced on 24 August 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Coldry

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

Matmor

The company appointed pyro-metallurgical engineering design firm MN Dastur as technical partner on the development of the Matmor process.

Matmor is positioned to commence the next steps in scale-up on the commercialisation pathway:

- pre-feasibility and expanded testing works at the Test Plant to prepare the design briefing to support commencement of pilot plant design;
- pilot plant design program; and
- pilot plant construction and operations

The company appointed pyro-metallurgical engineering design firm MN Dastur as technical partner on the development of the Matmor process.

Since the 2014 reporting period, the interest in Matmor from potential partners in India has increased. This interest has resulted in the acceleration of the planned timing of the pilot plant project, immediately following successful commissioning of the Coldry Demonstration Plant, and supported by amendments to the proposed Coldry Demonstration Plant to facilitate appropriate integration with the Matmor Pilot Plant.

Environmental regulation

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

Information on directors

Name:	**Glenn Fozard**
Title:	Executive Chairman
Qualifications:	BBus (Int. Trade), BA (Psych)
Experience and expertise:	Glenn has a strong commercial background and extensive experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the Cleantech and Agricultural sectors, he supports the company with valuable guidance in the technology development, risk management and capital raising areas. Glenn is the founding partner of Greenard Willing, a specialist financial advisory firm. Glenn has held an advisory position with the company for over five years and has contributed significantly towards the capital raising for the company during that time.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Remuneration, Nomination and Governance Committee; Member of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	50,000,000 ESIOA Options (subject to escrow), 11,000,000 performance based options (unvested)

Name:	**Ashley Moore**
Title:	Managing Director
Qualifications:	BEng(Chem), MIEAust, CPEng, MAICD
Experience and expertise:	Ashley is a Chartered Professional Engineer, with extensive experience in all facets of manufacturing, plant operations, supply chain management, sales and marketing and major project delivery from 30 years in industry. Ashley joined the company in October 2009 as Business Manager, Coldry. Ashley was appointed to the role of Chief Operating Officer of the company in August 2011, and then to Managing Director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	11,250,002 ordinary shares
Interests in options:	69,962,840 ESIOA Options; 972,223 ESIOB Options

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

Name:	**David Smith**
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce, Bachelor of Laws (Honours), GAICD
Experience and expertise:	David has a strong legal and commercial background, having practiced commercial law for over 25 years including nearly 18 years as a partner in national firms. He is currently a partner in the intellectual property and technology group at Gadens Lawyers. He has assisted many companies with protecting their intellectual property, IP commercialisation agreements, collaborative research agreements and international negotiations. This year David was recognised as a 'Best Lawyer - Intellectual Property' for the third year running and in 2016 was recommended by Doyle's Guide as a 'Leading Commercialisation & IP Transactions Lawyer'. He is currently Vice President of Bicycle Network where he also chairs the Audit and Risk Committee.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Remuneration, Nomination & Governance Committee		Audit and Risk	
	Attended	Held	Attended	Held	Attended	Held
Glenn Fozard	8	8	2	2	1	3
Ashley Moore	8	8	-	-	2	3
Barry Richards	8	8	2	2	-	-
David Smith	8	8	-	-	3	3

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

Retirement, election and continuation in office of directors

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

At the 2015 AGM of the company, Glenn Fozard was re-elected as a director. David Smith and Barry Richards were both elected.

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:

- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Principles used to determine the nature and amount of remuneration

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

The Board, through the Remuneration, Nomination and Governance Committee is responsible for the executive reward framework and making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the company. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and is consistent with market best practice. It is the aim of the Board of Directors ('the Board') that the executive reward structure satisfies appropriate corporate governance guidelines such that it is competitive and reasonable, acceptable to shareholders, aligns remuneration with KMP performance indicators, and is transparent to all stakeholders.

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration, Nomination and Governance Committee. The Remuneration, Nomination and Governance Committee may, from time to time, receive advice from independent remuneration consultants to ensure that non-executive directors' remuneration is appropriate and in line with the market. Non-executive directors do not receive share options or other incentives.

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

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

Three tier base remuneration:

- Non-executive directors - $25,000
- Non-executive directors (committee members) - $50,000
- Trainee Director - $30,000
- Two tier additional reward remuneration structure:
- Committee chair - $10,000
- Non-executive directors (committee members) - $50,000 Pursuant to a General Meeting held on 23 August 2013, the following 'Non-Executive Directors' Remuneration Policy' with respect to remunerating non-executive directors of the company for providing extra services on behalf of the company or its business was approved.
- any remuneration paid to a non-executive director must be reasonable given the circumstances of the company and the responsibilities of the non-executive director;
- wherever practicable, the company will obtain an independent quotation or estimate from an appropriate independent party in respect of those additional services;
- if the non-executive director is an appropriate person to perform those additional services, the remuneration must be benchmarked against any such quotation or estimate obtained by the company;
- the Managing Director (or if absent, their delegate) must report to the Board on the budgetary impact to the company of the proposed engagement of the non-executive director. Any engagement of a non-executive director to provide those additional services must be unanimously approved by all directors (other than the non-executive director providing services);
- the non-executive director must report in writing to the Board at the completion of the additional services in such form as the Board may reasonably require;
- all amounts paid to non-executive directors in respect of providing those additional services will be disclosed in the annual financial statements of the company; and
- the above policy also applies to entities associated with a director, where the additional services of the non-executive director are provided through that entity.

Executive remuneration

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

Executive and Director Incentive Plan

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

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

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

The Remuneration, Nomination and Governance Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2016.

Any securities issued under the Plan are not counted against the 15% limit on placements, given shareholders' approval, as required under the ASX Listing Rules. No bonuses were achieved in the fiscal year ended 30 June 2016.

Executive remuneration and reward framework

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

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

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

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

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

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

Consolidated entity performance and link to remuneration

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

Use of remuneration consultants

During the financial year ended 30 June 2016, the consolidated entity did not engage any remuneration consultants for the purpose of review of existing remuneration policies.

Details of remuneration

The KMP of the consolidated entity during the current financial year consisted of the following:

- Glenn Fozard - Chairman and Executive Director
- Ashley Moore - Managing Director
- David Smith - Non-Executive Director
- Barry Richards - Non-Executive Director
- Adam Giles - Company Secretary

Amounts of remuneration

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

	Short Term Benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	**Cash Salary & fees $**	**Consulting fees $**	**Non monetary $**	**Superannuation $**	**Leave Benefits $**	**Equity settled $**	**Total $**
Non-Executive Directors:							
Barry Richards	-	31,250	-	-	-	-	**31,250**
David Smith	47,425	-	-	4,505	-	-	**51,930**
Executive Directors:							
Glenn Fozard*	-	143,885	-	-	-	(6,444)	**137,411**
Ashley Moore**	250,000	-	-	-	4,380	-	**254,380**
Other Key Management Personnel:							
Adam Giles	139,100	-	-	13,215	4,595	-	**156,910**
	436,525	**175,105**	**-**	**17,720**	**8,975**	**(6,444)**	**631,881**

** Glenn Fozard's remuneration includes the granting of performance based options. During the year, 4,000,000 options expired without meeting vesting conditions. This has had a negative impact on his remuneration for the financial year. There are a further 11,000,000 unvested options that are due to expire during 2017 unless they vest upon performance targets being met.*

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

	Short Term Benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	**Cash Salary & fees $**	**Consulting fees $**	**Non monetary $**	**Superannuation $**	**Leave Benefits $**	**Equity settled $**	**Total $**
Non-Executive Directors:							
Barry Richards*	2,083	-	-	-	-	-	**2,083**
David Smith*	8,562	-	-	813	-	-	**9,375**
Iain McEwin *	55,000	-	-	-	-	-	55,000
Stephen Carter *	41,246	-	-	-	-	-	41,246
Executive Directors:							
Glenn Fozard**	67,496	12,083	-	6,360	-	22,087	**108,026**
Ashley Moore***	241,667	-	-	30,000	3,364	-	**275,031**
Other Key Management Personnel:							
Adam Giles	139,100	-	-	23,215	-	-	162,315
	555,154	**12,083**	**-**	**60,388**	**3,364**	**22,087**	**653,076**

** Represents remuneration for the period of the financial year during which the individual held office as director.*

*** Glenn Fozard's remuneration includes the granting of performance based options, the charge for which is included above for reference, though these options have not yet been issued since performance targets have not yet been satisfied.*

**** Ashley Moore's remuneration package for the year was $250k inclusive of salary and superannuation. Effective March 2015, Mr Moore voluntarily reduced his package by $25k p.a. pending project progression milestones. Further, in July 2014 he cashed-out $30k of outstanding annual leave.*

The proportion of remuneration for the year linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2016	At risk - LTI 2016
Non-Executive Directors:		
Barry Richards	100%	-
David Smith	100%	-
Executive Directors:		
Glenn Fozard *	100%	-
Ashley Moore	100%	-
Other Key Management Personnel:		
Adam Giles	100%	-

** Glenn Fozard's remuneration for the year as shown in the remuneration table reflects the expiry of unvested options (LTI), the value of which is required to be reversed pursuant to accounting standards. This produces a negative LTI remuneration expense and would result in a negative LTI percentage of (5%) which has not been shown in the above table.*

Service agreements

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

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

Name:	Glenn Fozard
Title:	Executive Chairman
Agreement commenced:	5 June 2015
Term of agreement:	Initial term of 6 months has been extended and is subject to review
Details:	Executive remuneration consists of a fixed retainer of $5,000 per month together with an 'at risk' performance based component of unlisted share options which will vest based on the achievement of operational deliverables. Up to 15m options may be issued with exercise prices between 3 and 5 cents with expiry dates between January 2016 and June 2017 (4m options have subsequently expired)
Name:	Ashley Moore
Title:	Managing Director
Agreement commenced:	23 June 2013
Term of agreement:	Ashley Moore's employment may be terminated by either party by providing three (employee) or six (company) months written notice of termination.
Details:	Annual salary, including superannuation, of $250,000.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2016.

Options

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

Grant date	No. granted	Expiry date	Exercise price	Fair value per option at grant date
5 June 2015	2,000,000	31 January 2016	$0.030	$0.002
5 June 2015	2,000,000	30 June 2016	$0.035	$0.005
5 June 2015	2,000,000	31 January 2017	$0.040	$0.002
5 June 2015	2,000,000	30 June 2017	$0.045	$0.002
5 June 2015	7,000,000	30 June 2017	$0.050	$0.001

** The entitlement and vesting of these options is dependent upon the achievement of operational deliverables as determined by the Board. Issuance will be subject to ratification by shareholders at the next available General Meeting following the performance trigger.*

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested in directors and other KMP as part of compensation during the year ended 30 June 2016.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	$	$	$	$	$
Income	2,400,599	1,691,785	1,644,631	1,314,914	686,266
EBITDA	(548,691)	(712,630)	(949,154)	(4,938,052)	(4,910,789)
EBIT	(3,579,708)	(2,605,844)	(1,468,697)	(5,477,784)	(5,491,142)
Loss after income tax	(4,238,067)	(3,716,176)	(2,548,113)	(5,444,185)	(5,549,700)

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

	2016	2015	2014	2013	2012
	$	$	$	$	$
Share price at financial year end ($)	0.010	0.018	0.002	0.007	0.019
Basic earnings per share (cents per share)	(0.123)	(0.155)	(0.122)	(0.326)	(0.430)

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

Additional disclosures relating to key management personnel

Shareholding

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

Ordinary Shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
	$	$	$	$	$
Ashley Moore	2,916,668	-	8,333,334	-	11,250.002
Adam Giles	13,138,609	-	-	-	13,138,609
	16,055,277	**-**	**8,333,334**	**-**	**24,388,611**

Option holding

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

Options over Ordinary Shares	Balance at the start of the year	Issued	Exercised	Expired/forfeited/other	Balance at the end of the year
Ashley Moore	79,268,397	-	(8,333,334)	-	70,935,063
Glenn Fozard	65,000,000	-	-	(4,000,000)	61,000,000
Adam Giles	65,936,532	-	-	-	65,936,532
	210,204,929	**-**	**(8,333,334)**	**(4,000,000)**	**197,871,595**

Loans to key management personnel and their related parties

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

Glenn Fozard was advanced $50,000 for the acquisition of 50 million options in 2015 of which $25,000 has been repaid. Interest incurred during the period was $2,182. Interest repaid during the period was $2,182. The loan balance at 30 June 2016 is $25,000.

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

This concludes the remuneration report, which has been audited.

Shares under option

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

Expiry date	Exercise price	Number under option	Exercised
		$	$
Listed ordinary options (ESIOB)	31 July 2017	$0.015	858,103,905
Listed ordinary options (ESIOA)	31 July 2017	$0.009	1,216,714,030
Unlisted options	31 July 2018	$0.015	170,000,000
			2,244,817,935

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

Shares issued on the exercise of options

There were 68,164,511 ordinary shares of Environmental Clean Technologies Limited issued during the year ended 30 June 2016 and up to the date of this report on the exercise of the same number of ESIOB options with an exercise price of $0.015 each.

There were 69,458,334 ordinary shares of Environmental Clean Technologies Limited issued during the year ended 30 June 2016 and up to the date of this report on the exercise of the same number of ESIOA options with an exercise price of

$0.009 each. There are no amounts owing to the company with respect to the exercise of such options.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

There were no non-audit services provided during the financial year by the auditor. Officers of the company who are former partners of BDO East Coast Partnership There are no officers of the company who are former partners of BDO East Coast Partnership.

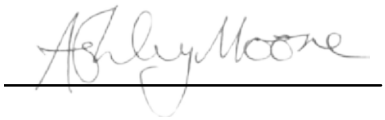
Auditor's independence declaration

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

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001. This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Ashley Moore - Managing Director
31 August 2016 Melbourne

Auditors independence declaration

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

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 31 August 2016

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Consolidated		
	Note	2016 $	2015 $
Revenue	**4**	**84,028**	**12,557**
Other income	5	2,316,571	1,679,228
Expenses			
Corporate costs		(896,935)	(837,885)
Legal costs		(118,455)	(142,427)
Employee benefits expense	6	(781,129)	(786,138)
Sales and marketing		(91,106)	(245,508)
Depreciation and amortisation expense	6	(3,031,017)	(1,893,214)
Engineering and pilot plant costs		(245,220)	(172,799)
Occupancy expense		(122,966)	(142,261)
Travel and accommodation		(109,131)	(72,137)
Change in fair value of financial liabilities - Matmor Other expenses		(584,348)	-
Other expenses	16	-	(5,211)
Finance costs	6	(658,359)	(1,110,381)
Loss before income tax expense		**(4,238,067)**	**(3,716,176)**
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	**20**	**(4,238,067)**	**(3,716,176)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Environmental Clean Technologies Limited		**(4,238,067)**	**(3,716,176)**

		Cents	Cents
Basic earnings per share	33	(0.160)	(0.155)
Diluted earnings per share	33	(0.160)	(0.155)

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

Statement of financial position

For the year ended 30 June 2016

	Consolidated		
	Note	2016 $	2015 $
Assets			
Current asset			
Cash and cash equivalents	8	684,314	940,676
Trade and other receivables	9	1,673,589	1,169,273
Other	10	24,448	20,359
Total current assets		**2,382,351**	**2,130,308**
Non-current assets			
Investments accounted for using the equity method	**11**	**2**	**2**
Property, plant and equipment	12	1,384,206	3,702,887
Intangibles	13	6,240,000	6,720,000
Total non-current assets		7,624,208	10,422,889
Total assets		**10,006,559**	**12,553,197**
Liabilities			
Current liabilities			
Trade and other payables	14	448,874	232,530
Borrowings	15	1,057,223	1,644,656
Provisions	16	2,082,469	2,625,401
Total current liabilities		**3,588,566**	**4,502,587**
Non-current liabilities			
Provisions	17	371,247	869,444
Total non-current liabilities		371,247	869,444
Total liabilities		3,959,813	5,372,031
Net assets		6,046,746	7,181,166
Equity			
Issued capital	18	60,084,680	57,051,403
Reserves	19	4,157,764	4,087,394
Accumulated losses	20	(58,195,698)	(53,957,631)
Total equity		**6,046,746**	**7,181,166**

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

Statement of changes in equity

For the year ended 30 June 2016

Consolidated	Issued capital	Reserves	Accumulated Losses	Total equity
	$	$	$	$
Balance at 1 July 2014	54,837,275	-	(50,241,455)	4,595,820
Loss after income tax expense for the year	-	-	(3,716,176)	(3,716,176)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,716,176)	(3,716,176)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	2,104,128			
Share-based payments (note 34)	-	22,087	-	2,104,128
Issued options (note 19)	-	4,175,307	-	22,087
Transfer option premium (exercised options)	-	(110,000)	-	4,175,307
Balance at 30 June 2015	**57,051,403**	**4,087,394**	**(53,957,631)**	**7,181,166**

Consolidated	Issued capital	Reserves	Accumulated Losses	Total equity
	$	$	$	$
Balance at 1 July 2015	57,051,403	4,087,394	(53,957,631)	7,181,166
Loss after income tax expense for the year	-	-	(4,238,067)	(4,238,067)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,238,067)	(4,238,067)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	1,521,246			1,521,246
Share-based payments (note 34)	-	(6,444)	-	(6,444)
Issued options (note 19)	-	1,336,020	-	1,336,020
Shares issued on exercise of options (note 18)	1,647,595	-	-	1,647,595
Transfer option premium (exercised options) net of adjustments	1,259,206	(1,259,206)	-	-
Equity raising costs	(1,394,770)	-	-	(1,394,770)
Diluted earnings per share		33	(0.160)	(0.155)
Balance at 30 June 2016	**60,084,680**	**4,157,764**	**(58,195,698)**	**6,046,764**

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

Statement of cash flows

For the year ended 30 June 2016

	Consolidated		
	Note	2016 $	2015 $
Cash flows from operating activities			
Research and development offset		1,141,210	565,244
Payments to suppliers and employees		(2,492,153)	(2,141,827)
Interest received		10,733	9,958
Interest and other finance costs paid		(26,543)	(3,837)
Net cash used in operating activities	**31**	**(1,367,528)**	**(1,569,687)**
Cash flows from investing activities			
Payments for property, plant and equipment		(777,716)	(777,716)
Proceeds from disposal of property, plant and equipment		-	417
Proceeds from release of security deposits		13,145	-
Net cash used in investing activities		**(764,571)**	**(22,663)**
Cash flows from financing activities			
Proceeds from issue of shares		1,155,737	2,057,036
Proceeds from issue of options		20,000	-
Proceeds from borrowings		1,000,000	348,817
Repayment of borrowings		(300,000)	(87,947)
Net cash from financing activities		**1,875,737**	**2,317,906**
Net increase/(decrease) in cash and cash equivalents		(256,362)	725,556
Cash and cash equivalents at the beginning of the financial year		940,676	215,120
Cash and cash equivalents at the end of the financial year	**8**	**684,314**	**940,676**

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

Notes to the financial statements 30 June 2016

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Going concern

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

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The requirement for funding indicates a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. To this end, the consolidated entity is expecting to fund ongoing obligations as follows:

drawdowns against the Brevet Capital loan facility, secured over the company's entitlements to available future R&D Tax Incentive receipts.

facilitated exercise of listed options via mandated arrangements with Platinum Road Pty Ltd; and

issuance of equity via ECT securities, or debt funding, to support project funding needs in India. (There are 1,216,714,030 ESIOA options currently on issue, and with the current stock price being above their exercise price, this opens the potential for conversion capital inflows in excess of $10.9m. This could provide substantial working capital, as well as significant repayments against the Matmor deferred consideration)

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

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and discharge 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 assets amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Comparatives

Certain comparatives have been reclassified to align with current period presentation. There was no effect on the loss for the period, net asset position or cash flows.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Revenue recognition

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

Rendering of services

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

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

Research and development tax refund

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

Interest

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

Other revenue

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

Research and development expenditure

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

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

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

Current and non-current classification

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

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

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post- acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

Loans and receivables

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

Impairment of financial assets

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

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

Property, plant and equipment

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

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

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

- Plant and equipment - 15 years
- Furniture and fittings - 10 years
- Office equipment - 3 years

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

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

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

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

Leases

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

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

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

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

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

Intangible assets

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

Intellectual property

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Environmental Clean Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 16 Leases

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

Other amending accounting standards

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

The consolidated entity estimates the effective life of intellectual property to be 20 years and amortises these assets on a straight-line basis. Where the resulting effective life differs from that recognised, the impact will be recorded in profit or loss in the period such determinations are made.

Impairment of non-financial assets

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

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

Earn-out provision

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

Recovery of deferred tax assets

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

Deferred consideration - Matmor

The deferred consideration liability has been calculated based on discounted cash flow projections out to June 2017 and as all amounts are considered as being highly probable to be settled within 12 months, a nil discount rate has been applied (2015: 41.5%). The projections include consideration of the timing of the exercise of ESIOA and ESIOB options and other events as disclosed at Note 16 that would trigger a cash outflow pursuant to the deferred consideration structure. At each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time or the change in discount rate is recognised as a finance cost.

Research and development tax offset

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

Note 4. Revenue

	Consolidated	
	2016 $	2015 $
Consulting fees	50,000	-
Interest	9,958	12,178
Other revenue	24,070	379
Revenue	**84,028**	**12,557**

Note 5. Other income

	Consolidated	
	2016 $	2015 $
Research and development tax incentive *	1,556,315	1,679,228
Change in fair value of financial liabilities - Coldry (note 17)	760,256	-
Other income	**2,316,571**	**1,679,228**

** The company has recognised a receivable related to the research and development tax incentive of $1,556,315 at 30 June 2016 (2015: $1,114,362) which relates to eligible expenditure.*

Note 6. Expenses

	Consolidated	
	2016 $	2015 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	2,546,568	1,411,350
Fixtures and fittings	1,429	374
Office equipment	3,020	1,490
Total depreciation	2,551,017	1,413,214
Amortisation		
Intellectual property - Coldry	480,000	480,000
Total depreciation and amortisation	**3,031,017**	**1,893,214**
Finance cost		
Interest and finance charges paid/payable	3,111	5,590
Interest and facility costs	57,245	204,205
Arup Bond finance costs	-	501,562
Unwind of discount on deferred consideration (Matmor)	353,096	154,117
Unwind of earn-out provision (Coldry)	244,907	244,907
Finance costs expensed	**658,359**	**1,110,381**
Rental expense relating to operating leases		
Minimum lease payments	33,534	52,498
Employee benefits expense		
Defined contribution superannuation expense	68,079	89,243
Share-based payments expense	(6,444)	22,087
Other employee benefits	719,494	674,808
Total employee benefits expense	**781,129**	**786,138**

Note 7. Income tax expense

	Consolidated	
	2016 $	2015 $
Income tax expense		
Deferred tax assets attributable to temporary differences	(182,342)	27,655
Deferred tax assets attributable to carried forward tax losses	(373,367)	(399,445)
Deferred tax assets attributable to movement for prior periods	(2,423)	367,133
Total deferred tax assets not recognised	558,132	4,657
Aggregate income tax expense	**-**	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(4,238,067)	(3,716,176)
Tax at the statutory tax rate of 30%	**(1,271,420)**	**(1,114,853)**
Tax effect amounts which are not deductible/(taxable) in calculating taxable income: Finance cost	**-**	**142,906**
Research and development	571,739	239,140
Options issued	(19,559)	41,951
Sundry items	1,230	1,175
	(718,010)	(689,681)
Current year tax losses not recognised	373,367	399,445
Current year temporary differences not recognised	182,342	(27,655)
Adjustment recognised for prior periods	2,423	(367,133)
Deferred tax movement not recognised	159,878	685,024
Income tax expense	**-**	**-**

	Consolidated	
	2016 $	2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	19,805,707	18,553,070
Potential tax benefit @ 30%	**5,941,712**	**5,565,921**

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

Note 7. Income tax expense (continued)

	Consolidated	
	2016 $	2015 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	37,274	29,174
Accrued expenses	390	3,341
Plant and equipment	361,051	408,096
Finance costs	72,092	117,175
Intangible assets	507,458	364,767
Provision for earn-out (Coldry)	95,908	250,513
Matmor liability	49,532	(231,702)
Total deferred tax assets not recognised	**1,123,705**	**941,364**

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

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2016 $	2015 $
Cash at bank	684,314	940,676

Note 9. Current assets - trade and other receivables

	Consolidated	
	2016 $	2015 $
Other receivables	92,274	29,911
Research and development tax incentive receivable	1,556,315	1,114,362
	1,648,589	**1,144,273**
Director Loan - Glenn Fozard	25,000	25,000
	1,673,589	**1,169,273**

Note 10. Current assets - trade and other receivables

	Consolidated	
	2016 $	2015 $
Prepayments	17,790	555
Other deposits	6,658	19,804
	24,448	**20,359**

Note 11. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2016 $	2015 $
Victoria Coldry Pty Ltd - 50% interest	1	1
Coldry East Kalimantan Pty Ltd - 50% interest	1	1
	2	**2**

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

	Consolidated	
	2016 $	2015 $
Plant and equipment - at cost	5,920,006	5,712,837
Less: Accumulated depreciation	(4,562,705)	(2,016,137)
	1,357,301	**3,696,700**
Fixtures and fittings - at cost	7,782	9,619
Less: Accumulated depreciation	(3,355)	(4,679)
	4,427	**4,940**
Fixtures and fittings - at cost	7,782	9,619
Less: Accumulated depreciation	(3,355)	(4,679)
	4,427	**4,940**
Office equipment - at cost	70,991	50,989
Less: Accumulated depreciation	(48,513)	(49,742)
	22,478	1,247
	1,384,206	**3,702,887**

Note 12. Non-current assets - property, plant & equipment (cont.)

Reconciliations

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

Consolidated	Plant and equipment *	Fixtures and fittings	Office equipment	Total
	$	$	$	$
Balance at 1 July 2014	47,618	1,666	2,996	52,280
Additions	5,060,432	3,648	-	5,064,080
Disposals	-	-	(259)	(259)
Depreciation expense	(1,411,350)	(374)	(1,490)	(1,413,214)
Balance at 30 June 2015	3,696,700	4,940	1,247	3,702,887
Additions	207,169	1,993	26,759	235,921
Disposals	-	(1,077)	(2,508)	(3,585)
Depreciation expense	(2,546,568)	(1,429)	(3,020)	(2,551,017)
Balance at 30 June 2016	**1,357,301**	**4,427**	**22,478**	**1,384,206**

** Matmor plant and equipment amounting to $5,041,000 was acquired on 4 December 2014. It is anticipated that such assets will be consumed during the process of developing the Matmor technology within 2 years from the date of acquisition.*

Note 13. Non-current assets - intangibles

	Consolidated	
	2016 $	2015 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(3,360,000)	(2,880,000)
	6,240,000	**6,720,000**

Reconciliations

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

	Intellectual property	Total
	$	$
Balance at 1 July 2014	7,200,000	7,200,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2015	**6,720,000**	**6,720,000**
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2016	**6,240,000**	**6,240,000**

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

Note 14. Current liabilities - trade and other payable

	Consolidated	
	2016 $	2015 $
Trade payables	122,402	84,113
Other payables	326,472	148,417
	448,874	**232,530**

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2016 $	2015 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(3,360,000)	(2,880,000)
	6,240,000	**6,720,000**

Reconciliations

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

	Intellectual property	Total
	$	$
FAST Finance Loan	-	1,644,656
Innovation Structured Finance Co. (Brevet Capital) Loan	1,057,223	-
	1,057,223	**1,644,656**

Refer to note 21 for further information on financial instruments.

FAST Finance Loan

The primary facility totalling $1,501,246 was satisfied through conversion to equity on 16 January 2016 leaving $300,000 which was repaid in full on 27 April 2016.

Innovation Structured Finance Co. (Brevet Capital) Loan

On 2 February 2016, the company finalised a loan facility agreement with Innovation Structured Finance Co., LLC, a specialty finance company established by Brevet Capital, a New York City based investment manager. The Brevet facility is a senior secured loan, established on commercial terms, and provides short-term flexibility to draw down against the company's current accrued AusIndustry R&D Tax Incentive refund for the 2016 financial year which has been recognised at $1,556,315 (refer note 9).

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2016 $	2015 $
Total facilities		
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2015	6,720,000	6,720,000
	1,478,500	**2,639,000**
Used at the reporting date		
Fast Finance Loan	-	1,644,656
Innovation Structured Finance Co., LLC Loan ('Brevet Loan')	1,057,223	-
	1,057,223	**1,644,656**
Unused at the reporting date		
Fast Finance Loan	-	994,344
Innovation Structured Finance Co., LLC Loan ('Brevet Loan')	421,277	-
	-	**994,344**

** The value of the total Brevet loan facility available is equivalent to 95% of the estimated AusIndustry R&D tax incentive available to the consolidated entity at balance date.*

Note 16. Current liabilities – provisions

	Consolidated	
	2016 $	2015 $
Annual leave	72,694	62,846
Deferred consideration - Matmor	2,009,775	2,562,555
	2,082,469	**2,625,401**

Deferred consideration liability - Matmor Assets

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

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

In measuring the present value of the liability, management have estimated when options will likely be exercised and when milestones will likely be achieved. Based on current projections, the consolidated entity expects the entire liability to be settled within 12 months and as such a nil discount rate has been applied (2015: 41.5%).

Movements in provisions

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

	Deferred consideration - Matmor
Consolidated 2016	**$**
Carrying amount at the start of the year	2,562,555
Paid out	(521,096)
Conversion to shares	(969,128)
Unwinding of discount *	353,096
Fair value loss on revision of estimates	584,348
Carrying amount at the end of the year	**2,009,775**

** The unwinding of discount has been included within finance costs*

Note 17. Non-current liabilities - provisions

	Consolidated	
	2016 $	**2015 $**
Long service leave	51,552	34,400
Earn-out provision	319,695	835,044
	371,247	**869,444**

Earn-out provision

The earn-out provision represents deferred consideration related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of coal feedstock between 2018 and 2023 and is discounted at a rate of 41.5%. The consideration, estimated as payable through to 2023, is capped at $3,000,000.

The reduction in the balance occurring since 30 June 2015 is largely a result of a change in estimates related to the timing of production tonnage and duration of the projected production period before it is anticipated that the $3,000,000 cap is attained.

Movements in provisions

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

	Deferred consideration - Matmor
Consolidated 2016	**$**
Carrying amount at the start of the year	835,044
Fair value gain on revision of estimates	(760,256)
Unwind of discount	244,907
Carrying amount at the end of the year	**319,695**

* The reduction in earn-out provision has been included within finance costs

Note 18. Equity - issued capital

	2016 Shares	2015 Shares	2016 $	2015 $
Ordinary shares - fully paid	**2,733,211,506**	**2,519,526,361**	**60,084,680**	**57,051,403**

Movements in ordinary share capital

Details		Date	Shares issued
Balance	1 July 2014	2,186,700,273	54,837,275
Bond conversion	14 August 2014	222,826,088	1,114,130
Exercise of ESIOA options	28 May 2015	54,457,591	544,576
Exercise of ESIOA options	5 June 2015	49,444,444	494,444
Exercise of ESIOA options	10 June 2015	6,097,965	60,978
Balance	30 June 2015	2,519,526,361	57,051,403
Exercise of ESIOA options	22 September 2015	27,877,778	250,900
Exercise of ESIOB options	22 September 2015	35,050,379	525,756
Exercise of ESIOA options	7 October 2015	36,000,000	324,000
Exercise of ESIOB options	7 October 2015	157,095	2,356
Exercise of ESIOB options	20 January 2016	166,667	2,500
Exercise of ESIOA options	20 January 2016	25,000	225
Issue of shares in satisfaction of Fast Finance loan facility	20 January 2016	75,062,300	1,501,246
Exercise of ESIOA options	27 January 2016	5,555,556	50,000
Exercise of ESIOB options	14 March 2016	32,790,370	491,856
Issue of shares in satisfaction of performance milestones in Yes Bank Limited and Greenard Willing India Pty Ltd	14 March 2016	1,000,000	20,000
Equity raising cost		-	(1,394,770)
Transferred premium from options reserve on exercised options		-	1,259,208
Balance	**30 June 2016**	**2,733,211,506**	**60,084,680**

Ordinary shares

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

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

Options exercised

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

Share buy-back

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

Capital risk management

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

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

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

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

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

Note 18. Equity - reserves

	Consolidated	
	2016 $	2015 $
Share-based payments reserve	15,643	22,087
Options reserve	4,142,121	4,065,307
	4,157,764	**4,087,394**

Share-based payments reserve

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

Options reserve

The options reserve is used to recognise the value of options issued.

Note 18. Equity - issued capital

Consolidated	2016 Shares	2015 Shares	2016 $	2015 $
Ordinary shares - fully paid	**2,733,211,506**	**2,519,526,361**	**60,084,680**	**57,051,403**

Movements in ordinary share capital

Details		Date	Shares issued
Balance	1 July 2014	2,186,700,273	54,837,275
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Exercise of ESIOA options	5 June 2015	49,444,444	494,444
Exercise of ESIOA options	10 June 2015	6,097,965	60,978
Balance	30 June 2015	2,519,526,361	57,051,403
Exercise of ESIOA options	22 September 2015	27,877,778	250,900
Exercise of ESIOB options	22 September 2015	35,050,379	525,756
Exercise of ESIOA options	7 October 2015	36,000,000	324,000
Exercise of ESIOB options	7 October 2015	157,095	2,356
Exercise of ESIOB options	20 January 2016	166,667	2,500
Exercise of ESIOA options	20 January 2016	25,000	225
Issue of shares in satisfaction of Fast Finance loan facility	20 January 2016	75,062,300	1,501,246
Exercise of ESIOA options	27 January 2016	5,555,556	50,000
Exercise of ESIOB options	14 March 2016	32,790,370	491,856
Issue of shares in satisfaction of performance milestones in Yes Bank Limited & Greenard Willing India Pty Ltd	14 March 2016	1,000,000	20,000
Equity raising cost		-	(1,394,770)
Transferred premium from options reserve on exercised options		-	1,259,208
Balance	**30 June 2016**	**2,733,211,506**	**60,084,680**

Ordinary shares

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

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

Options exercised

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

Share buy-back

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

Capital risk management

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

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

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

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

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

Note 19. Equity – reserves

	Consolidated	
	2016 $	2015 $
Share-based payments reserve	15,643	22,087
Options reserve	4,142,121	4,065,307
	4,157,764	**4,087,394**

Share-based payments reserve

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

Options reserve

The options reserve is used to recognise the value of options issued.

Movements in reserves

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

Consolidated	Share Based payments	Unlisted options	ESIO Options	ESIOB Options	Total
Ordinary shares - fully paid	$	$	$	$	$
Balance at 1 July 2014	-	-	-	-	-
ESIOA Options issued pursuant to prospectus	-	-	1,396,140	-	1,396,140
ESIOB Options issued pursuant to acquisition of Matmor	-	-	-	2,632,560	2,632,560
ESIOB Options issued as Fast Finance interest settlement	-	-	-	39,000	39,000
ESIOB Options issued as payment for Strategic Review	-	-	-	107,607	107,607
Exercise of ESIOA options	-	-	(110,000)	-	(110,000)
Director's remuneration	22,087	-	-	-	22,087
Balance at 30 June 2015	22,087	-	1,286,140	2,779,167	4,087,394
Exercise of options	-	-	(69,458)	(1,189,748)	(1,259,206)
Director's remuneration	(6,444)	-	-	-	(6,444)
ESIOB options issued (placement)	-	-	-	20,000	20,000
ESIOB Options issued to Platinum Road pursuant to performance payment	-	-	-	180,000	180,000
Unlisted options issued to Platinum Road pursuant to options exercise program	-	1,136,020	-	-	1,136,020
Balance at 30 June 2016	15,643	1,136,020	1,216,682	1,789,419	4,157,764
Exercise of ESIOA options		27 January 2016	5,555,556	50,000	
Exercise of ESIOB options		14 March 2016	32,790,370	491,856	
Issue of shares in satisfaction of performance milestones in Yes Bank Limited & Greenard Willing India Pty Ltd		14 March 2016	1,000,000	20,000	
Equity raising cost			-	(1,394,770)	
Transferred premium from options reserve on exercised options			-	1,259,208	
Balance		**30 June 2016**	**2,733,211,506**	**60,084,680**	

W* *Unlisted options have an exercise price of 1.5 cents and expire on 31 July 2018 (refer note 34)*
** *ESIOA options have an exercise price of 0.9 cents and expire on 31 July 2017*
*** *ESIOB options have an exercise price of 1.5 cents and expire on 31 July 2017*

Note 20. Equity - accumulated losses

	Consolidated	
	2016 $	2015 $
Accumulated losses at the beginning of the financial year	(53,957,631)	(50,241,455)
Loss after income tax expense for the year	(4,238,067)	(3,716,176)
Accumulated losses at the end of the financial year	**(58,195,698)**	**(53,957,631)**

Note 21. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

The consolidated entity has minimal exposure to interest rate risk.
Fluctuations in interest rates will not have any material risk exposure to the cash held in bank deposits at variable rates.

Credit risk

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

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 $	2015 $
Fast Finance Loan	-	994,344
Innovation Structured Finance Co., LLC Loan ('Brevet Loan')	421,277	-
	421,277	**994,344**

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated 2016 Non -Derivatives	Weighted average interest rate	1 Year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derovaties	%	$	$	$	$	$
Non-Interest bearing		-	-	-	-	-
Trade payables	-	122,402	-	-	-	122,402
Other payables	-	326,472	-	-	-	326,472
Earn-out provision	-	-	-	525,000	2,475,000	3,000,000
Deferred consideration (Matmor)	-	2,009,775	-	-	-	2,009,775
Interest-bearing - variable						
Innovation Structured Finance Co. Loan	14.5	1,057,223	-	-	-	1,057,223
Total non-derivatives		**3,515,872**	**-**	**525,000**	**2,475,000**	**6,515,872**

Consolidated 2015 Non -Derivatives	Weighted average interest rate	1 Year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derovaties	%	$	$	$	$	$
Non-Interest bearing		-	-	-	-	-
Trade payables	-	84,113	-	-	-	84,113
Other payables	-	148,417	-	-	-	148,417
Earn-out provision	-	-	100,000	2,500,000	400,000	3,000,000
Deferred consideration (Matmor)	-	3,500,000	-	-	-	3,500,000
Interest-bearing - variable						
Innovation Structured Finance Co. Loan	15	1,644,656	-	-	-	1,644,656
Total non-derivatives		**5,377,186**	**100,000**	**2,500,000**	**400,000**	**8,377,186**

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

Cash flows related to settlement of the earn-out provision are based on timing of forecast production output upon which payment is calculated. Settlement of the Matmor deferred consideration is dependent upon the exercise of ESI options by option-holders and/or other significant commercial outcomes. It is currently projected that the loan will repaid within 12 months.

Fair value of financial instruments

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

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

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Consolidated 2016			
Liabilities	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Level 4 $**
Deferred consideration - Matmor Assets (note 16)*	-	2,009,775	-	2,009,775
Earn-out provision - Coldry IP (note 17)	-	-	319,695	319,695
Total liabilities	**-**	**2,009,775**	**319,695**	**2,329,470**

** Due to a change in estimates, Deferred consideration – Matmor Assets have been recognised in Level 2 for the first time. Amounts recognised represent the current obligation (face value) owing by the company at balance date. Refer to note 2 for further commentary.*

	Consolidated 2016			
Liabilities	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Level 4 $**
Deferred consideration - Matmor Assets (note 16)*	-	-	2,562,555	2,562,555
Earn-out provision - Coldry IP (note 17)	-	-	835,044	835,044
Total liabilities	**-**	**-**	**3,397,599**	**3,397,599**

The fair value of financial liabilities is estimated by discounting the forecast cash flows required to discharge the liability at the current market interest rate that is available for similar financial liabilities. Movements in the fair value of the financial liabilities are disclosed in their respective notes.

Valuation techniques for fair value measurements categorised within level 3

The above financial liabilities have been valued using a discounted cash flow model. Refer to the respective note for further details.

Level 3 assets and liabilities

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

Description	Unobservable inputs	Potential range	Sensitivity
Earn-out provision	Discount rate	40% to 60% (used 41.5%)	A change in this rate of +/- 5% would impact the loss for the year and the value of the liability as follows: +5% would reduce loss and liability by $60,173 -5% would increase loss and liability by $78,351
	Timing of production to discharge liability	Dec 2018 to Dec 2025 (used Dec 2018 to Dec 2024)	The rate of payment of the earn-out liability is linked to the expected timing of plant production. Obligations are currently forecast to be incurred from December 2018 to December 2024. A change in timing of + 1 year from that currently forecast would reduce the loss and liability by $93,762

Note 23. Key management personnel disclosures

Fair value hierarchy

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	611,630	567,237
Post-employment benefits	17,720	60,388
Long-term benefits	8,975	3,364
Share-based payments	(6,444)	22,087
	631,881	653,076
	631,881	**653,076**

Note 24. Remuneration of auditors

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

	Consolidated	
Audit services - BDO East Coast Partnership	2016 $	2015 $
Audit or review of the financial statements	48,000	46,500
	631,881	**653,076**

Note 25. Contingent liabilities

Perpetual Royalty Liability

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

Note 26. Commitments

	Consolidated	
Lease commitments - operating	2016 $	2015 $
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	41,548	36,318
One to five years	-	37,771
	41,548	**74,089**
Patent commitments	2016 $	2015 $
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	23,856	23,899
One to five years	95,424	91,800
More than five years	71,568	88,000
	190,848	**203,699**

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

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

Note 27. Related party transactions

Parent entity

Environmental Clean Technologies Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year other than the loans as detailed below.

Receivable from and payable to related parties

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

Loans to/from related parties

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

	Consolidated	
	2016 $	2015 $
Current receivables: Loans to directors (note 9)	25,000	25,000

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

(i) Glenn Fozard was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $2,182 (2015: $2,483). Interest repaid during the period was $2,182 (2015: $2,483). Loan balance at 30 June 2016 is $25,000.

Terms and conditions

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

Note 28. Parent entity information

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

	Parent	
Statement of profit or loss and other comprehensive income	2016 $	2015 $
Loss after income tax	(3,758,067)	(3,236,174)
Total comprehensive loss	(3,758,067)	(3,236,174)
Statement of financial position	2016 $	2015 $
Total current assets	2,382,352	2,130,309
Total assets	13,366,559	15,433,197
Total current liabilities	3,588,567	4,502,587
Total liabilities	**3,959,814**	**5,372,031**
Equity		
Issued capital	63,376,606	60,343,330
Share-based payments reserve	15,643	22,087
Options reserve	4,142,121	4,065,307
Accumulated losses	(58,127,625)	(54,369,558)
Total equity	**9,406,745**	**10,061,166**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital and other commitments

The parent entity has operating lease and patent commitments payable (not recognised as liabilities). Refer to note 26 for details.

Significant accounting policies

- The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and income from associates are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of Business /Country of incorporation	2016 %	2015 %
Asia Pacific Coal and Steel Pty Limited	Australia	100.00%	100.00%
Enermode Pty Limited	Australia	100.00%	100.00%
Maddingley Coldry Unit Trust	Australia	100.00%	100.00%
ECT Coldry Pty Ltd	Australia	100.00%	100.00%
A.C.N. 109 941 175 Pty Limited	Australia	100.00%	100.00%
ECT Fuels Pty Limited	Australia	100.00%	100.00%
ECT China Limited	Hong Kong	100.00%	100.00%
Coldry Demonstration Plant Pty Limited	Australia	100.00%	100.00%
Coldry Master License Pty Limited	Australia	100.00%	100.00%
ECT Development & Services India Private Limited	**India**	**100.00%**	**100.00%**

Note 30. Events after the reporting period

The company advised the market that the TEF report, delivered to NLC and NMDC on 30 June 2016, was advancing through the review process with the aim of reaching commercial terms on the project during October 2016. A public version of the TEF report was released on 8 August 2016.

An extension to the Brevet loan facility to support FY 2017 activity was announced on 24 August 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016 %	2015 %
Loss after income tax expense for the year	(4,238,067)	(3,716,176)
Adjustments for:		
Depreciation and amortisation	3,031,017	1,893,214
Finance costs - non cash	598,003	884,001
Share-based payments	(6,444)	351,340
Accrued interest charges (Fast Finance)		176,481
Net gain on change in fair value of financial liabilties	(175,908)	
Change in operating assets and liabilities:		
Increase in trade and other receivables	(504,316)	(1,124,077)
Decrease/(increase) in prepayments	(17,233)	33,156
Increase/(decrease) in trade and other payables	216,344	(50,911)
Decrease in other provisions	(270,924)	(16,715)
Net cash used in operating activities	**(1,367,528)**	**(1,569,687)**

Note 32. Non-cash investing and financing activities

	Consolidated	
	2016 $	2015 $
Deferred consideration included in cost of Matmor assets	-	2,408,440
Shares issued on settlement of Fast Finance loan	1,501,246	-
	1,501,246	**2,408,440**

Note 33. Earnings per share

	Consolidated	
	2016 $	2015 $
Loss after income tax attributable to the owners of ECT Limited	(4,238,067)	(3,716,176)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,640,937,275	2,392,173,748
Weighted average number of ordinary shares used in calculating basic earnings per share	2,640,937,275	2,392,173,748
	Cents	Cents
Basic earnings per share	(0.160)	(0.155)
Diluted earnings per share	(0.160)	(0.155)

At 30 June 2016, there were 2,244,817,935 (2015: 2,182,440,780) options on issue. These options were considered anti- dilutive and excluded from the calculation above.

Note 34. Share-based payments

The following share-based payments were made during the year:

(i) Options issued to Platinum Road (refer note (a)) - Equity raising costs $1,316,020

(ii) Shares issued to YES Bank Limited (refer note (b)) - Corporate costs $20,000

(iii) Options granted to Glenn Fozard (refer note (c)) - Employee benefits ($6,444)

a) Options issued to Platinum Road

- 30,000,000 ESIOB options were issued as a performance payment to Platinum Road Nominees. Such options vested and are exercisable on issue. The fair value of such options, based on their market value at the time of issue of $0.006 on 14 March 2016 amounted to $180,000.
- 170,000,000 unlisted options were issued to Platinum Road Nominees in satisfaction of contractual obligations under the Options Exercise program announced on 9 January 2015. The fair value of each options at the time of issue on 14 March 2016 was $0.0067 giving total consideration provided of $1,136,020. The assessed fair value has been derived in accordance with relevant accounting standards. The options have an exercise price of 1.5c each and therefore the company would receive $2,550,000 should they be exercised.

Relevant inputs used in determining fair value of unlisted options issued were:

- Share price at grant date : $0.013
- Volatility : 113%
- Risk free interest rate : 2.10%
- Dividend yield : nil
- Option life: 2.8 years

b) Shares issued to YES Bank Limited

1,000,000 ordinary shares were issued at $0.02 each to YES Bank Limited on 14 March 2016 (Value $20,000). These shares were issued in satisfaction of a $20,000 performance milestone.

c) Options granted to Glenn Fozard

Mr Fozard's remuneration includes a vesting expense related to performance based options. These are shown in the table below. The share based payment expense for the year was ($6,444) (2015: $22,087) representing a partial reversal of amounts previously expensed as a result of the expiry of unvested options during the year. The total grant date fair value of options available to vest next year is $15,643.

Set out below are summaries of options granted pursuant to Glenn Fozard's remuneration: 2016

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

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

Set out below are summaries of options granted pursuant to Glenn Fozard's remuneration: 2015

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

Directors Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

Ashley Moore
Managing Director

31 August 2016

Melbourne

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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 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Environmental Clean Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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BDO

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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 (Going concern) in the financial report, which indicates the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or loans. These conditions, along with other matters as set out in Note 1 (Going concern), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 31 August 2016

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Financial Report

Shareholder Information

The shareholder information set out below was applicable as at 21 August 2016.

Distribution of equitable securities

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

Distribution of equitable securities	Expiry date	Exercise Price	Balance at the start of the year
1 to 1,000	188	4	237
1,001 to 5,000	149	2	240
5,001, to 10,000	115	3	273
10,001 to 100,000	1597	55	1346
100,001 and over	1980	329	715

Equity security holders

Twenty largest quoted equity security holders

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

Rank	Holder	Number of ordinary shares held	% of total ordinary shares issued
1	LJ & K THOMSON PTY LTD	160,000,000	5.84%
2	ELGAR PARK PTY LTD	111,000,000	4.05%
3	MENZIES SUPER PTY LTD	82,089,710	3%
4	MR DANNY SEGAL &	65,200,000	2.38%
5	MR GREGORY MILTS	39,041,489	1.43%
6	MR IAIN ROBERT MCEWIN &	38,000,000	1.39%
7	MADDINGLEY BROWN COAL PTY LTD	32,790,370	1.20%
8	MADDINGLEY BROWN COAL PTY LTD	30,535,000	1.11%
9	SUPERIOR COATINGS (AUST)	30,000,000	1.10%
10	MR EMILIO MOSCA &	29,500,000	1.08%
11	P A SHAKESPEARE INVESTING PTY	27,134,008	0.99%
12	MRS XIAOLI CAI	22,390,000	0.82%
13	MR ADAM RASZEWSKI	21,036,000	0.77%
14	MARBRIJEN PTY LTD	20,500,001	0.75%
15	MR MARK ANDREW HASTWELL &	19,180,000	0.70%
16	MS KATHY XIAO LIU	18,000,000	0.66%
17	MR LARRY OWEN HANLEY	17,500,000	0.64%
18	M WHITNEY PTY LTD	17,160,000	0.63%
19	JOSEPH BARAKAT &	17,109,647	0.62%
20	A & K MOORE NOMINEES PTY LTD	16,805,558	0.61%

Rank	Holder	Number of ESIOA options held	% of total ESIOA options issued
1	MR PETER ANDREW PROKSA	110,000,000	9.08%
2	A & K MOORE NOMINEES PTY LTD	64,407,284	5.32%
3	MR PATRICK GILES & MR ADAM GILES	58,603,030	4.84%
4	MR IAIN ROBERT MCEWIN	55,000,000	4.54%
5	MR GREGORY MILTS	44,750,000	3.69%
6	CHALLENGE ROOFING PTY LTD	42,263,010	3.49%
7	FOZARD INVESTMENTS PTY LTD	40,000,000	3.30%
8	JOSEPH BARAKAT &	30,000,000	2.48%
9	MR LARRY OWEN HANLEY	28,896,408	2.39%
10	MR DAVID FAGAN	25,676,062	2.12%
11	MRS LILY YUCHUN THOMSON	25,000,000	2.06%
12	MARBRIJEN PTY LTD	23,500,000	1.94%
13	CHALLENGE BRICKS	22,000,000	1.82%
14	MR EMILIO MOSCA	21,000,010	1.73%
15	MR LESLIE SMITH	17,000,000	1.40%
16	B & R SUPERANNUATION PTY LTD	16,536,875	1.37%
17	MR IAIN ROBERT MCEWIN	15,000,000	1.24%
18	SUPERIOR COATINGS (AUST)	15,000,000	1.24%
19	MR PHILLIP BEALE	15,000,000	1.24%
20	MR JASON EBBETT	12,500,000	1.03%

Rank	Holder	Number of SESIOB options held	% of total ESIOB options issued
1	LJ & K THOMSON PTY LTD	49,052,083	5.72%
2	MR FRANK ROBERT ELLIS	36,845,800	4.29%
3	MR EMILIO MOSCA	23,500,000	2.74%
4	MRS YANHUA LI &	17,218,729	2.01%
5	MARBRIJEN PTY LTD	17,082,768	1.99%
6	MR GARY JOHN SPELTA	15,286,986	1.78%
7	MR PHILLIP BEALE	15,000,000	1.75%
8	MR JASON EBBETT	12,500,000	1.46%
9	MR BRADY JOHN SPELTA	11,000,000	1.28%
10	MR DANIEL HTIN KYAW	10,670,000	1.24%
11	MR RAFAEL JASON ZAKELJ	10,000,001	1.17%
12	MR STEVEN KYAW ZAW	9,700,000	1.13%
13	MR ADAM RASZEWSKI	9,500,000	1.11%
14	CHALLENGE ROOFING PTY LTD	9,363,334	1.09%
15	MS KATHY XIAO LIU	8,900,000	1.04%
16	J P MORGAN NOMINEES AUSTRALIA	8,518,656	0.99%
17	CONSANTIS PTY LTD	8,500,100	0.99%
18	M WHITNEY PTY LTD	8,215,600	0.96%
19	MR MARK PAUL WARDEN	8,007,300	0.93%
20	MR DANIEL VINICOMBE	7,682,200	0.90%

Unquoted equity securities

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

The following person holds 20% or more of unquoted equity securities:

Name	Class		Number held
MARBRIJEN PTY LTD	Unlisted Options		140,000,000

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
Options over ordinary shares issued	**Number held**	**% of total shares issued**
LJ & K THOMSON PTY LTD	160,000,000	5.85

Voting rights

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

Ordinary shares

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

Options

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

Restricted securities and securities subject to voluntary escrow

Class	Expiry date	Number of securities
Fully paid ordinary shares	14 September 2016	33,790,370
ESIOA listed options	Escrowed until loan to company repaid (refer note 9 to financial statements)	25,000,000
		58,790,370