ANNUAL REPORT

2015

ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED

Corporate Directory

Directors	Glenn Fozard (Chairman) Ashley Moore (Managing Director) David Smith Barry Richards
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: ESI)
Website	www.ectltd.com.au

Front Cover	Coldry extruder (top), Matmor bench-scale retort (lower left), bench-scale induction furnace pouring bar of iron made from Indian inputs, (lower middle) and 10kg bar of 'Indian' iron.

Contents

Chairman's Message

Dear Shareholder,

On behalf of the board, I am pleased to share with you the 2015 Annual Report.

Over the past year, we've focused our energy and attention on advancing those goals we outlined in last year's report:

- Goal 1 - Commercialise Coldry via building our first commercial-scale demonstration plant (CDP)
- Goal 2 - Prepare Matmor for following the same commercialisation path close behind Coldry
- Goal 3 - Develop markets for additional plants for both Coldry and Matmor.

We've made solid inroads achieving agreement, subject to Indian National Government clearance, for the execution of a tripartite collaboration agreement with two significant Indian Public Sector Undertakings (PSU's), Neyveli Lignite Corporation (NLC, India's largest lignite miner & power generator) and NMDC (India's largest iron ore miner), for the advancement of our Coldry and Matmor technologies to demonstration and pilot stage, respectively.

Our experience in India is positioning us well for becoming a truly global company offering global engineering solutions. India is a country ripe with opportunities. It is the slow moving elephant through the jungle - in no hurry, aware of its might and sure of its path. India is a country where patience and quiet method are necessary virtues.

As we have worked through the necessary Government approvals processes, considerable influence has been brought to bear by both NLC and NMDC, in addition to the hands-on support of Australia's High Commission in Delhi and that of our corporate advisors at YES Bank and Greenard Willing India. Our company is well supported to scale up growth in India as we move through this first stage.

Your Managing Director, Ashley Moore, provides some background on the clearance process in coming pages.

The tripartite agreement is a significant milestone for our company. It establishes the framework within which we will progress the development of the integrated Coldry demonstration and Matmor pilot plant. It marks the beginning of the tangible project work aimed at delivering technical and financial validation for Coldry ahead of broader global deployment, and at progressing Matmor to its next stage of development ahead of subsequent demonstration and commercial adoption.

The tripartite agreement is a binding agreement. It lays out the key activities needed to move forward with Coldry and Matmor development, via an integrated project approach, while allowing appropriate flexibility around key decisions involving business structures, investment, including timing and methods, and post-project ownership options.

We've acquired the Matmor assets, which underpin the engineering work needed to propel Matmor forward, and increase investment certainty with our colleagues in India. We completed the acquisition within a shorter period, and much more effectively than similar arrangements in the past - clear evidence of our focus on continuous improvement.

We are satisfied that Goals 1 & 2 are well underway and now with an integrated approach to demonstration, Goal 2 will likely be achieved much faster than expected.

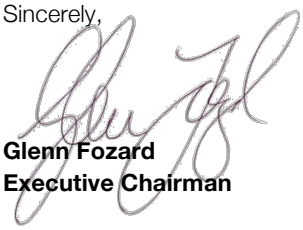
We are also pleased to inform our shareholders that, consistent with Goal 3, we are undertaking a Techno Economic Feasibility study on an integrated Coldry plant here in Australia. This plant is intended to act as the primary gateway for further utilisation of Latrobe Valley lignite by other enterprises. We will share more on this as it develops.

On the operational front, we've made tangible improvements in how we do things, reflected in an underlying $400,000 cash saving for the year, which your Managing Director, Ashley Moore will talk to in coming pages.

In short, we've managed to deliver a lot, with a little, in a relatively short amount of time and we look forward to getting on with the exciting but considerable task of delivering a first-of-a-kind project, in the worlds fastest growing market, with the support and assistance of our word-class partners.

Finally, I'd like to thank you, our shareholders, for your ongoing support which, along with the dedication of the ECT team, will continue to drive the realisation of the considerable potential of our company.

Sincerely,



Glenn Fozard
Executive Chairman

Managing Director's Message

I am very pleased to provide this report on your Company for the period of the 2014-15 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 newest Board members, David Smith and Barry Richards, and recognise the considerable, sustained effort of the whole team in progressing our strategy. We have two great technologies, but nothing happens without the high levels of skill and dedication from our small team.

How we approach our objectives is important to our success. Layered across all we do is a culture and focus driven, by following our core values, in pursuit of Coldry and Matmor commercialisation:

1. **Frugal Innovation** - We strive to reduce the costs of our projects and processes through reducing complexity and competitive sourcing:

   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

2. **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

3. **Integrity** - When we say we will do something, we do it – and we do it right

   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

4. **Sustainability** - We don't compromise for safety, quality or for the environment

   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 Directors Report, which starts on page 30, provides a review of Operations, with key figures highlighting continuous operational improvements against the backdrop of advancing our key objective – an integrated Coldry demonstration and Matmor pilot plant – which made solid headway in the past year.

As our Chairman, Glenn noted, we achieved an underlying decease in cash expenditure of around $400,000. This was achieved while still driving our India activities forward and executing on our Matmor acquisition. It also highlights the effective, responsive and adaptive nature of our management team and priority setting process across the Board and Executive as we navigate the many variables involved in commercialisation of new technologies.

India Activity

Key outcomes in India through the year included:

- ✓ Acceptance and approval of the Coldry CDP feasibility study by NLC
- ✓ Rapid advancement of interest in Matmor by both NMDC and NLC
- ✓ Negotiation of a tripartite collaboration agreement with NLC and NMDC for the development of the integrated Coldry demonstration and Matmor pilot plant
- ✓ Assessment of potential Matmor engineering partners

As noted by the Chairman, we continue to progress through the required Indian National Government approvals processes. As of today, we have cleared two of three required Ministerial approvals, and are progressing through the third. Our colleagues in NLC and NMDC remain keen to make progress, and we have begun preparations for signing our Tri-Partite Collaboration agreement in expectation of the third Ministerial approval.

The time taken to reach this point has been longer than expected, so it's appropriate to provide some context.

Last March, the respective Board's of NLC and NMDC had approved the Tripartite Collaboration Agreement that we'd all spent several months formulating. Following what we expected to be final internal compliance review, a recent and never-before-applied Directive was flagged as a possible approval requirement.

The Directive was issued by the National Cabinet and essentially required all government owned entities to seek approval prior to entering material agreements with 'foreign agencies'.

As explained in several updates to shareholders throughout the year, neither ECT, NLC or NMDC thought this Directive applied to the tripartite agreement, as we did not believe ECT was a 'foreign agency' in the sense that we're not a government linked entity.

The process of seeking clarification on the issue has been lengthy, due the fact that this Directive had not been invoked since being issued. We have been the first company to pass through this process, and therefore creating a pathway, rather than following one already well known.

To tackle this unique scenario, we called on all available resources, taking a multipronged approach. We sought and received the assistance of the Australian High Commission in pursuing avenues at the National Government level in tandem with YES Bank, while NLC and NMDC pursued clarification via their chains of command, the Ministry of Coal and Ministry of Steel.

This eventually led to the briefing of very senior Ministers in the Indian National Government; firstly, the Minister of Power, Mr Piyush Goyal, and subsequently the Minister of External Affairs (Foreign Minister), Ms Sushma Swaraj. They each in turn cleared the agreement to proceed.

From there, the clearances have taken several weeks to be processed through the ministries of both Coal and External Affairs. The agreement is now progressing through the Ministry of Steel, with the expectation we will soon gain the final clearance to sign.

Both NMDC and NLC have emphasised their interest remains strong, and that despite the time taken for clearance, they are keen to proceed. We fully expect to move to a more traditional project execution footing, with increased certainty over timing of activities, following signing of the tripartite agreement.

We're building relationships with a clear focus on long-term success; so focusing on supporting our partner's compliance with their own processes is in shareholder's best interests.

India has a large bureaucracy. And while this is our number one priority, it's just one of a multitude of activities that they deal with on a daily basis. Having said that, once the decision is made, the people we're dealing with at NLC and NMDC are highly professional, very motivated and have repeatedly stated their intent and desire to get on with the job.

We're pressing hard and look forward to commencing project activity soon.

Matmor Activity

Matmor Assets Acquisition

Last December we announced the acquisition of the Matmor assets. This milestone brought the plant and intellectual property in-house, providing clarity and certainty in relation to current and future access to the IP and strengthening our position in the eyes of parties looking to partner on the joint development of Coldry and Matmor.

From a Shareholders perspective, formalising ownership of the Matmor technology prior to investing the significant sums required to advance it through the scale-up process to Pilot scale, was an inevitable and necessary event on the commercialisation pathway. Timing the acquisition was challenging, however the Board formed the view that the level of interest from parties in India supported the timing of the acquisition.

Matmor Fundamental Research & Development

The Matmor process was the subject of accelerated development efforts during the year due to the positive outcome of testing Indian iron ores and the subsequent preference by NLC and NMDC to pursue an integrated Coldry demonstration and Matmor pilot project. Key events and milestones throughout the year included:

- ✓ **July 2014**: Extension of the Matmor license agreement.
- ✓ **October 2014**: Announced formal discussions with the NMDC were in progress following encouraging benchmark testing of various iron ore samples.
- ✓ **December 2014**: formal acquisition of the Matmor technology including plant, equipment and intellectual property.
- ✓ **January** through to **June 2015**: ongoing testing of Indian iron ore and other samples involving the optimisation of raw material preparation and formulations resulting in significantly improved iron yield, exceeding expectations.

It's important to understand that Matmor is dependent on Coldry for its feedstock preparation, and as such Coldry needs to be demonstrated at commercial scale to de-risk Matmor development.

The evolution of the tripartite collaboration agreement with NLC and NMDC during the year effectively brought forward our Matmor development plans, compared to originally envisaged timeframes.

Fundamental research and development has continued throughout the fiscal year, with extensive bench testing of a broad scope of Indian iron ore supplied by NMDC and Indian lignite supplied by NLC. These have been, in every instance, successful at producing a high quality metal, as shown in the adjacent pictures.

The positive test results drove the pursuit of the tripartite collaboration agreement and a second round of testing aimed at refining yield. This second phase has resulted in significantly improved yield across all ore samples compared to the first phase benchmarking, confirming the suitability of the Matmor process.

The tripartite collaboration agreement brings the Matmor development timeline forward, driven by India's desire to add greater value to its low-rank coal and iron ore resources.

Possible Matmor Process Development Breakthrough

An unexpected outcome of the optimisation testing was a breakthrough in our metal oxide reduction process. This has significant cost-saving implications ahead of pilot plant development. We are currently assessing the patentability and other IP protection options for the new findings. While we can't talk about the details as we move to protect this potential new intellectual property we're eager to provide a full update as soon as possible.

Pictures (top to bottom):

- Reduced Matmor pellets are taken from the bench-scale retort furnace.
- Hot liquid metal is poured from the lab-scale induction furnace.
- The iron product cooling.
- The finished iron product in bar and in rod form.

Coldry Activity

Project Activities

- August: Submission of the Coldry Commercial-scale Demonstration Plant (CDP) Feasibility Study report and ongoing commercial discussions with the Board of Neyveli Lignite Corporation (NLC).
- September: Agreement reached with NLC to proceed to high-level Board-appointed review committee for detailed assessment of the proposed project. Commenced establishment of Indian entity.
- November: Merging of Coldry and Matmor development opportunities to align synergies between ECT, NLC and NMDC.
- February: ECT India entity established.
- April: Indian Coldry patent issued.
- May: Hosted a high-level delegation from NLC and India's Ministry of Coal ahead of proposed project commencement.
- June: entered a strategic alliance with Coal Energy Australia (CEA) for the proposed development of Coldry-enabled pyrolysis technology.

Capital Management Activities

In relation to capital management activities, we concluded the Strategic Deliverable Bond and issued two new Options series, ESIOA and ESIOB.

The ESIOA Options offer closed, fully subscribed, raising a little over $1.3m. ESIOB Options were a pro rata issue on a 1 for 3 basis for every ESI held at the record date.

At the time of writing, a little over $2 million worth of Options have been exercised, providing ongoing working capital to the company and highlighting a return of confidence.

The path forward

I'd like to draw your attention for a moment to the fundamentals of commercialisation as we see them and how we believe methodical execution, risk mitigation and frugal innovation can combine to bring our technologies to market.

Let's step through.

Strategy

Coldry is poised to advance to commercial-scale demonstration. Matmor is poised to progress to pilot-scale, ahead of subsequent larger-scale demonstration.

Demonstration is the key step prior to commercial deployment.

Commercial deployment is the key to generating revenue from the Coldry and Matmor technologies.

Revenue is the key to establishing a basis for fundamental valuation of the business and delivering on long-term shareholder value.

To deliver on the Coldry demonstration objective, we embarked on the detailed engineering work with Arup in November 2011.

This crucial activity concluded in August 2013, delivering the level of detail and accuracy necessary to enable a qualified constructor to build the demonstration plant.

The demonstration of the Coldry process at suitable scale is aimed at delivering technical and the process guarantee required for potential end users of the Coldry technology to make an investment decision and deploy Coldry at commercial scale.

Matmor is developed to test plant scale, capable of producing around ~40kg of hot liquid metal per hour. The plant is currently undergoing preparation for upgrades ahead of commencing the next stage of development. In the meantime, we've continued raw materials testing at bench-scale and further refined the fundamental science around the reduction of various metal oxides in the process.

The Matmor Process requires a slightly modified version of the Coldry Process at the front end to produce the dried 'composite' pellets that are fed into the Matmor retort.

The rationale behind the strategy of developing Coldry ahead of Matmor is simple; it de-risks the Coldry aspect of a Matmor plant, lowering the overall risk on the way through and enabling focus on the required retort and systems engineering rather than feed preparation.

Our next objective in relation to Matmor is to develop the process to pilot scale, with a capacity of ~6,000 to 8,000 tonnes per year. With a significant investment to develop the Matmor pilot plant, we believe this approach to de-risking is prudent.

With this in mind, let me drill down on our activities beginning with a view of the commercialisation pathway and moving then to the practical steps underpinning our drive to deliver tangible results for both Coldry and Matmor.

Commercialisation is a broad term. It covers many discreet activities that, when sequenced appropriately and executed well, result in a product that meets a demand, at a cost that's competitive and a price that's profitable.

Commercialising a first-of-a-kind technology like Coldry or Matmor comes with inherent risk. One of the keys to successful commercialisation is risk management. One of the ways in which we manage risk is the appropriate scale steps on the way from concept through to commercial deployment.

How we tackle the commercialisation pathway and manage that inherent risk is within our control.

Your company has been following, and will continue to follow, a methodical, stepwise approach to commercial scale up of both technologies to minimise technical and financial risk.

During the course of the next year we aim to progress the integrated Coldry demonstration and Matmor pilot project with NLC and NMDC.

The Coldry demonstration project is quite simply targeted at getting on with construction, commissioning, validation trials and then commercial expansion.

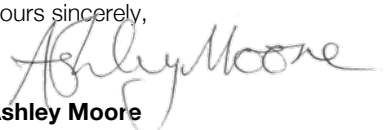
The Matmor pilot project is aimed at executing a series of Test Plant trials to generate the data necessary to inform the pilot plant design ahead of detailed design and engineering and subsequent construction, commissioning and a detailed test regime to support further scale up to demonstration size.

With respect to Goal 3, the developing of markets for additional plants for both Coldry and Matmor, we are taking slightly different approaches, which work most effectively with their respective stages of development. For Coldry, we are seeking project opportunities to insert the Coldry process as a pre-drying step in larger, higher value adding projects, such as pyrolysis to produce higher value chars and synthetic chemicals or gasification for production of high value chemicals e.g urea (fertiliser). This is the approach behind the Techno-Economic feasibility study noted by the Chairman in his letter.

For Matmor, we are seeking to expand the application space into which it can be applied. As you know, basic Iron production can be well supported by Matmor. We have active, yet early stage, work programs in place exploring the application opportunities for Matmor technology to Nickel ores containing Iron, Titanium dioxide mineral sands containing Iron, as well as Manganese ores in combination with Iron ores. We will report on progress on these activities as we make progress, and as we are able.

On that note, I'll leave you to absorb the rest of this Annual Report, and welcome any feedback you may have via email to info@ectltd.com.au.

Yours sincerely,



Ashley Moore
Managing Director

Board of Directors

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.

Company Highlights

Innovative resource upgrading technologies

ECT is developing unique minerals processing technologies focused on transforming low-value resource streams into higher grade, valuable products delivering positive economic, energy, resource and environmental security outcomes.

Coldry

Unique low rank coal drying technology

- Intellectual Property owned 100% by ECT
- World's most efficient pre-drying process for high moisture content coals
- Enables low-rank coal use in downstream conversion process for high value products
- Outstanding environmental credentials including a zero net CO_2 footprint from the process
- Construction-ready designs for first commercial scale plant ready to go

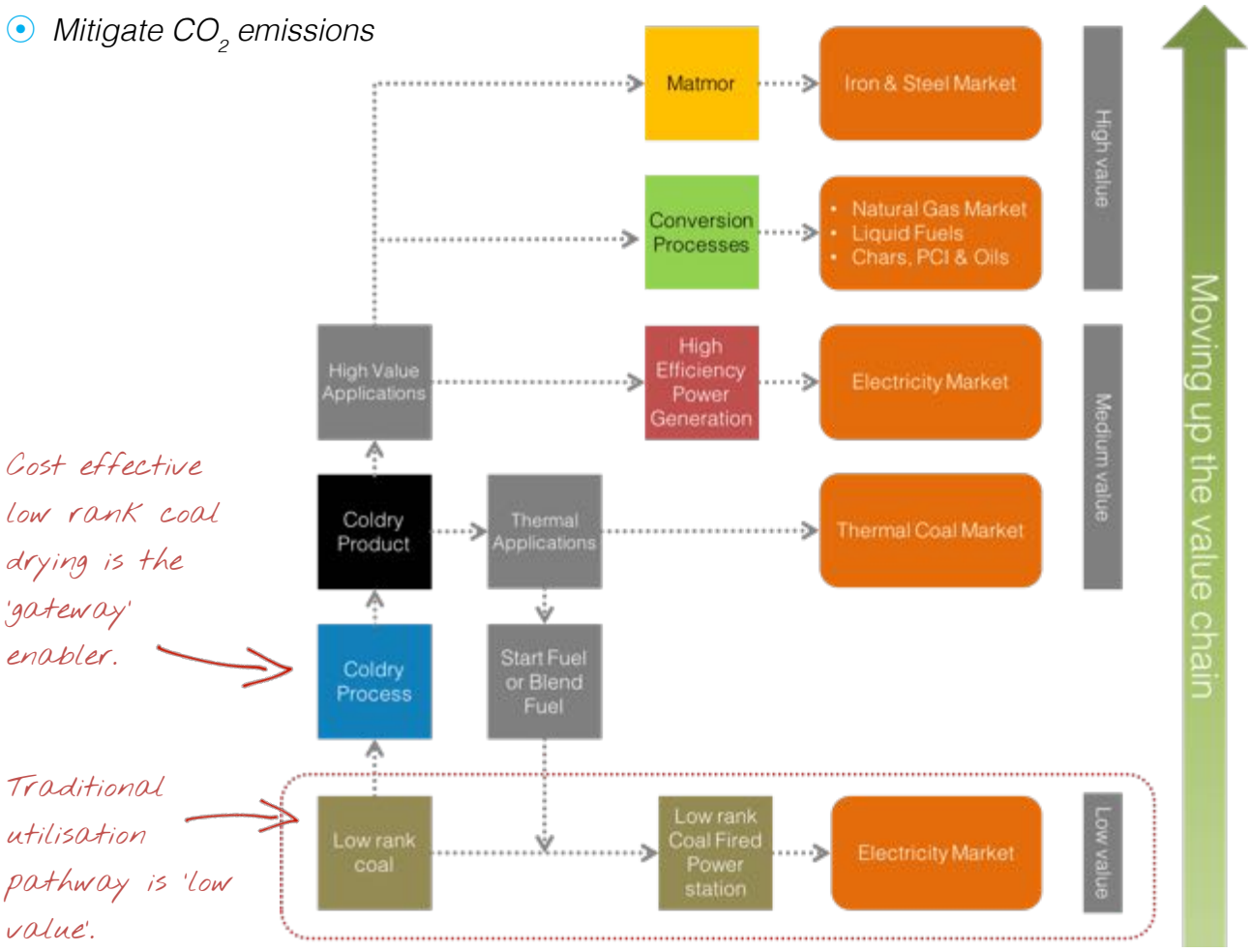
Matmor

Primary iron processing technology

- Intellectual property owned 100% by ECT
- Integrates with Coldry which acts as the feedstock preparation stage
- Reduces feedstock costs by 40-60% through use of low cost, abundant raw materials
- Reduces energy costs by up to 50% through innovative thermo-chemical pathway
- Lower CO2 intensity compared to the traditional blast furnace process
- Ready to progress to pilot scale

Coldry Value Proposition

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



Conventional utilisation of low rank coal (brown coal or lignite) is via combustion in a conventional, and typically low efficiency, thermal power station. The finished product is electricity, which enters the wholesale market, and generates a certain value for the owners.

Generating higher value with conventionally available technologies is not possible. Coldry technology changes that paradigm, and eliminates emissions intensive trade-offs.

Coldry technology, applied to low cost lignite, generates a low moisture, high energy value fuel. This can be used in a wide range of applications, such as displacing conventional black coals, fueling high efficiency electricity generation, and providing raw materials to further upgrading processes such as those which are able to produce high value chemicals and other materials.

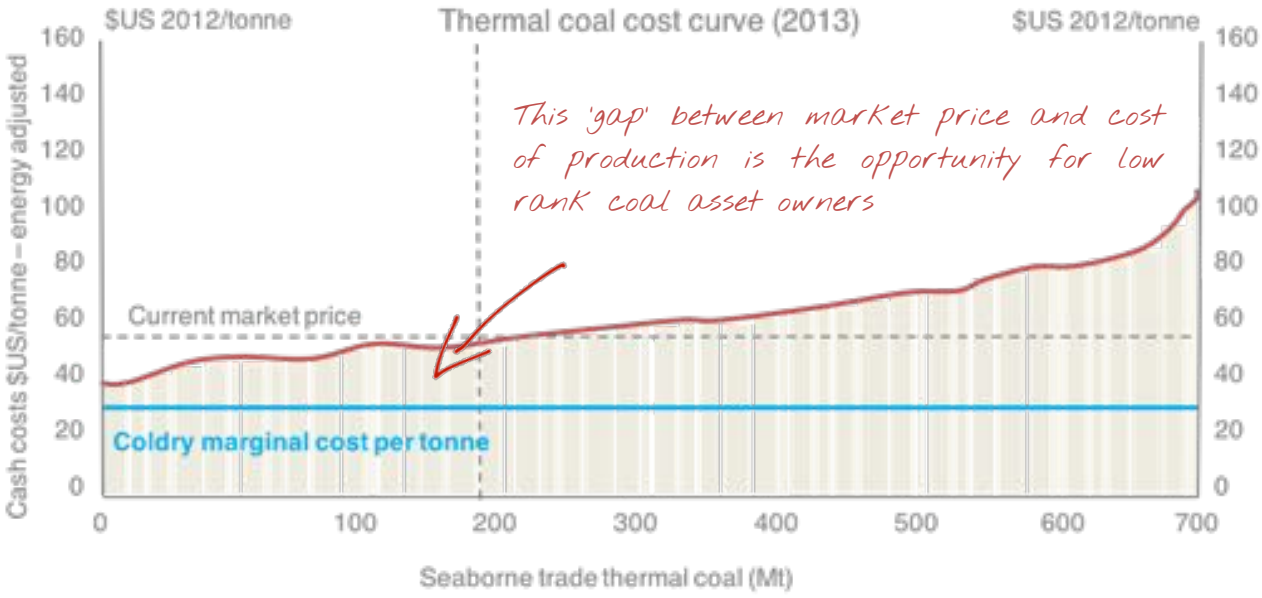
Then there is ECT's Matmor technology. A unique and higher value utilisation of brown coal. The technology produces Iron, or crude Steel, from low rank coals and a wide range of iron ore raw materials.

ECT's technologies, and Coldry in particular, allow Lignite asset owners to climb the value chain, entering markets where the revenue they realise for each tonne of material they extract is greater. Further, when processed through Coldry technology, the CO2 intensity associated with that additional revenue is significantly less than the conventional utilisation pathway.

Coldry Value Proposition

Spotlight on the thermal coal market

- *Incremental income from sales of upgraded product enabled by low marginal upgrade cost*
- *Competition – Seaborne Thermal coal trade*
- *To gain competitive space, you must be able to displace others on the supply curve*
- *With current pricing, less than half of supply generates profitable sales for traditional suppliers (horizontal dashed line). Via Coldry (blue line), ample margin is available even at lower pricing levels.*



The "Supply cost curve" is a graphic representation of the cost to supply across the whole market of suppliers for a given commodity. The chart shown - a recreation of a chart sourced from an Australian Government Treasury publication* - displays the suppliers to the global seaborne coal trade. Each supplier has a given cost structure to own & operate their mine and bring their products to market - here shown on the basis of FOB (Free on Board the vessel from the port of origin). The various suppliers are represented as thin slices across the whole volume of the market, covering over 700 million tonnes per year. They are sorted on the basis of their cost structure, which has the lowest cost suppliers on the left, with progressively higher cost suppliers to the right of them. The market pricing at the moment shows that many of the suppliers are operating at a net loss per tonne supplied. Traditionally, that is illogical. However, many suppliers are compelled to continue operation via their needs to fulfil debt obligations or take-or-pay freight contracts set when pricing was higher.

A lignite asset owner can gain a very competitive position - on an incremental cost of supply basis - within this supply cost curve. That is, they are able to penetrate even when pricing is low and add net revenue and cash flow to their operations.

*http://www.treasury.gov.au/PublicationsAndMedia/Publications/2014/Long-run-forecasts-of-Australias-terms-of-trade/HTML-Publication-Import/5-Exports-of-nonrural-bulk-commodities-thermal-coal

Energy Transition Advisors stated:

"… Current spot prices to be below the "cash costs" of production for nearly one-half of total capacity and to be below the "breakeven coal price" (which includes capital costs and economic returns) for two-thirds of total capacity. Over half of China's coal producers have cash costs in excess of domestic Chinese spot prices…."

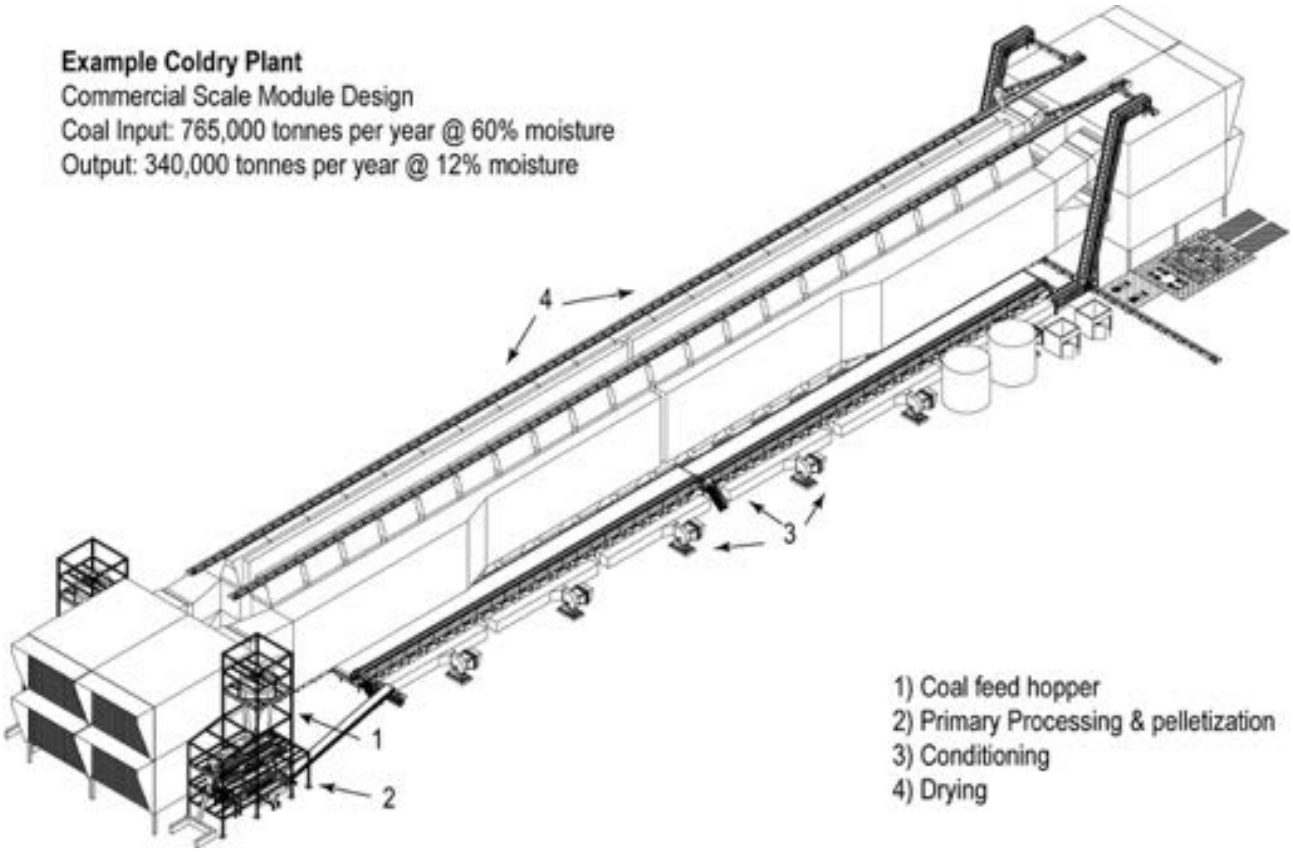
October 2014

Coldry Technology Introduction

Low-rank coal drying

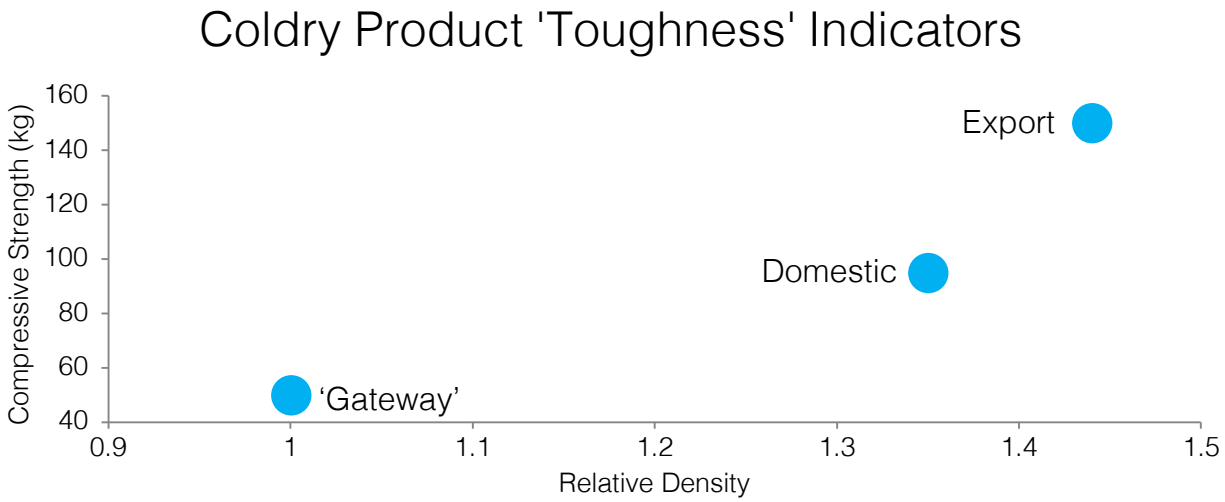
- *Enhanced efficiency*
- *Greater energy security*
- *High value applications*
- *Low emissions*

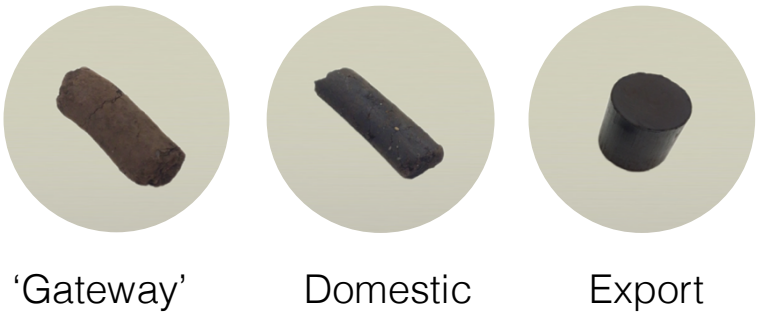
Process Features	Benefits
Low temperature, low pressure	Lower opex cost per tonne
Simple, patented mechanical design	Lower capital intensity, robust, reliable, lower operating & maintenance cost
Unique 'Densification' & waste heat utilisation approach	Enables low temperature, low pressure removal of moisture resulting in net energy uplift, low opex and zero CO_2
Modular	Scalable, cost effective



Coldry technology introduction

Product Features	Benefits
Low moisture, high energy value	Higher price, broader market applications
Stable	Won't permanently reabsorb moisture, low spontaneous combusting risk, storable, transportable
Retained volatile matter	Ideal for coal conversion technologies, yielding more gas and oil than black coal
Variable product output (pictured left)	Fit for purpose product format tailor's hardness to customer needs: • 'Gateway' is ECT's 'fast dry' product, producing a cheaper but more friable product, ideal as a cost-effective front end feedstock for conversion processes. • 'Domestic' grade is the 'standard' Coldry product, robust enough to withstand handling and transport in local markets with minimal fines generation. • 'Export' grade is designed to withstand the rigours of multiple bulk handing points over long distances with minimal fines generation.





Coldry Process

"One distinct advantage of Coldry is the relative low heat requirements in the drying process, allowing for the opportunity to make use of waste heat from an industrial facility or power plant."

Dr Victor Der
Former Assistant Secretary for Fossil Energy, US Dept. of Energy
General Manager, North America, Global CCS Institute

Process Steps

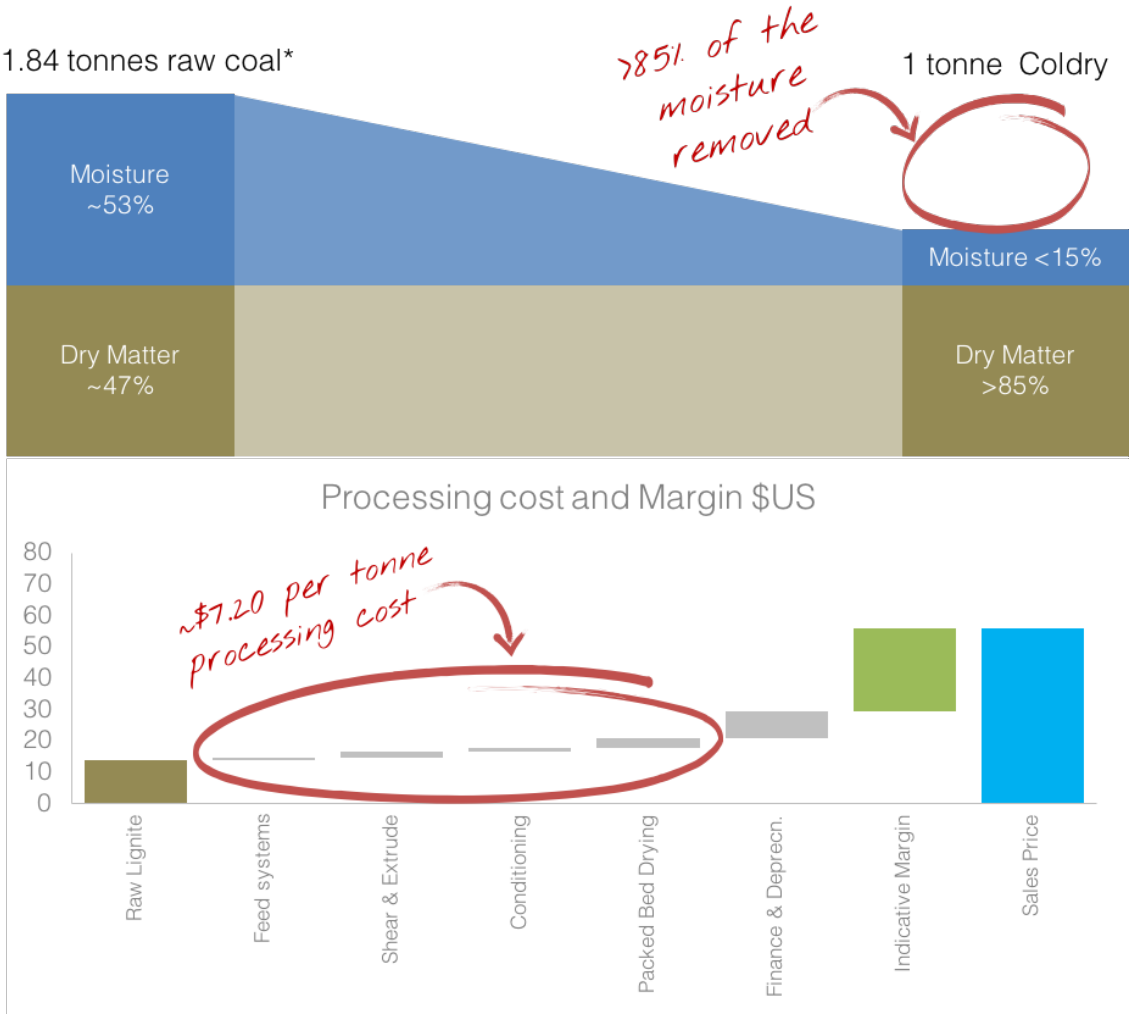
1. Raw coal from the mine is milled and screened to <8mm and a small quantity of water is added to the raw coal
2. The raw coal is subjected to mechanical shear, further reducing the particle size and releasing trapped moisture to form a paste.
3. The coal paste is extruded.
4. Warm air toughening of the extruded pellets on a conditioning conveyer is performed prior to discharge to the main dryer. This increases the pellet strength and reduces fines generation within the dryer.
5. Removal of moisture in a pack bed dryer occurs at low temperature via waste heat.
6. Water can be recovered from the process (Optional).
7. Stockpiling of high-energy Coldry pellets ready for use or transport.

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 CO2 emissions intensity associated with utilisation, enabling greater sustainability of outcomes.

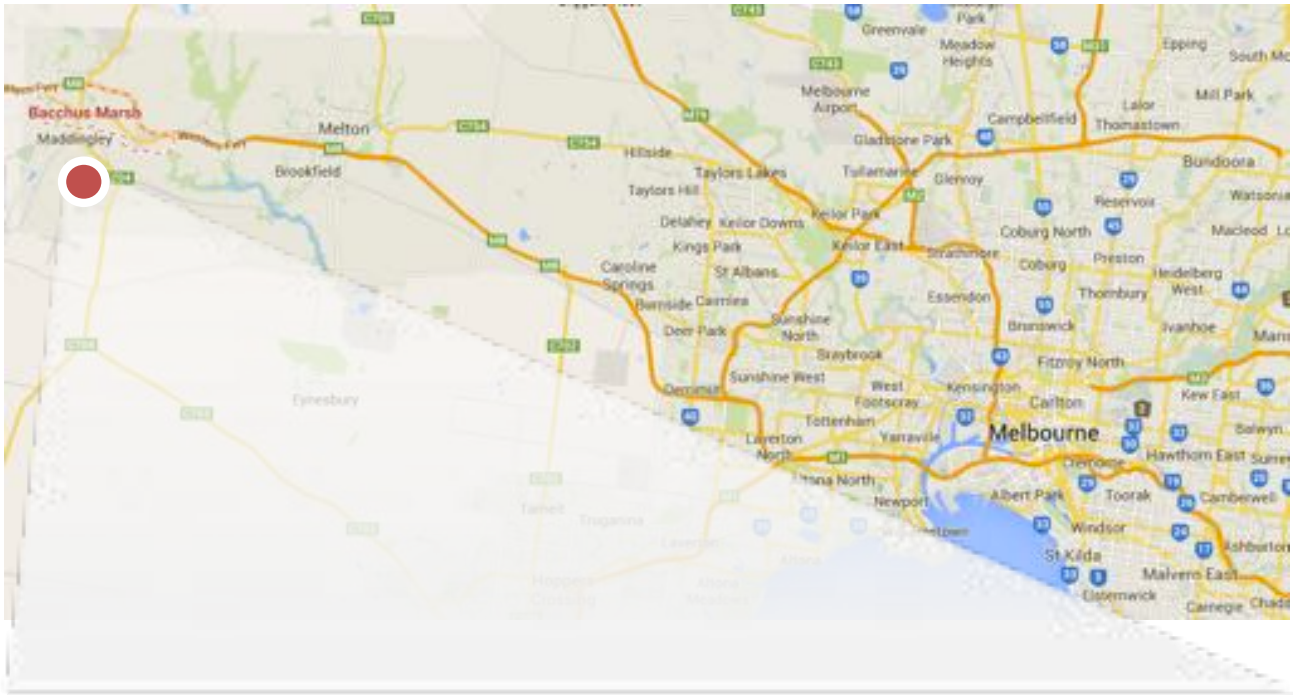
The process achieves a single objective - reduction of water content. In doing so, it increases the energy content of the finished product, which significantly increases its value. Low cost processing opens significant margin opportunities for the lignite asset owner.

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.

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 Value Proposition

- *Lower cost raw materials*
- *Lower capital cost plant*
- *Lower emissions*
- *Higher value products*
- *Resource diversity & security*
- *Waste remediation solution*
- *Coldry provides essential feed preparation step*

Unlike the Coldry technology, Matmor performs a task which other technologies currently serve, and have served well for many years.

Coke-based iron production was first developed by Abraham Darby in England in the early 1700s, which was a significant enhancement over charcoal based processes that existed earlier.

The "Blast Furnace" and Steel-making was first developed in 1855 by Henry Bessemer, which led to large-scale production of more competitively produced steel than at any time in history.

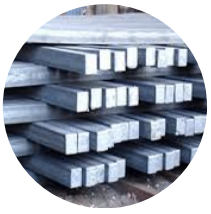
Matmor seeks to provide a significant step change in the capabilities associated with the manufacturing of iron (crude steel).

At the core, the technology has significant competitive advantages. The raw materials Matmor processes are lower cost. The process operates at lower temperature, providing for several distinct and complementary advantages:

Lower energy consumption - The process doesn't operate at the very high temperatures associated with Blast Furnace operations, and

Lower capital cost - Since the plant doesn't have to withstand the extremes of the blast furnace operating environment, it is able to be constructed of lower cost, lower weight materials.

Since the process is more energy efficient, and since it operates via a different chemical pathway, the process generates less CO_2 emissions compared to current commercial processes.



Matmor technology

Process Features	Benefits
Uses low-rank coal and alternative iron ore materials.	• Low rank coal replaces coking coal • Wide range of iron oxide sources • Ability to use lower grades of iron ore • Lower raw material cost • Diversified supply chain • Decoupling from coking coal and high grade iron ore improves energy and resource security • Waste remediation solution improves environmental outcomes • Economic advantages: Import replacement, monetise waste streams and add value to lower grade coal and iron oxide resources
Lower operating temperature, <1,000ºC	• Lower capital cost plant • Higher quality metal product • Increased energy efficiency
Uses Coldry as the feed preparation process	• Low cost, zero CO_2 drying and pelletising • Eliminates coking ovens and sinter plants

Matmor Test Plant

The Matmor Test Plant (right) will be the focus of upcoming work in preparation for advancement to Pilot Scale. The Test Plant has a design capacity of approximately 1 tonne per day of hot liquid metal.

Bench scale testing

Optimising process parameters relevant to coal and iron ore characteristics requires hands on, fundamental research to generate the necessary data. Such iterative work is performed at bench scale on our 10kg batch retort, reducing the lead time and cost of experiments compared to performing the same work via the Test Plant.

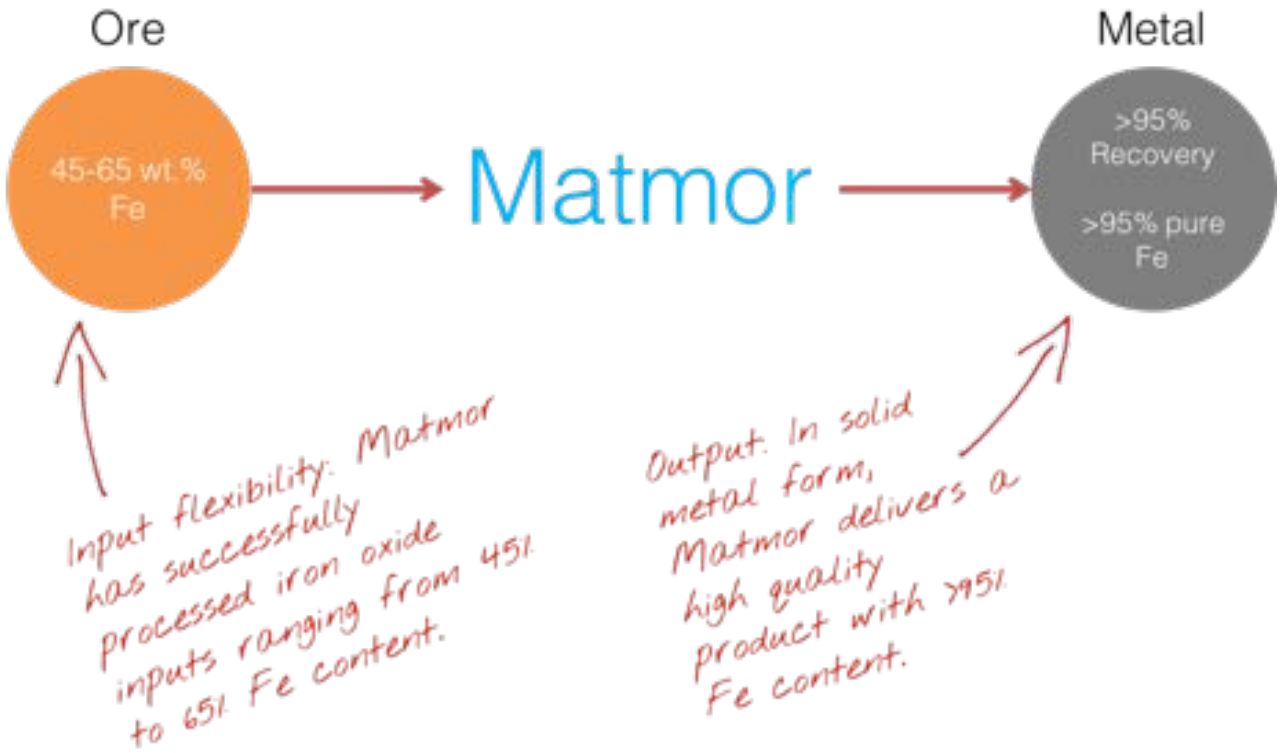
Below left: ECT's Matmor Research Manager, Keith Henley-Smith (left) and Operations Manager, Adam Giles (right) transferring hot reduced pellets from the Matmor bench-scale test rig. The pellets, made from Indian lignite and iron ore fines, are near 100% reduced from hematite to crystalline Iron.

Following reduction, the crystalline iron is melted in the bench scale Induction Furnace (below right), the slag is removed and the molten iron poured into a 10kg mould (below right).

ECT Matmor Test Plant
Melbourne, Australia

Matmor technology introduction

Product Features	Benefits
High Fe yield	• Metallic yield of 95%+ means maximum value extracted • Fe content of the finished product is 97%-99%, delivering a high quality iron with minimal impurities
High Fe content	• Low impurities • Lower downstream processing cost
Flexible output: • DRI pellet • Hot Liquid metal • Solid Iron	• Flexible applications • Integrate seamlessly with existing steelmaking operations • Feed Induction or Electric Arc furnaces • Export



Direct Reduced Iron (DRI) pellet

Hot liquid metal

Solid iron

Matmor vs Blast furnace

Lower cost inputs.

Blast furnaces use expensive coking coals. These represent the most expensive of the range of coals available on the market. They are not available in all countries, and in particular, India lacks this essential, nation building resource.

Blast furnaces also require large size chunks of iron ore, and ore of sufficient strength to withstand the weight of being loaded into a blast furnace, underneath a load of other input materials, without crumbling. Blast furnaces rely on the upward passage of great volumes of hot gas, and should the bed of coking coal and iron ore crush, this free passage is restricted, and the blast furnace must be shut down for clean out.

Matmor raw materials are lower cost for several reasons. The reductant (low-rank coal) is more widely available, and has limited alternative uses (unless processed and upgraded by Coldry technology). The process can accept weaker iron ore materials. Indeed, there is a preference for smaller sized materials which are not acceptable as direct feed into a blast furnace. Due to the preference of blast furnaces for lump ore, fines sell at a discount. Additionally, Indian iron ores are typically softer, and tend to produce more fines, making Matmor the ideal solution for reclaiming this abundant, and growing, 'above ground ore body'.

Simpler plant.

The Matmor technology is an inherently simpler and more efficient approach to the production of crude steel. Large elements of the traditional integrated steel plant are not required (or, are required to a lesser degree, depending on the scale of adoption of Matmor within the integrated plant).

Blast furnaces require coke for their operation. This comes from coking ovens, which 'roast' coking coal at high temperatures (over 1000ºC) for periods in excess of 24 hrs. The lump coke is used directly into the blast furnace. Fine coke particles are passed to the Sinter Plant for recovery.

Blast furnaces also require lump ore. Not all of the ore is available in lump form. As such, fine materials along with other recovered sources of iron are passed to the sinter plant. The purpose of the Sinter plant is to agglomerate the coke fines, iron fines and other materials into lumps. This is done at high temperatures, using great quantities of energy, to fuse the material into a solid mass so it may be able to be fed into the blast furnace.

Matmor technology does not require that the reductant be roasted. There is no need for coke ovens, nor the emissions associated with them.

Matmor technology agglomerates the reductant and iron ore at low temperatures via the Coldry process. The high temperature sinter plant is not required, nor the energy demand and associated emissions.

Efficient.

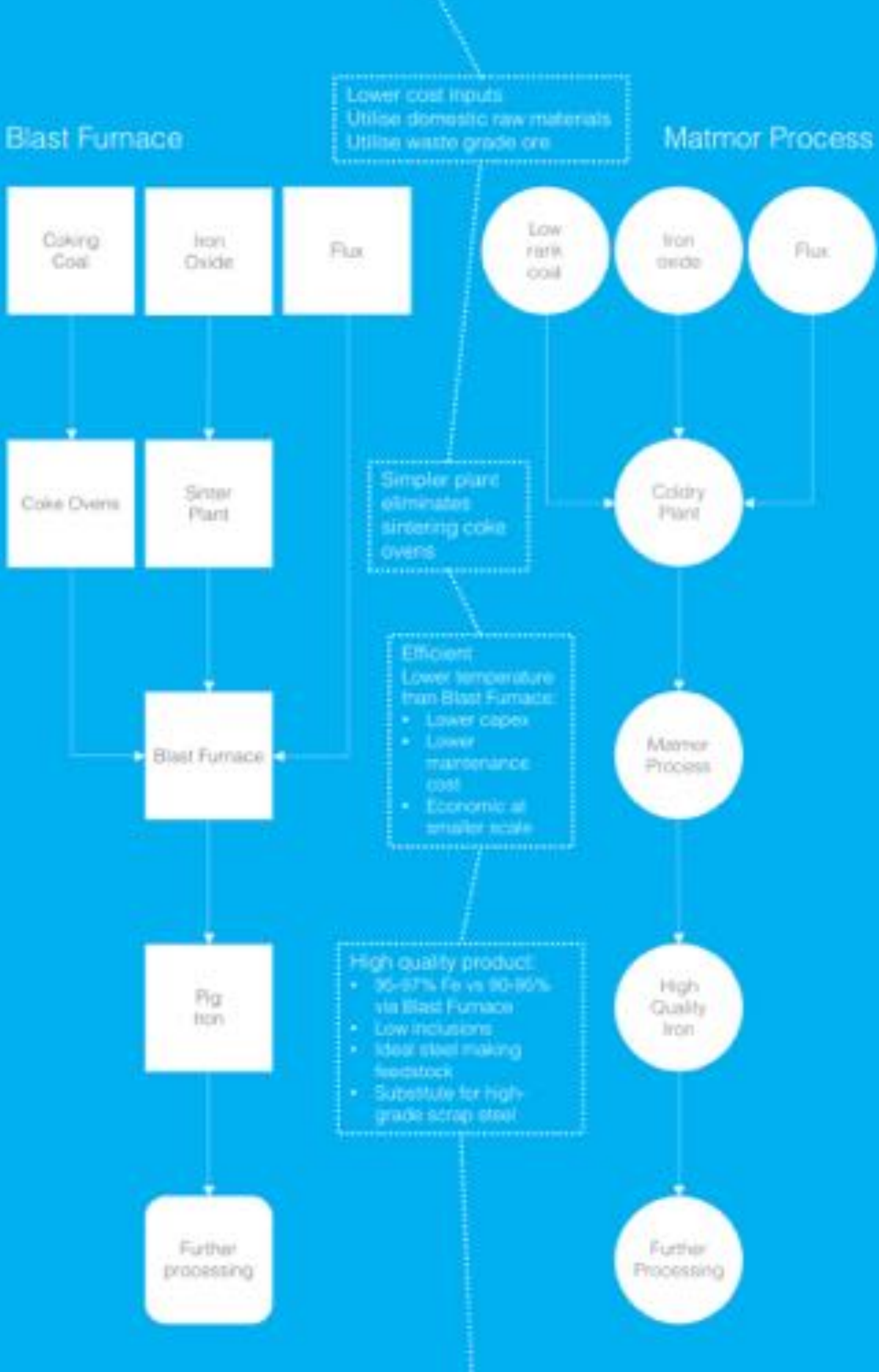
As described earlier, the lower operating temperature of the Matmor process means that (1) it uses less energy to produce iron, and (2) the equipment is not required to be designed to withstand such a harsh environment, resulting in lower cost construction.

The combination of these features means that the technology is likely to be highly competitive to be able to provide suitable economic returns at smaller scale.

High quality product.

Matmor product is fully reduced from its iron-oxide state to iron, and can be made available in a range of states suitable for downstream steel production.

Pure. Clean. High quality.

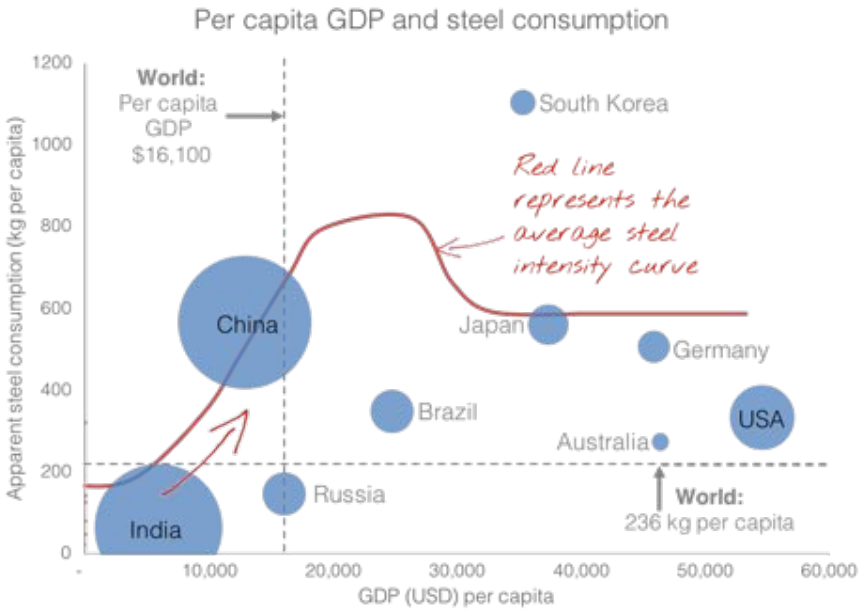

Lower cost inputs
Utilise domestic raw materials
Utilise waste grade ore
Blast Furnace
Matmor Process
Coking Coal
Iron Oxide
Flux
Low rank coal
Iron oxide
Flux
Coke Ovens
Sinter Plant
Simpler plant eliminates sintering coke ovens
Coldry Plant
Efficient
Lower temperature than Blast Furnace:
Lower capex
Lower maintenance cost
Economic at smaller scale
Blast Furnace
Matmor Process
Pig Iron
High quality product:
96-97% 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 a way of looking at trends in consumption as nations expand their economies over time. 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).”

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.

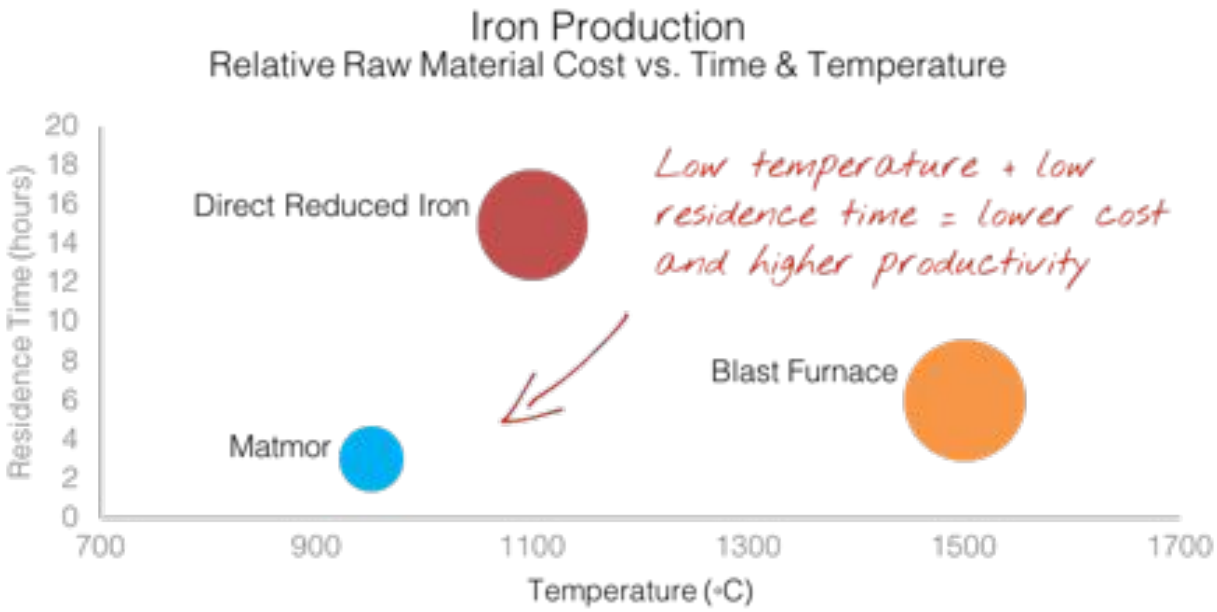
Growth in demand for both iron ore and coking coal will drive pricing change in both commodities. In specific markets, given different availabilities, this supply-demand pressure will play out in an uneven fashion. In particular, coking coal supply-demand is likely to see more upward pricing pressure 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.

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

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 kiln which produces a reduced iron product).

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.

India Strategy

Outline of the India Market Opportunity

In 2010–11 India was Australia's third largest export market for energy and non-energy mineral commodities, principal export market for gold, second-largest export market for metallurgical coal, and third largest export market for non-energy minerals. In 2010–11, India was Australia's fourth largest resources and energy trading partner with resources and energy exports valued at around AUD$14.6 billion.

The International Energy Agency (IEA) reports:

"A combination of rapidly increasing energy demand and fuel imports plus growing concern about economic and environmental consequences is generating growing calls for effective and thorough energy governance in India. Numerous policy reforms over the past 20 years have shifted the country's energy sector from a state-dominated system towards one that is based on market principles. However, with the reform process left unfinished, India now finds itself trapped halfway along the transition to an open and well-performing energy sector.

India suffered from the largest power outage ever in late July 2012, affecting nearly half of the population. While this incident highlights the importance of modern and smart energy systems, it indicates that the country is increasingly unable to deliver a secure supply of energy to its population, a quarter of which still lacks access to electricity."

In short, India is a net energy importer today, facing a range of issues in the face of projected growth in energy demand as it aims to bring affordable electricity to that 25% of its population currently without access and its rapidly growing industrial base.

India currently faces the following issues;

- Insufficient fuel supply
- Pricing distortions
- Infrastructure limitations
- Investment risk

Given the above factors and that power generation capacity is forecast to grow by almost 400% through to 2035, the impetus to upgrade and leverage existing domestic lignite resources has gained momentum.

In the context of ECT, it has a two-fold implication;

1) Thermal power generation – black coal power stations
2) Value added applications;
    - Coal to liquid fuels
    - Coal to gas
    - Metallurgical coal substitute
    - Fertilisers

Market

India has a population of around 1.25 billion. Some 300 million don't have access to electricity (IEA World Energy Outlook 2013). Energy shortages plague the rest, with India's Central Electricity Authority (CEA) recently identifying (29 Sept 2014) more than half of its coal-fired plants (56) reporting critically low fuel stocks of less than 7 days, with 33 having less than 4 days' stockpile and 11 with nil coal.

And while we all support the sensible, affordable deployment of renewables in the energy mix, the International Energy Agency forecasts India will be come the largest coal importer by 2020, driven by demand for electricity.

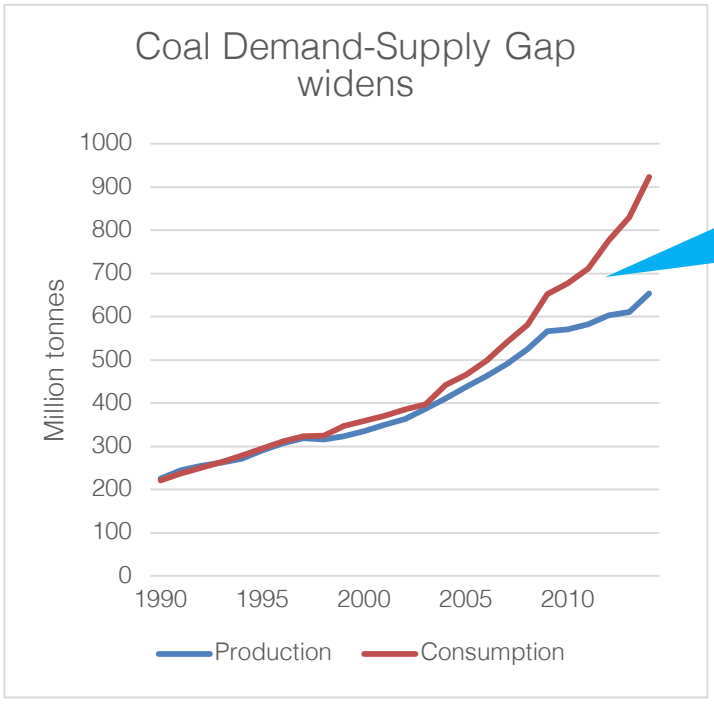
Coal will remain the dominant electricity source in India for decades to come. It makes sense to upgrade domestic lignite resources via Coldry to displace imports where possible, and to enhance efficiencies of domestic generation utilising lignite.

Globally, around one fifth of the population, or 1.3 billion, lack access to electricity and around 2.7 billion rely on wood, charcoal or dung for cooking fuel. The World Health Organisation estimates that 'millions' die every year from air pollution caused by the use of pre-modern energy sources in people's homes.

India: The place to be for Coldry

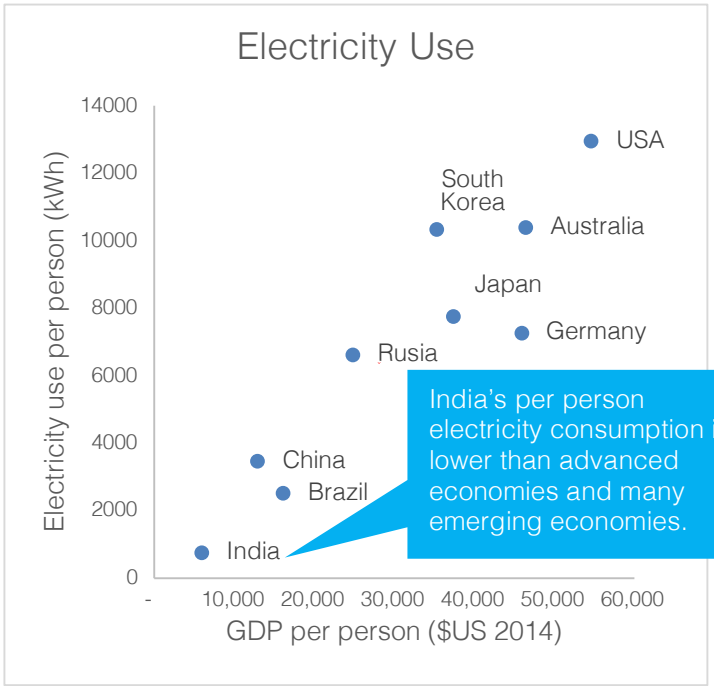
India is in a major growth phase:

- *Energy demand increasing, outstripping domestic primary energy source growth*
- *With over 4.5 Bn tonnes of proved recoverable reserves in India, low rank coal is able to play a major supporting role via application of ECT technologies*
- *India will be the fastest growing major economy in 2016, with the IMF projecting GDP growth of 7.5 percent against China's 6.8 and a global rate of 3.8 percent.*
- *India's coal-based energy production is projected to double by 2030*

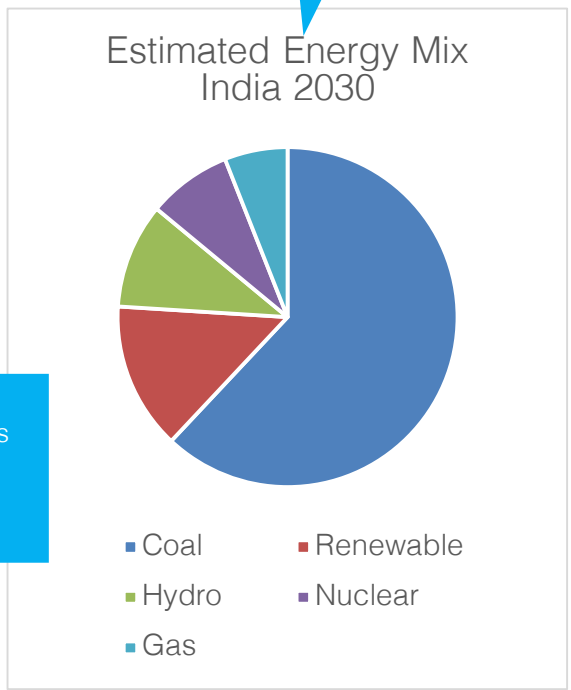


India's coal demand has outstripped supply since, 2000, with accelerating divergence since 2009

Despite growth in renewables coal is forecast to supply over 60% of India's electricity needs in 2030.



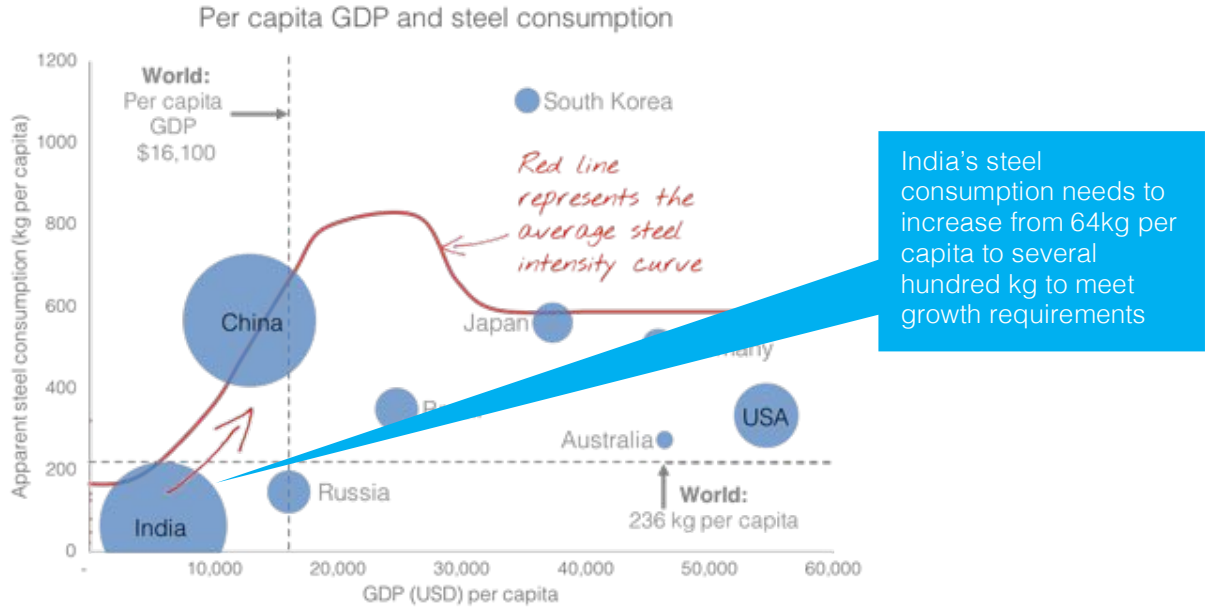
India's per person electricity consumption is lower than advanced economies and many emerging economies.

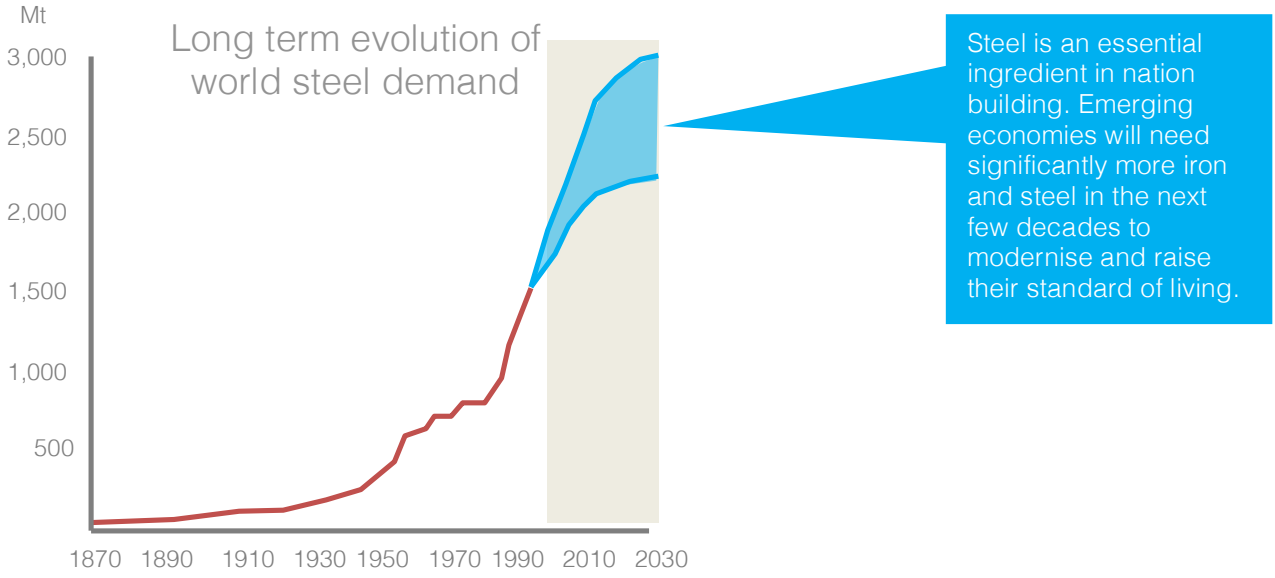


India: The place to be for Matmor

India is in a major growth phase:

- *Infrastructure development requiring substantial increases in iron & steel production*
- *Domestic coking coal reserves, effectively zero, heavily reliant on imports*
- *Low value resources (low rank coal & iron ore fines & slimes) able to play a major role in bridging this gap via application of ECT technologies*
- *World Steel Association projects India's steel consumption growth rate to remain the highest in the world at 7.3% pa for 2016*
- *India is currently the words third largest producer of crude steel*
- *If India increase consumption to half of global average, this represents an increase of 85% or ~70Mt pa*
- *If ECT can capture 5% of the growth via Matmor, this represents 3.5M tpa or ~17 commercial size modules*





India Project

Objective:

- *Development of an integrated Coldry demonstration + Matmor pilot facility in India*
- *Launchpad for global commercial rollout*

Partners:

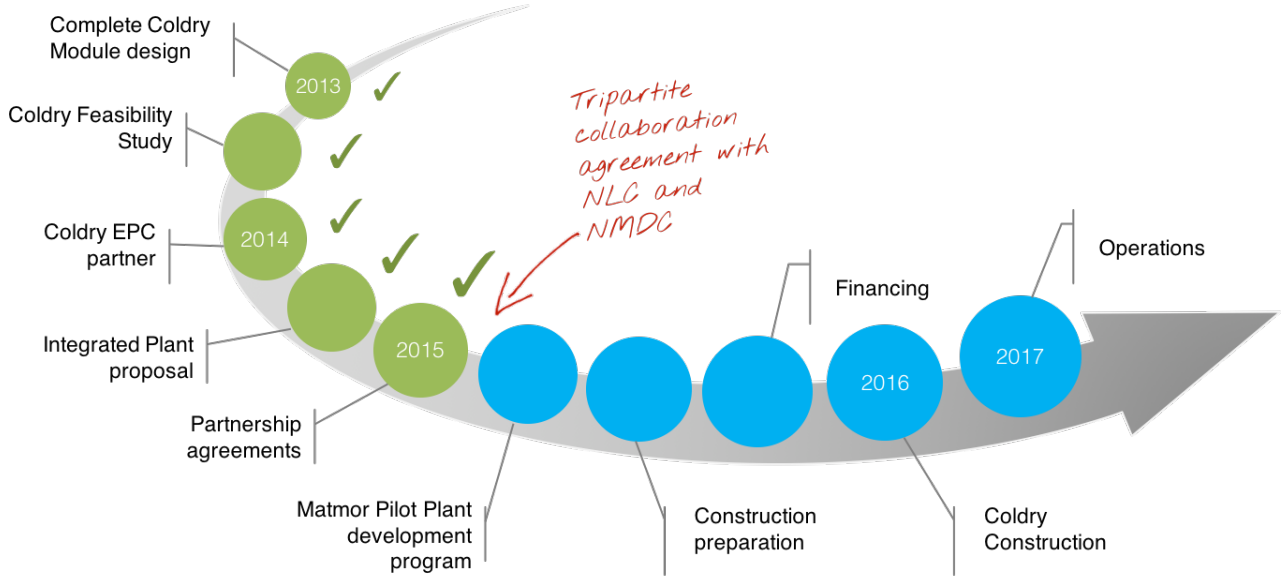
- *Neyveli Lignite Corporation is the custodian of India's lignite resources, the lead partner on Coldry and the project host*
- *The NMDC is India's largest Iron ore miner*
- *Both companies are PSUs (Public Sector Undertakings, i.e. Government entities)*

Location

- *Neyveli, Tamil Nadu*
- *~2.8GW power station*
- *~25m tpa mine output*

India Project Pathway

- *Demonstrate as a platform for subsequent larger scale commercial roll out*
- *'Demonstration' achieves:*
  - *Capital defined*
  - *O&M capability displayed*
  - *Product quality, value and use validated*
  - *Business model proven*



Financial Report

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 2015.

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
- David Smith (appointed 1 February 2015)
- Barry Richards (appointed 5 June 2015)
- Iain McEwin (resigned 5 June 2015)
- Stephen Carter (resigned 11 December 2014)

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. These include:

- development of a large-scale demonstration project for the Coldry Process;
- advancement of the Matmor Process toward pilot scale; and
- managing the development and extracting value from Intellectual Property.

Coldry Process

The Coldry process is an economic method of dewatering low-rank coal to produce an upgraded black coal equivalent. The process is currently poised to progress to large-scale demonstration ahead of broader commercial rollout.

Once applied, the mechanically simple 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.

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 first and only low-rank coal based primary iron production method.

Essentially, the Coldry process combines two mechanisms to achieve efficient, cost-effective dewatering; 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

The loss for the consolidated entity after providing for income tax amounted to $3,716,176 (30 June 2014: $2,548,113). Underlying cash expenditure decreased by over $400k, while non-cash expenses increased, primarily depreciation associated with the Matmor Test Plan assets.

This result is driven by a combination of increased non-cash expense (primarily depreciation) offset by decreased cash expenditure and increased recognised income (AusIndustry R&D Tax Incentive Rebate).

The increase in the R&D Tax Incentive income for the year is due to the recognition of rebate received in October 2014 as current year income but which was associated with eligible R&D activity of the 2014 financial year, combined with a change in accounting judgement relating to when rebate income should be recognised whereby reasonable assurance in relation to receipt of the entitlement to the R&D rebate is now deemed at the time of incurring the eligible R&D expense. The expected Tax Incentive for this reporting year increased by $550k over the prior year driven largely by the depreciation associated with the Matmor equipment assets purchased in December 2014.

Whilst the loss represents an increase of $1.17m (46%) on the prior year result, non-cash transactions including depreciation of the recently acquired Matmor Assets accounts for $1.42m – more than the change in the loss. It is important for shareholders to realise this represents an underlying decrease in cash spend rate of over $400k, while continuing to deliver on key strategic objectives and developments.

Operational Highlights

Total expenses increased by 29% to $5.41m from $4.19m in the prior year. The increase in expenses of $1.22m is made up of an increase in non-cash expenses of $1.67m, offset by an underlying cash spend reduction of $400k, or nearly 20%. This was achieved in a year when significant increases in activity in India project development, as well as the acquisition of Matmor, were executed.

Corporate expenses increased by $123k driven by increases in:

- Advisory costs associated with capital raising of $153k, including $83k non-cash;
- ASX and registry charges of $49k associated with new options series establishment;
- Accounting expense of $27k associated with Matmor acquisition and ECT India establishment of $42k, partially offset by underlying savings of $15k.

The increase in Corporate expense was partially offset by savings in R&D Claim preparation expense (-$15k) and Consulting (-$20k) resulting in the headline increase of $123k including $83k non-cash.

- Legal expenses increased by $21k, driven by the activities associated with the Matmor acquisition (+$53k), partially offset by underlying savings. It must be noted that the acquisition of Matmor was executed at significant saving versus the similar transaction of the acquisition of Coldry in the 2009 financial year.
- Employee costs decreased by $34k, made up of cash savings of $56k, offset by a non-cash charge related to performance incentive share-based payments for potential options to be issued to Chairman G. Fozard.
- Sales and Marketing expenses increased by $148k, driven by increased project development activities in India (+$104k) and patent expenses (+$26k), issuance of the Indian patent, plus a shift in timing of the EU patent renewals.
- Engineering & Pilot Plant expenses decreased by $379k, driven by Engineering expense (-$342k - conclusion of the Arup activity in July 2013); Plant equipment costs (-$93k); Sample testing expenses (-$37k); offset by a non-cash expense of $110k associated with the extension of development rights over Matmor prior to its acquisition.
- Other expenses decreased by $64k, associated with cessation of activities on development of EL5119.
- Finance costs, a largely non-cash category, increased by $31k. Movement is driven by the adjustments associated with the Coldry earn-out creditor and the deferred consideration associated with Matmor acquisition.
- Depreciation and amortisation expense increased by $1.374m. This is driven by the acquisition of the Matmor Test plant equipment, and its associated short useful life dedicated to the Matmor Pilot Plant development project.

Corporate

Organisational focus on Indian project development through the year resulted in increased corporate and sales and marketing expenses. The activities around these cost centres included:

- Stakeholder engagement
- Project development
- Market analysis

These activities have delivered progress toward execution of a tripartite agreement with two Indian Public Sector Undertakings (PSU's), Neyveli Lignite Corporation and NMDC, for the deployment of an integrated Coldry demonstration and Matmor pilot plant.

Coldry

The key objective heading into the reporting period remained the demonstration of the Coldry technology at commercial scale.

Over several years the company has developed and progressed its India-focused demonstration strategy.

Coldry advancement is focussed on, but not limited to, the proposed first demonstration plant, targeted to be built at Neyveli Lignite Corporation's (NLC) site in Tamil Nadu, India. This has continued to advance through the year, with key milestones being:

- July: JV agreement signed with Mecrus, Australia's leading brown coal plant operator, focused on provision of commissioning, operations and maintenance services to projects in Australia and overseas.
- August: Submission of the Coldry Commercial-scale Demonstration Plant (CDP) Feasibility Study report and ongoing commercial discussions with the Board of Neyveli Lignite Corporation (NLC).
- September: Agreement reached with NLC to proceed to high-level Board-appointed review committee for detailed assessment of the proposed project. Commenced establishment of Indian entity.
- November: Merging of Coldry and Matmor development opportunities to align synergies between ECT, NLC and NMDC.
- February: ECT India entity established.
- April: Indian Coldry patent issued.
- May: Hosted a high-level delegation from NLC and India's Ministry of Coal ahead of proposed project commencement.
- June: entered a strategic alliance with Coal Energy Australia (CEA) for the proposed development of Coldry-enabled pyrolysis technology in Victoria and other key markets.

Running parallel to our Coldry demonstration project development activities with NLC were a series of Matmor testing activities with NMDC. These activities are covered in the following section, however during the year it became increasingly clear that all parties saw the synergies in working together to advance both technologies in an integrated manner.

The parties proceeded to develop a tripartite collaboration agreement aimed at an integrated Coldry Demonstration and Matmor Pilot plant.

As the fiscal year drew to a close, the company was working with NLC and NMDC to progress the proposed tripartite agreement through the Indian National Government clearance processes.

Matmor

The Matmor process was the subject of accelerated development efforts during the year due to the positive outcome of testing Indian iron ores and the subsequent preference by NLC and NMDC to pursue an integrated Coldry demonstration and Matmor pilot project. Key events and milestones throughout the year include:

- July: Extension of the Matmor license agreement.
- October: Announced formal discussions with the NMDC were in progress following encouraging benchmark testing of various iron ore samples.
- December: formal acquisition of the Matmor technology including plant, equipment and intellectual property.
- January through to June: ongoing testing of Indian iron ore samples involving the optimisation of raw material preparation and formulations resulting in significantly improved iron yield, exceeding expectations.

Matmor is dependent on Coldry for its feedstock preparation, and as such Coldry needs to be demonstrated at commercial scale to de-risk Matmor development.

The evolution of the tripartite collaboration agreement with NLC and NMDC during the year effectively brings forward our Matmor development plans, compared to originally envisaged timeframes.

Fundamental R&D has continued throughout the fiscal year, with extensive bench testing of a broad scope of Indian iron ore supplied by NMDC and Indian lignite supplied by NLC. These have been, in every instance, successful at producing a high quality metal.

The positive outcome of this testing led to the pursuit of the tripartite collaboration agreement and a second round of testing aimed at refining yield. This second phase has resulted in significantly improved yield across all ore samples compared to the first phase benchmarking, confirming the suitability of the Matmor process.

The tripartite collaboration agreement brings the Matmor development timeline forward, driven by India's desire to add greater value to its low-rank coal and iron ore resources.

In addition, ECT has continued to explore the basic footprint of Matmor with respect to non-ferrous metals, including nickel, titanium and manganese ores, with promising results. Further testing is required to generate the necessary data to develop these applications into the future.

Matmor, being a high temperature (up to 1000ºC) pyro metallurgical process, will entail a greater level of engineering and scale up development than Coldry. The next phase of development is to scale up from our 1 tonne per day test plant to a Pilot plant with a capacity of 15-20 tonnes per day. To this end the company is actively seeking suitably qualified engineering partners in India to partner on Matmor pilot plant development.

Significant changes in the state of affairs

The overriding focus for the consolidated entity for the financial year was on progression of its proposed Coldry demonstration project at Neyveli Lignite Corporation ('NLC'). The process involved the preparation of a detailed technical and commercial feasibility study for deployment at NLC's site near Tamil Nadu. The feasibility study report was submitted during the report period, with NLC's Board forming the requisite high-level review committee to assess the project in detail.

Running parallel to the Coldry focused activity with NLC, the consolidated entity held discussions and performed raw material testing with NMDC in relation to Matmor development and successfully concluded an initial benchmarking program on several iron ore samples provided by NMDC. Lignite from Neyveli was used as the reductant. The tests confirmed the ores were suitable for reduction to metallic iron by the Matmor process.

The consolidated entity, NLC and NMDC subsequently pursued joint discussions around a tripartite collaboration arrangement with the objective of developing an integrated Coldry Demonstration Plant and Matmor Pilot Plant, at NLC's site in Tamil Nadu, southeast India.

At the reporting date the consolidated entity has received Board level approval from NLC and NMDC to proceed with the proposed collaborative arrangement and all parties are working through the relevant Indian National Government clearance processes, with support from Australia's High Commission and Austrade personnel.

In relation to capital management activities, the consolidated entity issued two new Options, ESIOA and ESIOB. ESIOA Options closed, fully subscribed. ESIOB Options were a pro rata issue on a 1 for 3 basis for every ESI held at the record date. The consolidated entity concluded the Strategic Deliverable Bond in August and rolled over its Fast Finance facility in November.

The consolidated entity has continued to progress fundamental research and development of the Matmor technology with the testing of numerous low-rank coals and iron bearing materials from both domestic and overseas sources in addition to expanding testing to ores containing Nickel, Chrome, Manganese, and Titanium. The company finalised the purchase of the Matmor Test Plant equipment for use in its Pilot Plant development program, and concluded an agreement to acquire the Matmor Intellectual Property in return for a future share of revenues generated by the commercialisation of that technology.

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

No matter or circumstance has arisen since 30 June 2015 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 is focused on advancing Coldry as its lead technology, which is a necessary sequencing given that the Coldry process is required to deliver the feedstock for Matmor.

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 search for the most appropriate technical partner for Matmor is approaching conclusion.

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:	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), 15,000,000 performance based options
Contractual rights to shares:	None
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 more than 25 years in the 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 Finance Committee
Interests in shares:	2,916,668 ordinary shares
Interests in options:	78,296,174 ESIOA Options; 972,223 ESIOB Options
Contractual rights to shares:	Nil
Name:	**David Smith (appointed 1 February 2015)**
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce, Bachelor of Laws (Honours)
Experience and expertise:	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 commercialization 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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil
Contractual rights to shares:	Nil
Name:	**Barry Richards (appointed 5 June 2015)**
Title:	Non-Executive Director 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
Contractual rights to shares:	Nil
Name:	**Iain McEwin (resigned 5 June 2015)**
Title:	Non-Executive Director
Experience and expertise:	Iain has considerable business experience in the ownership and operation of his own business as a supplier to the building and construction industry. Iain is a key shareholder in the company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Not applicable, as no longer a director
Interests in shares:	Not applicable, as no longer a director
Interests in options:	Not applicable, as no longer a director
Contractual rights to shares:	Not applicable, as no longer a director

'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 2014, and the number of meetings attended by each director were:

	Full Board		Remuneration, Nomination and Governance Committee		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Glenn Fozard	10	10	2	2	4	4
Ashley Moore	10	10	-	-	4	4
Stephen Carter	5	5	1	1	2	2
Iain McEwin	10	10	1	1	-	-
David Smith	3	3	-	-	2	2

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

* Barry Richards is a member of the Remuneration, Nomination and Governance Committee. There have been no meetings held since his appointment.

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 2014 AGM of the company, both Glenn Fozard and Stephen Carter were re-elected as directors.

Remuneration report (audited)

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

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive director's 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. The chairman's fees are determined independently and are based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of their own remuneration. 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:

(i) Non-executive directors - $25,000;
(ii) Non-executive directors (committee members) - $50,000;
(iii) Trainee Director - $30,000

Two tier additional reward remuneration structure:

(i) Committee chair - $10,000;
(ii) Chairman - $25,000

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.

Such a process was followed to appoint Chairman Glenn Fozard to his executive role, and this is reported in more detail in subsequent sections of the Remuneration report.

- 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 designate, in the absence of the Managing Director, 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 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 grant of rights to share or options under the Plan. Any issue of shares, grant of options and rights to shares or options 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 to shares or options 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, grant of options and rights to shares or options 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 unvested rights to shares or options 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 2015.

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 2015.

Executive remuneration and reward framework

The executive remuneration and reward framework has four components:

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

The combination of these comprises the executive's total remuneration.

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 2015, the consolidated entity did not engage any remuneration consultants for the purpose of review of existing remuneration policies.

Details of remuneration

Amounts of remuneration

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

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 (appointed 1 February 2015)
- Barry Richards - Non-Executive Director (appointed 5 June 2015)
- Iain McEwin - Non-Executive Director (resigned 5 June 2015)
- Stephen Carter - Non-Executive Director (resigned 11 December 2014)
- Adam Giles - Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Consultancy fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2015	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
David Smith*	8,562	-	-	813	-	-	9,375
Barry Richards*	2,083	-	-	-	-	-	2,083
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
Total	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.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Consulting fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2014	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Stephen Carter	87,886	-	-	-	-	-	87,886
Iain McEwin	55,263	-	-	-	-	-	55,263
Lloyd Thomson	10,497	-	-	-	-	-	10,497
Executive Directors:							
Glenn Fozard	58,856	-	-	5,444	-	-	64,300
Ashley Moore	232,225	-	-	17,775	-	-	250,000
Other Key Management Personnel:							
Adam Giles	139,100	-	-	12,866	-	-	151,966
Total	583,827	-	-	36,085	-	-	619,912

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

Name	Fixed remuneration 2015	At risk - STI 2015	At risk - LTI 2015
Non-Executive Directors:			
David Smith	100%	-%	-%
Barry Richards	100%	-%	-%
Iain McEwin	100%	-%	-%
Stephen Carter	100%	-%	-%
Executive Directors:			
Glenn Fozard	80%	6%	14%
Ashley Moore	100%	-%	-%
Other Key Management Personnel:			
Adam Giles	100%	-%	-%

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 which may be extended subject to review
Details:	Executive remuneration consists of a fixed retainer of $5,000 per month until November 2015 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.

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. This has been voluntarily reduced by $25,000 p.a. from March 2015 pending progress on Indian project development objectives.

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 2015.

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.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Grant Date	Number of options granted	Value of Options Granted	Value of Options Vested
Glenn Fozard	5 June 2015	15,000,000	$22,087	-

* The entitlement and vesting of these options is dependent upon the achievement of operational deliverables as determined by the Board. There were no options that lapsed during the period.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised below:

	2015	2014	2013	2012	2011
	$	$	$	$	$
Revenue	1,691,785	1,644,631	1,314,914	686,266	274,987
EBITDA	(712,630)	(949,154)	(4,938,052)	(4,910,789)	(2,502,282)
EBIT	(2,605,844)	(1,468,697)	(5,477,784)	(5,491,142)	(3,073,761)
Loss after income tax	(3,716,176)	(2,548,113)	(5,444,185)	(5,549,700)	(3,121,709)

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

	2015	2014	2013	2012	2011
Share price at financial year end ($)	0.018	0.002	0.007	0.019	0.010
Basic earnings per share (cents per share)	(0.155)	(0.122)	(0.326)	(0.430)	(0.380)

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

In accordance with ASIC Class Order 14/632 which clarifies 'Key management personnel equity instruments disclosures', the following disclosures relates only to equity instruments in the company or its subsidiaries:

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Ashley Moore	2,916,668	-	-	-	2,916,668
Iain McEwin*	53,108,581	-	-	(53,108,581)	-
Adam Giles	13,138,609	-	-	-	13,138,609
Total	69,163,858	-	-	(53,108,581)	16,055,277

* Disposals/other represents the shareholding held at date of resignation

Option holding

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

	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Ashley Moore	-	79,268,397	-	-	79,268,397
Iain McEwin*	-	162,147,305	-	(162,147,305)	-
Glenn Fozard	-	50,000,000	-	-	50,000,000
Stephen Carter	-	50,000,000	-	(50,000,000)	-
Adam Giles	-	66,879,556	-	-	66,879,556
	-	408,295,258	-	(212,147,305)	196,147,953

* Negative movements represents the individual's option holding at the time of ceasing to be a KMP of the company.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares – Ashley Moore	79,268,397	-	79,268,397
	79,268,397	-	79,268,397

* Glenn Fozard acquired 50,000,000 options during the year for consideration of $50,000. The acquisition was financed using funds loaned from the company. The options remain in escrow until the full loan has been repaid pursuant to the terms of the arrangement.

Loans to key management personnel and their related parties

During the period, the company 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:

(i) Glenn Fozard was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $2,201. Interest repaid during the period was $2,201. Principal of $25,000 was repaid. Loan balance at 30 June 2015 is $25,000.

(ii) Iain McEwin was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $2,201. Interest repaid during the period was $2,201. Principal of $50,000 was repaid. Loan balance at 30 June 2015 is $nil.

(iii) Stephen Carter was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $756. Interest repaid during the period was $756. Principal of $50,000 was repaid. Loan balance at 30 June 2015 is $nil. 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:

Description	Expiry date	Exercise price	Number under option
Listed ordinary options (ESIOA)*	31-Jul-17	0.9¢	1,286,172,364
Listed ordinary options (ESIOB)**	31-Jul-17	1.5¢	896,268,416
			2,182,440,780

* ESIOA: All options were issued pursuant to prospectus dated 30 June 2014 at a price of $0.001

** ESIOB: 724,768,416 options were issued to eligible shareholders for no consideration pursuant to prospectus dated 30 June 2014. 150,000,000 options were issued at $0.0067 as part consideration for the Matmor Asset. 21,500,000 options were issued at an average price of $0.0055 as consideration for various services provided to the company.

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 110,000,000 ordinary shares of Environmental Clean Technologies Limited issued during the year ended 30 June 2015 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.

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 audit partners of BDO East Coast Partnership

There are no officers of the company who are former audit 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 2015
Melbourne

Independent Auditors Report

BDO

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2015, 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.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 31 August 2015

Financial Report

Contents

General information

The financial statements cover Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

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

Suite 502, Level P5
9 Yarra Street
South Yarra, VIC, 3141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2015. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Note	Consolidated 2015	Consolidated 2014
		$	$
Revenue	4	12,557	12,025
Other income	5	1,679,228	1,632,606
Expenses			
Corporate costs		(837,934)	(714,800)
Legal costs		(142,427)	(120,659)
Employee benefits expense	6	(786,138)	(819,694)
Sales and marketing		(245,508)	(97,437)
Depreciation and amortisation expense	6	(1,893,214)	(519,543)
Engineering and pilot plant costs		(172,799)	(551,496)
Occupancy expense		(142,261)	(160,391)
Travel and accommodation		(72,137)	(60,271)
Other expenses		(5,211)	(69,037)
Finance costs	6	(1,110,332)	(1,079,416)
Loss before income tax expense		(3,716,176)	(2,548,113)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	21	(3,716,176)	(2,548,113)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Environmental Clean Technologies Limited		(3,716,176)	(2,548,113)
		Cents	Cents
Basic earnings per share	34	(0.155)	(0.122)
Diluted earnings per share	34	(0.155)	(0.122)

Statement of Financial Position as at 30 June 2015

	Note	Consolidated 2015	Consolidated 2014
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	8	940,676	215,120
Trade and other receivables	9	1,169,273	35,849
Other	10	20,359	46,857
Total current assets		2,130,308	297,826
Non-current assets			
Investments accounted for using the equity method	11	2	2
Property, plant and equipment	12	3,702,887	52,280
Intangibles	13	6,720,000	7,200,000
Total non-current assets		10,422,889	7,252,282
Total assets		12,553,197	7,550,108
Liabilities			
Current liabilities			
Trade and other payables	14	232,530	283,441
Borrowings	15	1,644,656	1,793,333
Provisions	16	2,625,401	87,915
Other	17	-	173,416
Total current liabilities		4,502,587	2,338,105
Non-current liabilities			
Provisions	18	869,444	616,183
Total non-current liabilities		869,444	616,183
Total liabilities		5,372,031	2,954,288
Net assets		7,181,166	4,595,820
Equity			
Issued capital	19	57,051,403	54,837,275
Reserves	20	4,087,394	-
Accumulated losses	21	(53,957,631)	(50,241,455)
Total equity		7,181,166	4,595,820

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of Changes in Equity for the year ended 30 June 2015

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2013	52,076,821	-	(47,693,342)	4,383,479
Loss after income tax expense for the year	-	-	(2,548,113)	(2,548,113)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,548,113)	(2,548,113)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	2,760,454	-	-	2,760,454
Balance at 30 June 2014	54,837,275	-	(50,241,455)	4,595,820

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 income 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 19)	2,104,128	-	-	2,104,128
Share-based payments (note 35)	-	22,087	-	22,087
Issuance of options	-	4,175,307	-	4,175,307
Exercise of options	110,000	(110,000)	-	-
Balance at 30 June 2015	57,051,403	4,087,394	(53,957,631)	7,181,166

Statement of Cash flows for the Year Ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Research and development offset and sundry receipts		565,244	1,633,027
Payments to suppliers and employees (inclusive of GST)		(2,141,827	(3,051,282)
		(1,576,583)	(1,418,255)
Interest received		10,733	11,604
Interest and other finance costs paid		(3,837)	(260,384)
Net cash used in operating activities	32	(1,569,687)	(1,667,035)
Cash flows from investing activities			
Payments for property, plant and equipment		(23,080)	-
Proceeds from loan repayments		417	-
Net cash from/(used in) investing activities		(22,663)	1,402
Cash flows from financing activities			
Proceeds from issue of shares and options		2,057,036	1,500
Proceeds from borrowings		348,817	2,899,000
Repayment of borrowings		(87,947)	(1,820,278)
Prepaid options premiums		-	173,416
Net cash from financing activities		2,317,906	1,253,638
Net increase/(decrease) in cash and cash equivalents		725,556	(411,995)
Cash and cash equivalents at the beginning of the financial year		215,120	627,115
Cash and cash equivalents at the end of the financial year	8	940,676	215,120

Notes to the Financial Statements

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
- Interpretation 21 Levies

Going concern

For the year ended 30 June 2015 the consolidated entity incurred an operating loss after tax of $3,716,176, negative cash flow from operating activities of $1,569,687, and had net current liabilities of $2,372,279.

As the consolidated entity is currently in the process of commercialising its Coldry and Matmor technology, it continues to be reliant upon the availability of various funding, including the research and development rebate, as well as debt and equity capital injections for its liquidity needs in meeting operating costs. These conditions indicate a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

It is anticipated that ongoing operations will be funded through a combination of cash at bank, available unused debt facilities of $994,344, share issues, partner equity funding, and further exercise of ESIOA and ESIOB options that have an exercise price of $0.009 and $0.015 respectively which compares well to the current share price and noting also that 110m ESIOA options have already been exercised during the financial year.

It should also be noted that the company's current liabilities consist of debt that is not expected to become repayable within 12 months of balance date, notwithstanding that Australian Accounting Standards require that such debt be classified as current liabilities.

The directors are therefore comfortable that the consolidated entity is well positioned to continue its pursuit of developing and commercialising its technology.

The financial statements have therefore been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, and the realisation of assets and settlement of liabilities in the normal course of business.

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 normal course of business and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset carrying amounts or to the amounts of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate

for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

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 2015 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.

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. Prior year comparative figures have been adjusted to conform to changes in presentation for the current financial year. Further, the consolidated entity has elected to now show these refunds as 'Other Income' as opposed to prior years being shown as 'Revenue'.

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.

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

- Matmor test plant and equipment 2 years
- Plant and equipment 15 years
- Furniture and fittings 10 years
- Office equipment 3 years

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. Bonds issued represent debt as they are convertible into a variable number of ordinary shares of the company. The difference between the fair value of equity issued and the carrying value of the bonds at the time of conversion represents a financing cost that is recognised in the income statement.

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.

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 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.

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 2015. 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 2017. Exposure Draft (ED

263) 'Effective Date of AASB 15' proposes to defer the application date by one year to 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 2017 (or 1 July 2018 where ED 263 is passed) but the impact of its adoption is yet to be assessed.

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 patents and 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.

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

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.

Deferred consideration - Matmor

The deferred consideration liability has been calculated based on discounted cash flow projections out to April 2017 and using a discount rate of 41.5%. The projections include consideration of the timing of 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 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. In the comparative year, the consolidated entity recognised the tax rebate only when received as the directors could not gain sufficient certainty and assurance in respect to the rebate receivable having regard to the complexity of the regulations, systems and processes required to establish control over the tax benefit.

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	
	2015	**2014**
	$	**$**
Interest	12,178	11,604
Other revenue	379	421
Revenue	12,557	12,025

Note 5. Other Income

	Consolidated	
	2015	**2014**
	$	**$**
Research and development tax incentive	1,679,228	1,632,606

During the year, the company changed its judgement as to when reasonable assurance over receipt of the incentive was deemed to exist. This has led to the company recognising a receivable related to the research and development tax incentive of $1,114,362 at 30 June 2015 which relates to current year eligible expenditure. The incentive income recognised for 2015 also includes a cash receipt of $564,866 related to eligible R&D activity of the 2014 year. Refer to Note 2 for further details.

Note 6. Expenses

	Consolidated	
	2015	2014
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	1,411,350	34,451
Fixtures and fittings	374	835
Office equipment	1,490	4,257
Total depreciation	1,413,214	39,543
Amortisation		
Intellectual property	480,000	480,000
Total depreciation and amortisation	1,893,214	519,543
Finance costs		
Interest and finance charges paid/payable	5,541	21,338
Fast Finance interest cost	204,205	327,935
Arup Bond finance costs	501,562	557,064
Unwind of discount on deferred consideration (Matmor)	154,117	-
Unwind of earn-out provision (Coldry)	244,907	173,079
Finance costs expensed	1,110,332	1,079,416

Note 7. Income Tax Expense

	Consolidated	
	2015	2014
	$	$
Income tax expense		
Deferred tax assets attributable to temporary differences	27,655	(5,420
Deferred tax assets attributable to carried forward tax losses	(399,445)	(925,916)
Deferred tax assets attributable to movement for prior periods	367,133	975,534
Total deferred tax assets not recognised	4,657	(44,198)
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,716,176)	(2,548,113)

Tax at the statutory tax rate of 30% (2014: 30%)	(1,114,853)	(764,434)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Finance cost	142,906	167,119
Research and development	239,140	(489,782)
Options issued	41,951	0
Sundry items	1,175	667
	(689,681)	(1,086,430)
Current year tax losses not recognized	399,445	925,916
Current year temporary differences not recognised	(27,655)	5,420
Adjustment recognised for prior periods	(367,133)	(975,534)
Deferred tax movement not recognised	685,024	1,120,628
Income tax expense	-	-

	Consolidated	
	2015	**2014**
	$	**$**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	18,553,070	18,445,363
Potential tax benefit at 30%	5,565,921	5,533,609

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.

	Consolidated	
	2015	**2014**
	$	**$**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	29,174	34,188
Accrued expenses	3,341	12,179
Plant and equipment	408,096	422,785
Finance costs	117,175	100,306
Intangible assets	364,767	222,518
Provision for earn-out (Coldry)	250,513	177,042
Matmor liability	(231,702)	-
Total deferred tax assets not recognised	941,364	969,018

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	
	2015	2014
	$	$
Cash at bank	940,676	215,120

Note 9. Current Assets – trade and other receivables

	Consolidated	
	2015	2014
	$	$
Other receivables	29,911	20,196
Research and development tax incentive receivable	1,114,362	-
	1,144,273	20,196
Loan – Coldry East Kalimantan	-	15,653
Director Loan – Glenn Fozard	25,000	-
	1,169,273	35,849

Note 10. Current Assets – other

	Consolidated	
	2015	2014
	$	$
Prepayments	555	33,711
Other deposits	19,804	13,146
	20,359	46,857

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

	Consolidated	
	2015	2014
	$	$
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 and equipment

	Consolidated	
	2015	**2014**
	$	**$**
Plant and equipment - at cost	5,712,837	652,405
Less: Accumulated depreciation	(2,016,137)	(604,787)
	3,696,700	47,618
Fixtures and fittings - at cost	9,619	5,971
Less: Accumulated depreciation	4,679	(4,305)
	4,940	1,666
Office equipment - at cost	50,989	53,715
Less: Accumulated depreciation	(49,742)	(50,719)
	1,247	2,996
	3,702,887	52,280

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 2013	110,574	2,501	7,253	120,328
Write off of assets	(28,505)	-	-	(28,505)
Depreciation expense	(34,451)	(835)	(4,257)	(39,543)
Balance at 30 June 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

* 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	
	2015	**2014**
	$	**$**
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(2,880,000)	(2,400,000)
	6,720,000	7,200,000

Reconciliations

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

Consolidated	**Intellectual Property***	**Total**
	$	**$**
Balance at 1 July 2013	7,680,000	7,680,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2014	7,200,000	7,200,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2014	6,720,000	6,720,000

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2015	**2014**
	$	**$**
Trade payables	84,113	90,209
Other payables	148,417	193,232
	232,530	283,441

Refer to note 23 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2015	**2014**
	$	**$**
Fast Finance Loan	1,655,656	1,155,555
Arup Bond	-	637,778
	1,644,656	1,793,333

Refer to note 23 for further information on financial instruments.

Fast Finance Loan

The Fast Finance loans were renewed during the year for 12 months and expire on 31 October 2015. They are repayable in cash from the R&D tax rebate refund with an interest rate of 15% p.a. The loans are secured by first ranking charge and irrevocable pledge over all amounts of R&D tax rebate received from the Australian Tax Office. The renewal represents an extension of the previous $1.439m facility to $2.639m including interest and fees. The $1.2m extension is to be drawn in tranches of $0.3m with one tranche of $0.3m drawn during the year, leaving $0.9m available. The company is not compelled to draw the full $1.2m. A total of 9.75m ESIOB options are also issued to the lender on each $0.3m tranche drawdown. The loan may be repaid either in cash or by way of shares issued at 2 cents each at the lender's discretion. Should the VWAP of the ESI share price fall below 0.6¢ per share for 10 consecutive days, the conversion price shall become the lower of 2.0¢, or a 5% discount to the lowest daily VWAP for the prior 10 trading days.

Arup Bond

The Arup Bond was a three party arrangement between the company, Arup Pty Ltd ('Arup'), and a broking house, and has, since 30 June 2014, been concluded (August 2014). The company issued the bond to Arup, who assigned it to the broking house upon settlement of Arup invoices on behalf of the company. Under the terms of the bond, the broking house provided a guarantee to Arup with respect to payments for Arup services provided to the company, and provided such guarantee through assignments of the bond from Arup. The bond converted to shares in the company issued at a 10% discount to the lowest daily volume-weighted-average-price of the last 5 trading days. There was no interest charge associated with the bond.

Financing arrangements

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

	Consolidated	
	2015	**2014**
	$	**$**
Total facilities		
Fast Finance Loan	2,639,000	1,439,000
Used at the reporting date		
Fast Finance Loan	1,644,656	1,155,555
Unused at the reporting date		
Fast Finance Loan	994,344	283,445

Note 16. Current liabilities - provisions

	Consolidated	
	2015	**2014**
	$	**$**
Annual leave	87,915	62,602
Deferred Consideration – Matmor	2,562,555	-
	2,625,401	87,915

Deferred consideration - 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 and meeting various milestones. 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 the 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 Matmor Pilot Plant
d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state and conversion targets
e) $1,000,000 on signing of a binding contract for construction of a commercial scale Matmor plant
f) First collection of revenue in any form from commercialisation of Matmor technology

In measuring the present value of the liability, management have estimated when options will likely be exercised and when milestones will likely be achieved. A discount rate of 41.5% has been applied to derive a present value.

Movements in provisions

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

	Deferred Consideration Matmor $
Carrying amount at the start of the year	-
Initial recognition of deferred consideration provision	2,408,438
Unwinding of discount*	154,117
Carrying amount at the end of the year	2,562,555

* The unwind of the discount is classified as a finance cost.

Note 17. Current liabilities - other

	Consolidated	
	2015 $	2014 $
Other current liabilities	-	173,416

Other current liabilities are represented by premiums received for options not yet allocated.

Note 18. Non-current liabilities - provisions

	Consolidated	
	2015 $	2014 $
Long service leave	34,400	26,046
Earn-out provision	835,044	590,137
	869,444	616,183

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 50 cents per projected processed tonne of coal feedstock between 2017 and 2021 and is discounted at a rate of 41.5%. The consideration, payable by 2021, is capped at

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2015	Earn-out provision $
Carrying amount at the start of the year	590,137
Unwinding of discount*	244,907
Carrying amount at the end of the year	835,044

* The unwind of the discount is classified as a finance cost.

Note 19. Equity - issued capital

	Consolidated			
	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	2,519,526,361	2,186,700,273	57,051,403	54,837,275

Movements in ordinary share capital

Details	Date	Shares Issued	$
Balance	1 July 2013	1,824,318,131	52,076,821
Bond conversion	11 July 2013	13,888,889	111,111
Bond conversion	17 July 2013	21,681,186	173,449
Issuance of shares	17 July 2013	3,000,000	24,000
Bond conversion	22 July 2013	21,681,186	195,132
Bond conversion	16 August 2013	24,554,967	171,885
Bond conversion	20 August 2013	47,470,000	427,230
Bond conversion	21 August 2013	51,209,267	410,178
Bond conversion	12 September 2013	62,500,000	625,000
Bond conversion	28 October 2013	42,247,571	380,228
Issuance of shares	15 January 2014	75,000	1,500
Bond conversion	26 March 2014	18,518,519	37,037
Bond conversion	8 April 2014	37,037,038	148,148
Bond conversion	2 June 2014	18,518,519	55,556
Balance	30 June 2014	2,186,700,273	54,837,275
Bond conversion	14 August 2014	222,826,088	1,114,130
Issued on exercise of ESIOA options	28 May 2015	54,457,591	544,576
Issued on exercise of ESIOA options	5 June 2015	49,444,444	494,444
Issued on exercise of ESIOA options	10 June 2015	6,097,965	60,978
Balance	30 June 2015	2,519,526,361	57,051,403

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 and the amount raised on initial issuance of the option, the latter of which has been transferred from the relevant option reserve.

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.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity monitors

capital by reference to cash flow forecasts in relation the operating revenue and expenditure. The consolidated entity also monitors its capital expenditure requirements to identify any additional capital required.

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

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

Note 20. Equity - reserves

	Consolidated	
	2015	2014
	$	$
Share-based payments reserve	22,087	-
Options reserve	4,065,307	-
	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

This reserve is used to recognise the subscription premium received on issue of options and the value of options issued as consideration for certain services received.

Movements in reserves

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

	Share Based Payments $	ESIOA* Options $	ESIOB** Options $	Total $
Balance at 1 July 2013	-	-	-	-
Balance at 30 June 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

* ESIOA options have an exercise price of 0.9 cents and expire on 31 July 2017. 1,396,172,364 ESIOA options were issued at a price of 0.1 cent each during the year.

** ESIOB options have an exercise price of 1.5 cents and expire on 31 July 2017. 150,000,000 ESIOB options were issued at a price of 0.66 cents each during the year. 724,768,416 ESIOB options were issued for nil consideration to eligible holders of ESI. 11,750,000 ESIOB options were issued as payment for the Strategic Review activity. 9,750,000 ESIOB options were issued under the Interest Terms of the Fast Finance Extension.

Note 21. Equity - accumulated losses

	Consolidated	
	2015	2014
	$	$
Accumulated losses at the beginning of the financial year	(50,241,455)	(47,693,342)
Loss after income tax expense for the year	(3,716,176)	(2,548,113)
Accumulated losses at the end of the financial year	(53,957,631)	(50,241,455)

Note 22. Equity - dividends

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

Note 23. 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 with a newly setup subsidiary in India. The Indian subsidiary 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	
	2015	2014
	$	$
Fast Finance Loan	994,344	283,445

The Fast Finance loans were renewed during the period for 12 months and expire on 31 October 2015. Refer to Note 15 for further details.

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 - 2015	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	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					
Fast Finance Loan	1,644,656	-	-	-	1,644,656
Total non-derivatives	5,377,186	100,000	2,500,000	400,000	8,377,186

Consolidated - 2014	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	90,209	-	-	-	90,209
Other payables	193,232	-	-	-	193,232
Arup Bond	637,778	-	-	-	637,778
Earn-out provision	-	-	1,600,000	1,400,000	3,000,000
Interest-bearing - variable					
Fast Finance Loan	1,200,000	-	-	-	1,200,000
Total non-derivatives	2,121,219	-	1,600,000	1,400,000	5,121,219

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 will be in stages and is dependent upon the exercise of ESI options by option-holders and/or other significant commercial outcomes. It is unlikely that this will be settled within 12 months although it is contractually feasible.

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 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	567,237	583,827
Post-employment benefits	60,388	36,085
Long-term benefits	3,364	-
Share-based benefits	22,087	-
	653,076	619,912

Note 25. Remuneration of auditors

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

	Consolidated	
	2014	**2013**
	$	**$**
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	46,500	45,000

Note 26. Contingent liabilities

Perpetual Royalty Liability

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

Other

In 2014, contingent liabilities were reported upon as part of the legal agreements in place with respect to the Coldry Pilot Plant and related upgrades, and the Matmor technology agreement. Those arrangements have been terminated following the formal acquisition of the Matmor assets and intellectual property on 4 December 2014.

Note 27. Commitments

	Consolidated	
	2015	2014
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	36,318	52,000
One to five years	37,771	-
	74,089	52,000
Patent commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	23,899	19,000
One to five years	91,800	-
More than five years	88,000	-
	203,699	19,000

Note 28. Related party transactions

Parent entity

Environmental Clean Technologies Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

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

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

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

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

	Consolidated	
	2015	2014
	$	$
Current receivables:		
Director loan – Glenn Fozard	25,000	-

During the period, 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 $2,483. Interest repaid during the period was $2,483. Principal of $25,000 was repaid. Loan balance at 30 June 2015 is $25,000.

(ii) Iain McEwin was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $2,323. Interest repaid during the period was $2,323. Principal of $50,000 was repaid on his resignation. Loan balance at 30 June 2015 is $nil.
(iii) Stephen Carter was advanced $50,000 for the acquisition of 50 million options. Interest incurred during the period was $756. Interest repaid during the period was $756. Principal of $50,000 was repaid on his resignation. Loan balance at 30 June 2015 is $nil.

Terms and conditions

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

Note 29 . Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2014	**2013**
	$	**$**
Loss after income tax	(3,236,174)	(2,068,114)
Total comprehensive income	(3,236,174)	(2,068,114)

Statement of financial position

	Parent	
	2015	**2014**
	$	**$**
Total current assets	2,130,309	297,826
Total assets	15,433,197	9,950,107
Total current liabilities	4,502,587	2,338,107
Total liabilities	5,372,031	2,954,290
Equity		
Issued capital	60,343,330	58,129,200
Share-based payments reserve	22,087	-
Options reserve	4,065,307	-
Accumulated losses	(54,369,558	(51,133,383)
Total equity	10,061,166	6,995,817

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 2015 and 30 June 2014.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital and other commitments

The parent entity has operating lease and patent commitments payable (not recognised as liabilities) as follows:

	2015	2014
	$	$
Committed at the reporting date but not recognised as liabilities, payable:		
Operating Leases (within one year)	36,318	52,000
Operating Leases (one to five years)	37,771	-
Patents (within one year)	23,899	19,000
Patents (one to five years)	91,800	-
Patents (more than five years)	88,000	-

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and income from associates are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2015	2014
		%	%
Asia Pacific Coal and Steel Pty Limited	Australia	100.00%	100.00%
Enermode Pty Limited	Australia	100.00%	100.00%
Maddingley Coldry Unit Trust	Australia	100.00%	100.00%
ECT Coldry Pty Ltd	Australia	100.00%	100.00%
A.C.N. 109 941 175 Pty Limited	Australia	100.00%	100.00%
ECT Fuels Pty Limited	Australia	100.00%	100.00%
ECT China Limited	Hong Kong	100.00%	100.00%
Coldry Demonstration Plant Pty Limited	Australia	100.00%	100.00%
Coldry Master License Pty Limited	Australia	100.00%	100.00%
Environmental Clean Technologies Development and Services India Private Limited	India	100.00%	-%

Note 31. Events after the reporting period

The following significant events occurred after the reporting date:

Mecrus JV agreement

No matter or circumstance has arisen since 30 June 2015 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 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2015 $	Consolidated 2014 $
Loss after income tax expense for the year	(3,716,176)	(2,548,113)
Adjustments for:		
Depreciation and amortisation	1,893,214	519,543
Write off of non-current assets	-	28,505
Unwinding of the discount on provisions	399,024	173,079
Finance cost on convertible notes	484,977	557,064
Share-based payments (non-employee)	351,340	73,000
Accrued interest charges (Fast Finance)	176,481	88,889
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,124,077	112,977
Decrease in prepayments	33,156	52,376
Increase/(decrease) in trade and other payables	(50,911)	(760,984)
Increase/(decrease) in employee benefits	(16,715)	36,629
Net cash used in operating activities	(1,569,687)	(1,667,035)

Note 33. Non-cash investing and financing activities

	Consolidated 2015 $	Consolidated 2014 $
Shares issued on conversion of Arup Bond	-	2,734,953
Deferred consideration included in cost of Matmor assets	2,408,440	-
	2,408,440	2,734,953

Note 34. Earnings per share

	Consolidated 2015 $	Consolidated 2014 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(3,716,176)	(2,548,113)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,392,173,748	2,082,472,758
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,392,173,748	2,082,472,758
	Cents	Cents
Basic earnings per share	(0.155)	(0.122)
Diluted earnings per share	(0.155)	(0.122)

At 30 June 2015, there were 2,182,440,780 options on issue. These options were considered anti-dilutive and excluded from the calculation above.

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

a) Options issued to Platinum Road

11,750,000 ESIOB options were issued as payment for the Strategic Review of the company's operations as announced by the company on 5 May 2015. 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 $0.005 on 8 May 2015 and $0.009 on 30 June 2015, amounted to $78,750.

b) Options issued to Fast Finance

9,750,000 ESIOB options were issued under the Interest Terms of the Fast Finance Extension as announced by the company on 5 May 2015. 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 $0.004, amounted to $39,000.

c) Options granted to Glenn Fozard

Mr Fozard's remuneration includes the granting of performance based options. These are shown in the table below. The remuneration share based payment expense for the period was $22,087 and has been recognised within the share-based payments reserve.

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	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

* At reporting date, no options had vested with Mr Fozard.

Directors Declaration

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 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 2015
Melbourne

Independent Auditors Report

BDO

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

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 2015, 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

Independent Auditors Report

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.

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 2015 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 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, 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 9 to 16 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Alex Swansson
Partner

Melbourne, 31 August 2015

Shareholder Information

The shareholder information set out below was applicable as at 22 October 2015.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of ESIOA options over ordinary shares	Number of holders of ESIOB options over ordinary shares
1 to 1,000	173	3	240
1,001 to 5,000	151	2	240
5,001 to 10,000	121	2	282
10,001 to 100,000	1,561	50	1,444
100,001 and over	1,882	309	768
	3,888	366	2,974
Holding less than a marketable parcel	630	26	1,706

Equity security holders

Twenty largest quoted equity security holders (ESI)

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

ESI	Ordinary shares	
	Number held	% of total shares issued
LJ & K Thomson Pty Ltd	108,500,000	4.15%
Elgar Park Pty Ltd	93,831,247	3.58%
Mr Danny Segal & Mrs Jennifer Segal	90,000,000	3.44%
Menzies Super Pty Ltd	82,089,710	3.14%
Marbrijen Pty Ltd	46,156,686	1.76%
Superior Coatings (Aust)	40,000,000	1.53%
Mr Iain Robert McEwin & Ms Dianne Church	36,441,914	1.39%
L J Thomson Pty Ltd	33,500,000	1.28%
Maddingley Brown Coal Pty Ltd	32,075,000	1.23%
Mr Gregory Milts	31,041,489	1.19%
P A Shakespeare Investing Pty	28,356,566	1.08%
Challenge Roofing Pty Ltd	28,090,002	1.07%
Mr Emilio Mosca & Mrs Anna Mosca	28,000,000	1.07%
Mr Larry Owen Hanley	26,181,096	1.00%
B & R Superannuation Pty Ltd	21,029,083	0.80%
Mr Mark Hastwell & Mrs Kristy Hastwell	19,680,000	0.75%
M Whitney Pty Ltd	17,160,000	0.66%
Joseph Barakat & Marie Barakat	17,109,647	0.65%
Mr George McDougall & Mrs Geraldine Elmes	16,000,000	0.61%
Mr Adam Raszewski	16,000,000	0.61%
	811,242,440	31%

Substantial holders

There is one substantial holder in the company. Mr Lloyd Thomson holds at least 5% of the shares in the Company under two entities, LJ & K Thomson Pty Ltd and LJ Thomson Pty Ltd.

Twenty largest quoted option security holders (ESIOA)

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

ESIOA	Options over Ordinary Shares	
	Number held	% of total options issued
Mr Peter Andrew Proksa	131,000,000	10.72%
A & K Moore Nominees Pty Ltd	75,518,396	6.18%
Mr Patrick Giles & Mr Adam Giles	58,603,030	4.79%
Mr Iain Robert McEwin & Ms Dianne Church	55,000,000	4.50%
Challenge Bricks & Roofing Pty Ltd	50,000,000	4.09%
Mr Gregory Milts	44,750,000	3.66%
Fozard Investments Pty Ltd	40,000,000	3.27%
Superior Coatings (Aust)	39,400,000	3.22%
Joseph Barakat & Mrs Marie Barakat	30,000,000	2.45%
Mr David Fagan	29,410,203	2.41%
Mrs Lily Yuchun Thomson	25,000,000	2.05%
Mr Phillip Beale	25,000,000	2.05%
Mr Emilio Mosca & Mrs Anna Mosca	20,000,010	1.64%
Brian Menzies Pty Ltd	17,603,949	1.44%
Mr Iain Robert McEwin	15,000,000	1.23%
Mr Leslie Smith	15,000,000	1.23%
Challenge Roofing Pty Ltd	14,263,010	1.17%
Mr Martin Alexander Ziegler	13,000,000	1.06%
B & R Superannuation Pty Ltd	12,536,875	1.03%
Mr Cameron Lloyd Thomson	12,500,000	1.02%
	723,585,473	59.2%

Twenty largest quoted option security holders (ESIOB)

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

ESIOB	Options over Ordinary Shares	
	Number held	% of total options issued
Maddingley Brown Coal Pty Ltd	39,942,370	4.64%
Lj & K Thomson Pty Ltd	37,052,083	4.30%
Mr Frank Robert Ellis &	32,081,660	3.73%
Mr Emilio Mosca &	18,500,000	2.15%
Mrs Yanhua Li &	17,218,729	2.00%
Mr Gary John Spelta &	14,250,000	1.65%
L J Thomson Pty Ltd	12,000,000	1.39%
Mr Raymond Laurence Carroll &	11,458,886	1.33%
Mr Daniel Htin Kyaw	10,670,000	1.24%
Mr Rafael Jason Zakelj	10,000,001	1.16%
Mr Steven Kyaw Zaw	10,000,000	1.16%
Mr Adam Raszewski	9,500,000	1.10%
Challenge Roofing Pty Ltd	9,363,334	1.09%
Mr Gregory Milts	8,680,496	1.01%
B & R Superannuation Pty Ltd	8,395,747	0.97%
Consantis Pty Ltd	8,343,100	0.97%
Mr Iain Robert Mcewin &	8,100,194	0.94%
Mr Mark Paul Warden	8,007,300	0.93%
Mr Larry Owen Hanley	8,003,968	0.93%
Mr Brady John Spelta	7,477,580	0.87%
	289,045,448	33.6%

Voting rights

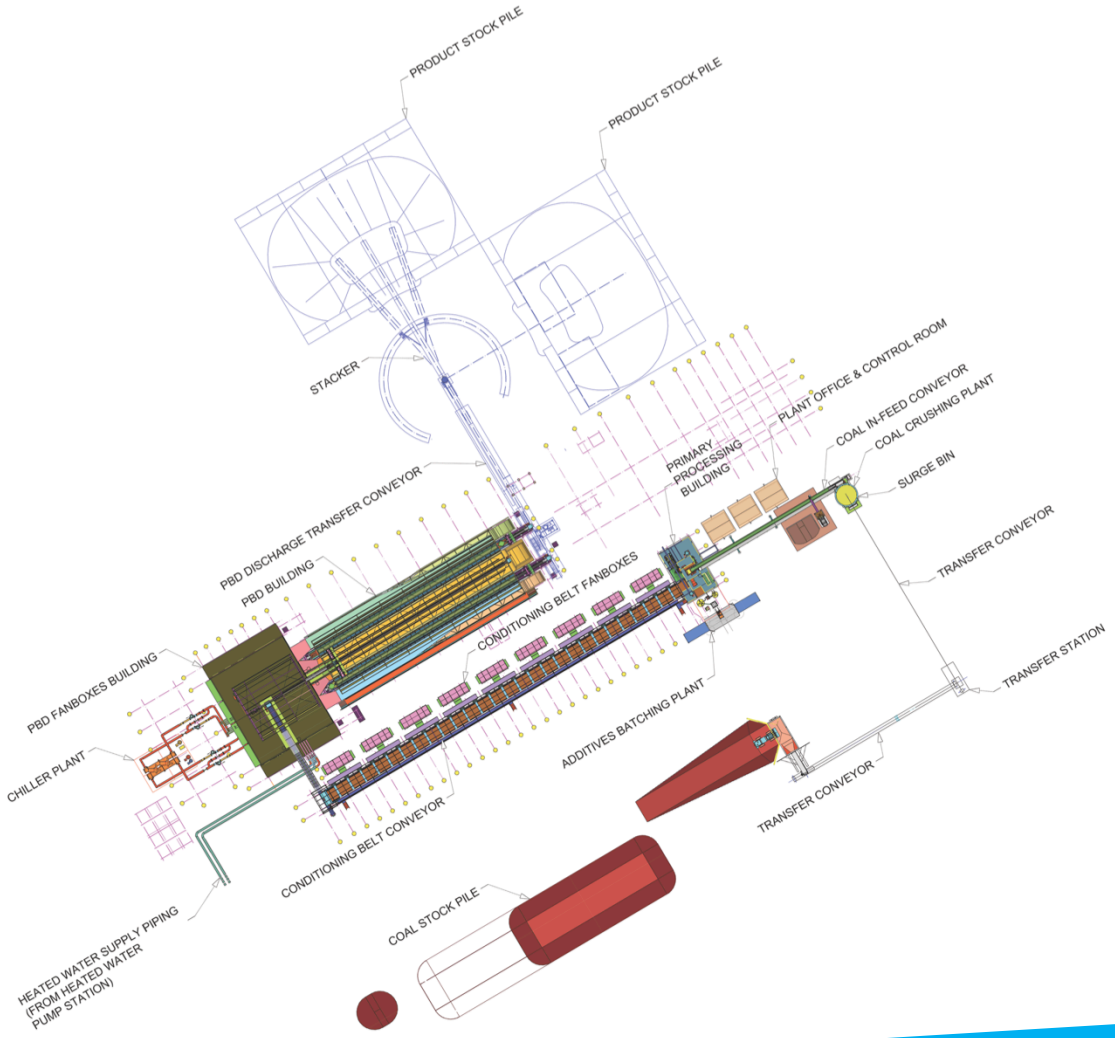
The voting rights attached to ordinary shares are set out below:

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.



ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED