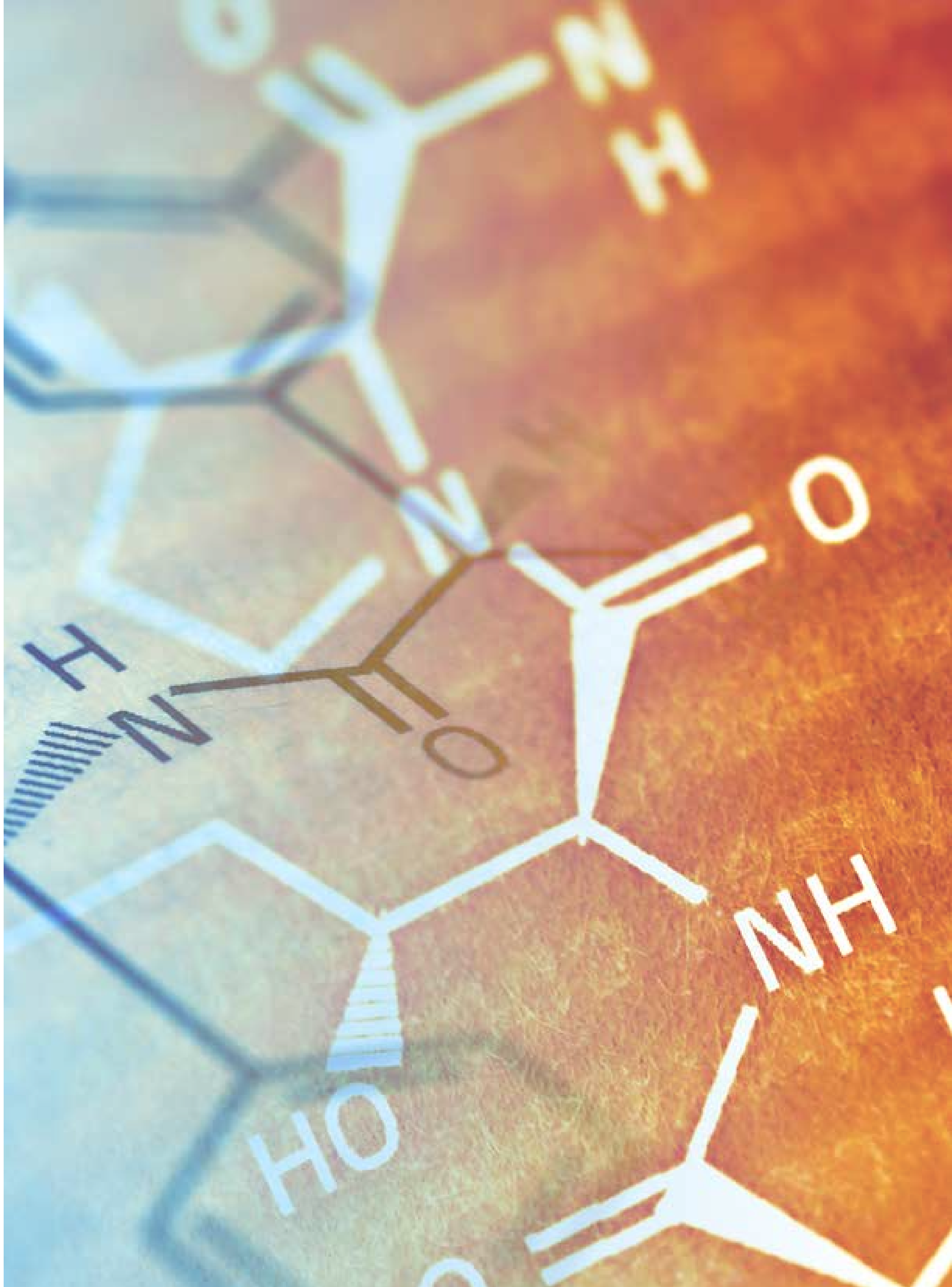
ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

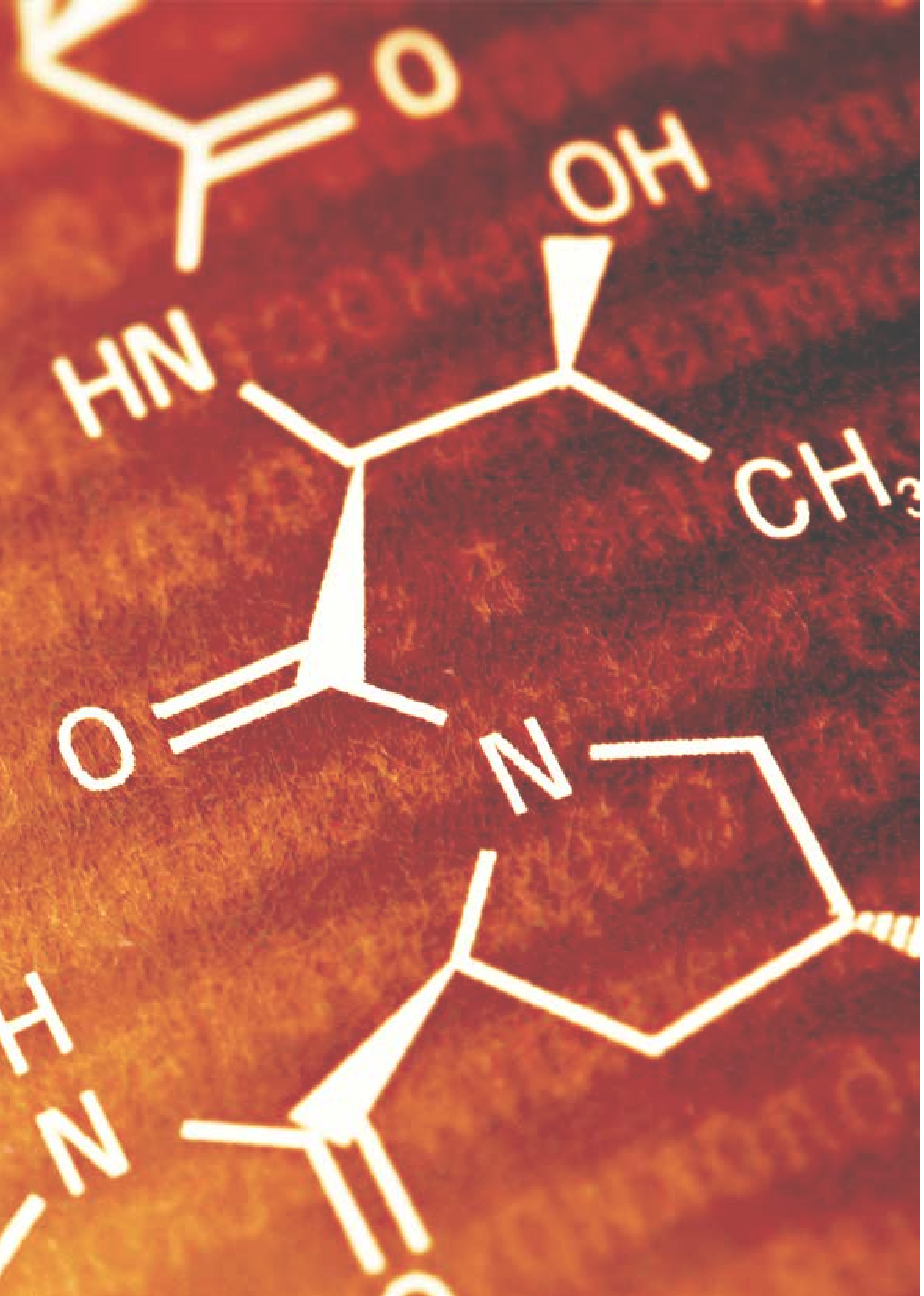
Annual Report

2016-17

Corporate Directory

Directors	Glenn Fozard (Chairman) Barry Richards David Smith
Company secretary	Adam Giles
Registered office	388 Punt Rd South Yarra VIC 3141 Australia
Principal place of business	388 Punt Rd South Yarra VIC 3141 Australia
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
Auditor	BDO East Coast Partnership Tower 4, Level 18 727 Collins Street Melbourne VIC 3008
Bankers	National Australia Bank Limited 3/330 Collins Street Melbourne VIC 3000
Stock exchange listing	Environmental Clean Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: Shares- ESI; Options- ESIOC)
Website	www.ectltd.com.au
Corporate Governance Statement	The Corporate Governance Statement of the Company can be found at http://www.ectltd.com.au/about-us/corporate-governance/ This statement has been approved by the Board and is current as at 31 August 2017.





Contents

Purpose

We bridge the gap between today's use of resources and tomorrow's zero-emissions future

Mission

The company commercialises innovative technologies to increase the economic and environmental benefits derived from low grade, low rank and waste resources (Targeted Resources)

Vision

We are recognised as a leader in the commercialisation of innovative technologies, providing increased economic and environmental benefits from the utilisation of Targeted Resources

Chairman's Message

Dear Shareholder,

I'm pleased to be reporting to you after a significant year of development for ECT Limited.

We've made several important advances in the past year which will be covered here and in the accompanying message from our Executive Committee.

Our project in India will shortly be reviewed by Prime Minister Modi's National Institute for the Transformation of India (NITI Aayog, previously known as the National Planning Committee) which will determine whether it is considered as a project of national significance.

While this review entails an additional layer of process, which has taken time, our shareholders will recognise that to be successful in India requires a high level of engagement and disciplined diplomacy, in addition to patience with polite persistence.

With that in mind, this year's objectives have been guided by the following themes:

1. Evidence of Adoption- Apply our technology to commercial projects
2. Secure the Value- Improve our development and protection of our technology
3. Demonstrate the Value- Reach operational revenues to underpin the economic sustainability of 1) & 2)

Consistent with our 3-year strategic plan, our objectives cover:

1. Commercialisation
    - 1.1. Commercialise the Coldry Platform
    - 1.2. Commercialise the Matmor Platform
2. Innovation and Market Development
    - 2.1. Continual Development and Leverage of Existing Platforms
    - 2.2. New and Evolving Technologies and Markets
3. Corporate Capacity and Capabilities
    - 3.1. R&D Program management & administration
    - 3.2. Capital, Finance and Resource Management
    - 3.3. Communications, Marketing and Stakeholder Engagement
    - 3.4. Governance, Risk and Compliance

This has manifested in the following key result areas:

1. Progressing our Indian project
2. Improving large-scale R&D capability and processing efficiency at our Bacchus Marsh facility
3. Developing markets with near-term revenues for our products and projects
4. Restructuring the organisation and right-sizing roles and responsibilities

These key result areas (KRA's) and the relevant Key Performance Indicators (KPI's) of each staff member, give us the day to day focus as we embark on the challenge of meeting our strategic objectives.

Indian integrated Coldry-Matmor project

Your Board and management are keenly aware of the desire for increased progress resulting from the additional time taken to progress towards the NITI Aayog review this past half year.

In February, as we were finalising the legal review of the Master Project Agreement (MPA) and reviewing personnel availability for a signing ceremony, we were referred to India's national planning committee, NITI Aayog by the newly appointed Secretary of the Ministry of Coal, Mr Susheel Kumar.

This additional layer of process increased the political profile of the project, and in doing so necessitated an independent, external review, funded by our project partners, ahead of signing the Master Project Agreement (MPA).

This level of probity requirement was not expected by our partners and has resulted in delays in the progress of the project. Based on recent guidance from our partners, the independent, external review that we hope will culminate in NITI Aayog approval is estimated to be complete in 6-8 weeks, and we remain committed to the delivery of this key project. Strategically, the India project is the launch pad for our global commercialisation roll-out and a highly prospective market for Coldry and for Matmor in its own right.

We have often quoted the 3 P's when working in India – Patience with Polite Persistence.

It's timely we remind ourselves of this approach while recognising an increased need in the level of Persistence and introducing a 4th P – Progress.

Your Board recognises the need for heightened focus and resourcing to support the progress of this project, leading to former Managing Director, Ashley Moore taking the role as CMD (Chairman & Managing Director) of 'ECT India', releasing him from responsibilities in managing ECT's operations.

We expect that having our most experienced engineer dedicated to the progress of the India project will maximise the delivery of our objectives.

Bacchus Marsh High Volume Test Facility (HVTF)

Our facility, located 50km northeast of Melbourne on the outskirts of the town of Bacchus Marsh, has been the focus of our fundamental and applied research and development for both Coldry and Matmor since 2006.

Its importance has grown over the past year, with continual testing and improvement of our technologies. Our facility not only allows us to generate new knowledge, it also allows us to do this in an environment where we have a high level of control and protection over the test work that leads to new discoveries and future value.

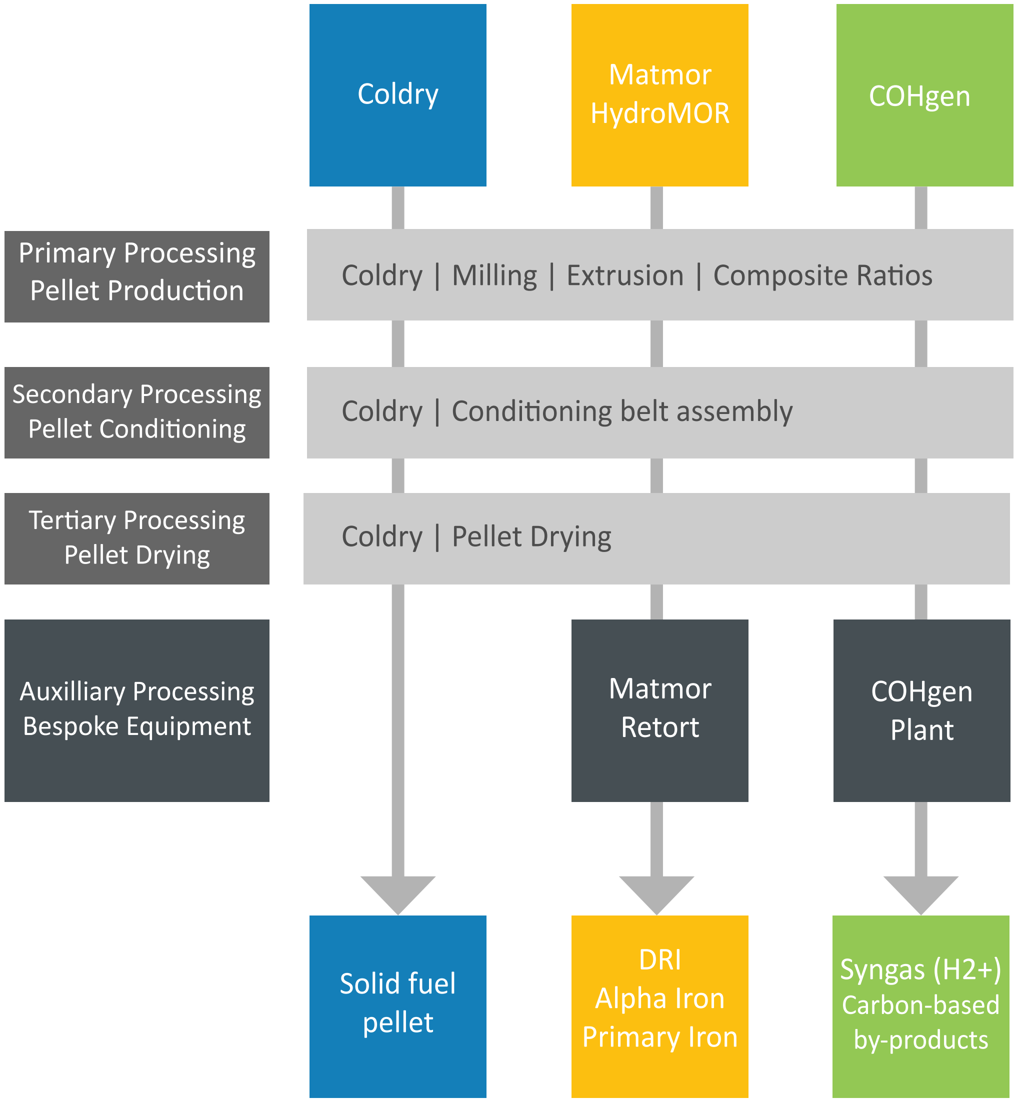
Our Coldry facility has been re-engineered to be productive and efficient enough to provide the closest approximation we can currently achieve at small scale, of a commercial application of Coldry, with the intention that the resultant product from our research and development activities is able to be sold as solid fuel into end-user demonstration projects and other commercial customers.

Progress with the Bacchus Marsh plant and the subsequent delivery of our R&D programs ensure that the intellectual property that we currently have under patent protection will be rigorously tested and continually improved.

Our technology suite features vertical and horizontal integration across our proprietary processes and equipment. This approach is intentional, allowing us to develop further intellectual property within the protective framework of our pre-existing technologies and know-how.

The Bacchus Marsh HVTF provides the essential infrastructure and apparatus to further develop and refine our intellectual property through on-going R&D as well as prepare for, and support, data collection and project specific designs for future demonstration and commercial projects.

Initially (pre- 2010) our IP protection strategy was centred around very specific, bespoke pieces of equipment and processes which contained the IP for our then core technologies of Coldry and Matmor. At that stage, we observed unique and novel outcomes that were enough to patent the processes that operated within these unique pieces of equipment, but they required further fundamental and applied experimental activity to generate a deeper knowledge of the chemistry and physics underlying the processes.



*The COHgen plant is currently conceptual and subject to successful fundamental research currently being undrtaken.

Over time, our research has led to the accumulation of a more sophisticated and detailed understanding of underlying processes which has, in turn, led to new intellectual property, particularly around the Packed Bed Dryer (the 2012 Design for Tender program with Arup).

More recently, the innovation process has led to new discoveries around the chemical reactions underpinning Matmor, resulting in two new technologies; HydroMOR and COHgen.

HydroMOR is the subject of a provisional patent application submitted last November (2016), while fundamental research activity has commenced on our newest discovery, COHgen, with the aim of lodging a provisional patent in due course.

As we head into 2018, our HVTF will continue to provide us with a critical base to support our growing R&D programs that will allow us to continue pursuing IP protection as we develop our technologies.

Developing markets for our products and projects

Supported by this critical ongoing R&D effort, and consistent with our commercialisation strategy, ECT is now heading towards a period of proving up operational revenues to underpin the feasibility of our technology suite.

As a first stage, we are searching for and developing markets which have near-term potential for generating operational revenues.

Over the year, and in tandem with the upgrade programs at the HVTF, we have developed a pipeline of sales leads which the company expects will lead to significant revenues. Over the next six months, we will continue to test these opportunities, improve our operational capabilities and seek to establish contracts for the supply of solid fuel pellets.

The economic landscape is supportive of our products in Victoria, and we owe it to ourselves to take advantage of this market.

This has led us to commence the early stages of a feasibility study for a 100,000-150,000 tonne per annum, zero emissions, solid fuel pellet (Coldry) plant in the Latrobe Valley. Progress on this feasibility study is much anticipated and if it were to proceed, would become the largest, most environmentally friendly, economical gateway to upgraded brown coal.

A plant in the Latrobe Valley would aim to realise the potential of brown coal in Australia for prospects such as High-Efficiency Low Emissions (HELE) power plants, low emission hydrogen production, fertiliser production and other downstream chemical extraction methods.

Organisational and Staff Restructuring

One of the more understated initiatives that we have taken on over the previous year has been the changes made to our organisational structure and staff roles and responsibilities.

Continual improvement on this front is important to ensure the capability of the business as it seeks to perform against the strategic objectives.

These changes have been made to, build not only effective skill sets and staff capabilities, but also drive a culture of accountability, responsibility and performance.

We confronted the need to direct staff towards those roles that fit more closely with their particular skill sets as we seek to replace generalist roles, where one person wears many hats, towards specialist roles where those high performing attributes of each staff member are applied to the roles that take the most advantage of them.

This process is a continual effort and is supported by improved business policies, structured staff performance reviews and systems that support improved transparency, workflow and collaboration.

We look forward to continuing all these efforts through 2018 and on behalf of the board of directors, executive and staff, we thank you, our shareholders for your continued, invaluable support.

Sincerely,

Glenn Fozard
Chairman

Corporate Values

Bridging the Gap:
We are focused on technology as an enabler to a zero-emissions future

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

Collaboration:
We work collaboratively to yield the best possible outcomes

Integrity:
When we say we will do something, we do it – and we do it responsibly

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

Executive Committee's Message

Dear Shareholder,

The Executive team of ECT Limited are very pleased to provide this report on your Company for the 2017 financial year.

In the coming pages, we focus on areas of key interest to shareholders, highlight important takeaways from the Director's Report (page 44 of this Annual Report) and take a look forward at the year ahead.

Before covering our activities for the year, we would first like to acknowledge a number of changes to the structure of our team.

In the first instance, we have formalised the appointments to our ECT Executive, whom collectively share the executive leadership and responsibility for the Group of ECT companies and comprise the following:

ECT Limited	Chief Operating Officer – Jim Blackburn
ECT India	Chairman-Managing Director – Ashley Moore
ECT Finance	Executive Director – Glenn Fozard

This team was formed through the recently made changes to the roles and responsibilities across our senior executive team and to the Board to support our strategic plan for continued growth and activity.

- Ashley Moore has been appointed as Chairman-Managing Director (CMD) of ECT India and has departed the ECT Board.
- Jim Blackburn will continue his role as Chief Operating Officer, assuming responsibility for the Company's daily operational activities in Australia.
- Glenn Fozard will head up ECT Finance Ltd which serves to provide ECT Limited with capital management and financing solutions as well as exploring the potential demand across the market from other companies looking to proactively utilise leveraged financing via the Equity Lending Facility like the one we put in place for ECT during the year.

A number of important factors, including our anticipated increased activity in India over the coming months, R&D program enhancements at Bacchus Marsh, and the recently announced project work in the Latrobe Valley have combined to drive the restructuring of responsibilities across the senior executive team.

The Executive Committee now formed to support the day-to-day coordination of ECT Group's three operational segments and to report to the Board of ECT Limited.

In addition, we have formalised two important working groups within the business, namely:

- ECT Research and Development Committee – Responsible for the coordination and implementation of our R&D program
- ECT Commercialisation Steering Sub-Committee will provide additional focus on our continuing commercialisation activities, including the feasibility assessment for our Latrobe Valley project

Board Changes

We have also been developing a plan for restructuring the Board to better support our future growth profile and will shortly implement initial changes in parallel with the new executive structure as set out below:

ECT Limited	
Glenn Fozard	Chairman
David Smith	Non-Executive Director
Barry Richards	Non-Executive Director

ECT India	
Ashley Moore	Chairman Managing Director
Glenn Fozard	Director
TBA	Independent Director

ECT Finance	
Glenn Fozard	Executive Director
Jim Blackburn	Director
TBA	Independent Director

These planned changes align with our efforts towards best practice standards of governance, having the effect of bringing ECT into closer alignment with the ASX guideline recommending that a majority of the Board of a listed entity should be independent directors .

Over the coming 6-12 months, the Board will continue to work towards additional governance improvements which may include recruiting new independent directors of certain ECT Group entities, amongst other important initiatives as part of our "Towards Best Practice Governance" project.

India Focus

TEF Study released

August 2016

The year's activities began with the official submission to our project partners, NLC and NMDC, of the Techno-Economic Feasibility (TEF) study.

The TEF entailed the projection of the benefits to be gained through the commercialisation and use of the Coldry and Matmor technologies, compared against both Blast Furnace and Coal based Direct Reduced Kiln operations. A public version of this report was also released and is available on our website .

The TEF study concluded that the development and subsequent commercial deployment of the Coldry-Matmor technology for steel making has significant potential to deliver technical and economic performance in excess of current steel industry benchmarks. A snapshot of the potential comparative advantage is provided on page 39 of this report.

This result was achieved despite the then market price for coking coal, thermal coal, and iron ore being at historical and cyclical lows. Subsequent changes to market dynamics including pricing has seen a further potential performance gap open up for the commercial deployment of the integrated plant design through its relative competitive advantage of using lower cost raw materials.

MPA development commenced

August 2016

Following the presentation of the TEF to our project partners, it was agreed to proceed with the development of the Master Project Agreement (MPA).

This MPA sets out a framework for all the legal, commercial, taxation, structural and intellectual property agreements required for the project to proceed.

It also deals at a high level with the mechanisms for project financing and contracting for the plant construction, as well as the subsequent operations and pathway to commercial roll-out following the conclusion of the testing programs.

During February 2017, we met with our partners to finalise the legal review of the proposed structure and arrange the signing date for the MPA.

It was at that time we were introduced to the new Secretary of the Ministry of Coal, Mr Susheel Kumar, and provided him with an overview of the project.

Project consideration by NITI Aayog

February 2017

Mr Kumar saw this as a project of potential national significance and referred us to the National Planning Committee- NITI Aayog.

The process was unfamiliar to all three parties at that time, so we set about exploring the likely path ahead. NLC and NMDC via their respective Ministries and ECT via the Australian High Commission.

The parties submitted information on the project to their respective Ministries in the lead up to NITI Aayog, and it progressed through technical review with minimal further queries .

After a positive technical assessment, the MPA was then referred to the respective legal, financial, and company secretarial divisions within both NLC and NMDC where it again was reviewed and positively assessed.

The draft MPA was then referred the CMD and technical divisions where, with the benefit of this rigorous analysis process, it became clear that the initial R&D investment of ~$30m would articulate into a commercial project worth several hundred million dollars upon successful outcomes. This fact, combined with the requirement to be formally assessed at NITI Aayog, subsequently triggered the requirement for external, independent financial review of the MPA as preparation for formal NITI Aayog consent.

This further external process entailed a tender process carried out mid-year and led by NLC.

As it currently stands, ECT is unable to make any detailed comment as to the status of the review due to the necessarily strict confidentiality obligations. However, we would note that consistent with our recent updates to shareholders; we continue to maintain our presence and availability in India and, in seeking guidance on time frames, will report to market as new information comes to hand.

Assuming that the MPA is in due course signed by the parties, comprehensive agreements covering corporate structuring, funding, project services, technology licensing, design, manufacturing, construction and more will be developed in line with the framework contemplated by the MPA.

Senior leadership change at NMDC

September 2017

As the tender program for the external independent review work commenced, NMDC senior leadership was undergoing significant change.

Following the retirement of the previous permanent CMD (Chairman & Managing Director) Mr. Narendra Kothari in December 2015, the post of CMD was temporarily held by a number of persons without full tenure. However, in early September 2017, a new permanent CMD was appointed – Mr. N Baijendra Kumar.

The initiation of the engagement with ECT was begun by former CMD Kothari, and we're pleased to report recent discussions with Mr. Kumar have reconfirmed the commitment to continue .

This confirmation is important in maintaining continuity, and building momentum for our engagement, MPA sign-off, development of project sub-agreements and the subsequent project works program.

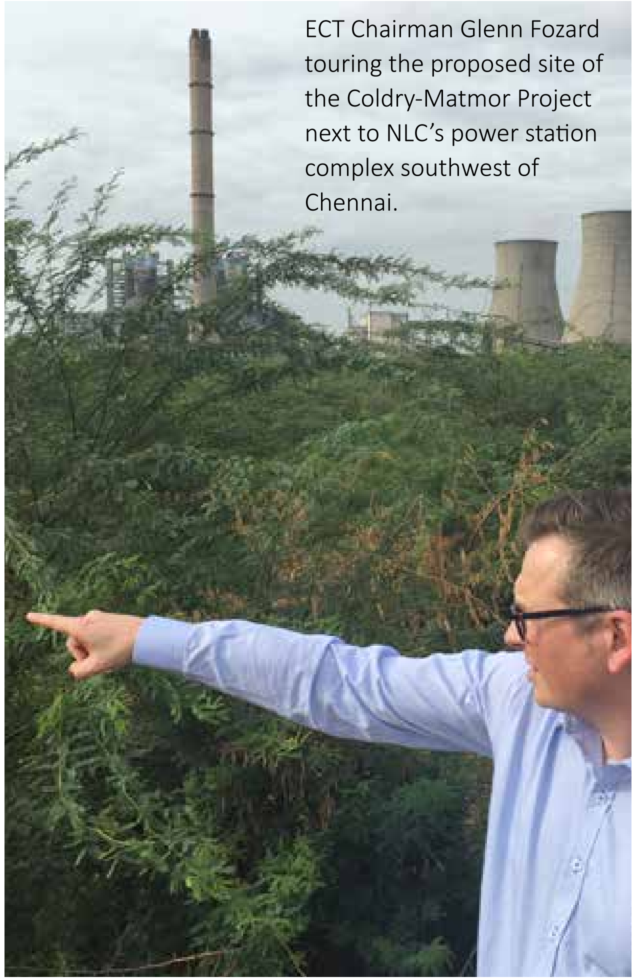
Next steps

As mentioned above, we've already started preparations to support the advancement of the Indian project in anticipation of positive outcomes from NITI Aayog's review.

On the project preparation front, the 'Design for Tender' program is underway, which will deliver core engineering definition for the project, and allow the tendering of the design finalisation, procurement and construction for the integrated demonstration plant.

Additionally, some preparatory legal work will also be undertaken to support timely completion of the funding agreements and tender initiation phase once the MPA is signed.

These activities will continue through the balance of this calendar year.



ECT Chairman Glenn Fozard touring the proposed site of the Coldry-Matmor Project next to NLC's power station complex southwest of Chennai.

Australia Focus

Bacchus Marsh High Volume Test Facility (HVTF)

The High-Volume Test facility at Bacchus Marsh is a core strategic asset, and during FY2017 provided the basis for the implementation of all Research and Development program activities across each of the three key technologies, namely Coldry, Matmor / HydroMOR, and COHgen.

Over the past year we've undertaken a structured program of infrastructure upgrades at the HVTF to build our capacity for increasing scale of R&D program activities, in direct support of our major project development activities in India, and more recently for a possible project in the Latrobe Valley.

Below is an outline of the major items in the upgrade plan:

Stage 1	Jun 2016 – Jan 2017
Target Capacity	Up to 10,000 tpa
Budget	~$875,000
Status	Complete

Stage 2	Jan 2017 – June 2017
Target Capacity	Up to 15,000 tpa
Budget	~$500,000
Status	Complete

Stage 3	Dec 2017 – Feb 2018
Target Capacity	Up to 25,000 tpa
Budget	~$1.25-1.5m
Status	Planning

Stage 4	April 2018 – June 2018
Target Capacity	Up to 35,000 tpa
Budget	~$1.0m
Status	Planning

Outcomes from stage 3 will include:

- New pellet extrusion system added as second line allowing for significant scale-up of throughput
- Conditioning belt overhaul including:
  - High-efficiency heat exchangers and fans
  - Belt assembly changes to improve drying efficiency
  - Efficiency improvements through improved air-pellet contact
- Boiler efficiency upgrades to support higher product throughput
- Packed Bed Dryer refinements to monitoring and outflow system.

Full details of the upgrade program and the component level upgrades can be found in our ASX announcements.

A brief pictorial overview of upgrades appears on page 30 of this report.

Next Steps for HVTF Upgrades

As observed during the later stages of FY2017, and against the backdrop of broader energy affordability and reliability concerns, the demand for alternative sources of fuel supply in the steam and hot-water boiler market saw an increase in the rate of enquiries for Coldry product from our HVTF.

This increasing demand provides an important context for our planned Stages 3 & 4 upgrades, as we head into FY2018.

We continue to drive R&D programs through improving capability and testing at scale, however, we remain mindful of the different challenges we face heading from this research effort into the commercialisation and economic support of operational revenues helps to justify the continued pace of our facility upgrade and R&D programs.

The timing of Stages 3 & 4 now reflects this approach, as well as our desire to link the Bacchus Marsh facility into the emerging potential Latrobe Valley commercialisation project.

Coldry Local Sales Strategy

Through FY2017 and into the first quarter of FY2018, we continued to develop our strategy for offering a cost-effective solid fuel (i.e. Coldry pellets) for use in steam and hot water boiler systems across Victoria.

The cost-effectiveness of our solid fuel sits in contrast to the rising costs of gas, an in context to broader concerns that sustained higher prices and energy shortages over the coming years will apply significant pressure to the structure of local energy markets. Our proposition for commercialisation, therefore, remains clear and concise.

However, these market opportunities alone will not bridge the entirety of the gap between effective R&D programming and a commercial ready proposition.

Over this last 12 months, we have undertaken a number of targeted programs aimed at testing our alternative solid fuel, produced using our Coldry technology, under commercial conditions.

With planning taking place through May and early June 2017, we commenced a 4-week initial trial program in collaboration with a large rural enterprise in southwestern Victoria that has a growing need to expand and diversify its primary energy supply. The program was established to further assess, under established commercial site conditions, the benefits of using Coldry as a cost-effective solid fuel alternative in an existing steam boiler system.

The objectives of the boiler system trial program included a focus on:

- Establishment of baseline comparative assessment of Coldry to coal briquettes and gas boiler systems
- Assessment of alternative product handling systems and measures
- Review and testing of transport planning and logistics management
- Data collection and modelling of boiler operations and fuel performance
- Development of maintenance and resourcing models

Results of the four-week initial trials include;

- Improvements in supply chain, product handling and in-feed control processes to achieve suitable operations with a new material
- Bacchus Marsh site transport and logistics management systems
- Boiler operations and fuel performance outcomes to achieve stable operations, good combustion performance and satisfactory ash management
- Boiler maintenance and resourcing models

Under collaboration with our industry partners, our approach saw the respective teams working very closely together on setting up and running of the boiler operations, data collection, and process refinements to clearly demonstrate the potential that Coldry provides for energy source diversification.

The next phase of the R&D program looked to re-test the initial program objectives under continuous operations at the boiler site through to the end of the winter period.

As this Annual Report goes to print the final test report is being completed, and notwithstanding some further challenges posed by the commercial constraints of operating on a unique site, we believe that this program, linked to future projects in India and the Latrobe Valley has demonstrated our strong alignment to the state and federal mandates for lower emissions technology development while balancing energy affordability and reliability.

Further, with each collaboration such as this one comes the ability to explore and develop new opportunities, in line with our core strategic platform, whether that be hydrogen, solid fuel technology, or biomass and biofuels technologies, all of which may provide significant additional and complementary growth prospects.

Latrobe Valley Feasibility Program

Running parallel to our continued R&D programs to support the India project, 2017 saw the re-emergence of development opportunities in the Latrobe Valley.

Formal commencement of a feasibility program for the construction of a large-scale demonstration Coldry plant in the Latrobe Valley began in July with the formation of a Steering Committee and project team led by ECT Chief Engineers Warrick Boyle and Lachlan Bartsch.

In strong alignment with Government policy and regional development directives, and responding to clear energy market signals, our plans to develop a zero-emissions Coldry plant have so far been well received and well supported.

This program holds significant short-term interest in providing increased energy security through diversification of Victoria's energy solutions and longer-term interest as a gateway enabler to the deployment of High-Efficiency Low Emissions (HELE) electricity production and low emissions chemical production, like hydrogen, from Victoria's world-class lignite assets.

In line with the established project planning structure, the Feasibility Study program is divided into a number of phases, including:

- Scoping Study and selection phase
- Pre-feasibility Study
- Feasibility Study and funding assessment

The project team is currently undertaking a scoping study and selection phase aimed at clearly defining the scope, budget and plan for the Pre-feasibility Study.

In particular, the selection phase focuses on analysing the potential project scenarios (site, scale and configuration) together with the best financial and technical options for the project. This phase will deliver a set of preferred options, refining the scope for the subsequent work programs .

The full Feasibility Study would aim to establish the business case for construction of a commercial demonstration scale Coldry plant in the Latrobe Valley.

HydroMOR Patent Development

Our Matmor process has been the subject of much activity over the past several years including

- The purchase of the Matmor Test Plant assets at the Bacchus Marsh facility
- Acquisition of the Matmor intellectual property from the original owners
- Subsequent development work related to the India project opportunity with partners, NLC and NMDC
- Most recently, upgrade works to the Test Plant to ready it for a new period of operational activity in support of Pilot Plant design works

Our new process, HydroMOR, is an improvement over the existing Matmor process, deriving further advantage from its unique raw material base, specifically the hydrocarbon-rich low-rank coals used in the role of reductant.

The process derives its name from the utilisation of hydrogen to enhance the reduction process used to create metals from ore; Hydrogen Metal Oxide Reduction.

The benefits we see in the application of the HydroMOR process include further reductions in capital cost due to its ability to achieve the required metal reduction at a lower temperature, and operating savings in terms of raw material efficiency improvements, as well as decreased CO2 intensity. With the capital cost savings being applied to carbon offsets, this brings closer the potential of carbon emissions neutral steel production.

We hold a provisional patent application for HydroMOR, with the planned next step being the formal submission of an international patent application based on the provisional patent application.

COHgen fundamental research

Research and Development often result in serendipitous discoveries.

COHgen, or Catalytic Organic Hydrogen generation is just such a potential discovery stemming from our Matmor and HydroMOR work.

We can't provide any detail yet, as we need to step through the fundamental research and patent application process to secure the intellectual property.

Suffice to say, if our hypotheses are confirmed, and the process is scalable, we may have a new low-emission hydrogen production process.

We have previously informed shareholders of our R&D activities aimed at identifying certain fundamental breakthroughs that have led to what appears to be a new and unique, low temperature approach to hydrogen generation. These breakthroughs are driving further R&D focused on improved capability around liberation of hydrogen from lignite in what may be a new benchmark in hydrogen generation efficiency.

We are in discussions with government authorities, universities and research funding organisations for the development of an 'R&D centre of excellence', in either the Latrobe Valley or Bacchus Marsh, to support increased research on the efficient and low emission use of brown coal. The Company continues to research the role hydrogen plays in certain chemical reactions involving brown coal which stems from our deeper understanding of the Matmor process and our progression through to HydroMOR and COHGen.

Capital Management

R&D Tax Incentive

Advanced Finding / Overseas Rulings

During the year, we received a positive ruling from AusIndustry in relation to our application for an 'Advanced Finding and Overseas Ruling' for our Coldry R&D Project in India.

This outcome has significant positive implications across the core aspects of our India Project, including in relation to:

- Project Financing; and
- Project Structure.

It also provides a lead into our Matmor Overseas Ruling Application.

Project Financing

We are eligible for and have received, rebates under the AusIndustry R&D Tax Incentive Scheme for domestic expenditure. This ruling extends that eligibility to the Coldry related overseas R&D activities proposed in India.

An important part of our Capital Management Plan has been the forward factoring of anticipated R&D refunds.

In December 2016, we announced a terms sheet in relation to a $10 million debt finance facility with Brevet Capital Advisors to support our estimated one-third contribution to the India project. There are two key conditions precedent:

1. Receiving an overseas ruling from AusIndustry for the Indian project and,
2. The Indian partners each co-contributing their 1/3 funding of the project.

This Overseas Ruling satisfies the first condition precedent. The second condition precedent is subject to the finalisation of the Master Project Agreement (MPA) with NLC and NMDC.

Matmor Overseas Ruling Application

The Matmor 'Advanced Finding and Overseas Ruling' application is currently in progress following submission to AusIndustry ahead of the 30 June 2017 deadline for previous financial year overseas expenditure to be included.

Engagement continues with AusIndustry, and further updates will be provided in due course.

ECT Finance Ltd

ECT Finance was established to provide dedication to ECT Group's capital management and financing initiatives and in doing so, was able to offer an equity lending facility (ELF) to all ESIOA and ESIOB option holders to finance the conversion of their options into fully paid shares.

The successful program established over $14 million in loans in addition to the ~$4.05 million in cash received during July and August 2017 from standard options exercise.

The ELF was structured with all stakeholders' interests in mind. ECT Finance created an offering which aimed to protect the existing entitlements of shareholders while also balancing the interests of those shareholders who were willing to contribute cash to the Company ahead of the ELF.

Due to the success of the ELF for the ESIOA and ESIOB option series, ECTF has received a large number of enquiries from other companies to provide an ELF program structure for their capital raising initiatives.

ECTF is planning for the market roll-out of the ELF structure, using the expertise and software that ECTF now has in place, and will update shareholders as outcomes progress.

Bonus Issue – ESIOC

In June, we announced the issue of a new Bonus option series (ESIOC), with a strike price of 4.5¢ and an expiry of 31 July 2019.

These bonus options are our way of rewarding shareholders with a tradable option that allows exposure to the potential future upside of successfully progressing or objectives while putting in place future avenues of additional capital for the business at a significantly higher price than is current.

FY2017-18 – The path ahead

As this Annual Report goes to print, we continue to work with our partners, NLC and NMDC, to progress the review of our project by NITI Aayog.

Following approval, we'll move immediately to arrange execution of the Master Project Agreement, followed by the development of project sub-agreements, initial funding, final engineering activities and construction.

We have commenced feasibility assessment on the Latrobe Valley prospect, well supported by industry partners and market dynamics.

Finally, at Bacchus Marsh, we remain fully engaged with our extensive R&D program which directly supports projects in India, and Latrobe Valley and beyond.

In regards to India, we understand shareholders would like to see faster progress. And while the time frames can be uncertain, how we continue to apply ourselves to this process demonstrates to our project partners and the Indian government that, despite our Company's size, we are clear in articulating our objectives and navigate their processes in a polite and persistent manner. These are qualities they appreciate when committing significant funds to a project involving two first-of-a-kind technologies. Both NLC and NMDC acknowledge and share our desire for progress, remaining motivated and highly supportive.

Similarly, as we push ahead with opportunities elsewhere, we engage with new partners and carry with us the clear vision of our objectives at both the strategic long and near-term horizons.

Finally, we would like to acknowledge and thank our shareholders for their ongoing support. We look forward to working through our project assessment and implementation phase, and taking a significant step toward the validation of both technologies at their next scale.

Yours sincerely,

Ashley Moore	**Glenn Fozard**	**Jim Blackburn**
CMD	**Director**	**COO**
ECT India	**ECT Finance**	**ECT Limited**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Board

Glenn Fozard

Executive Chairman

Glenn has a strong commercial background and over 16 years' experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the R&D, Cleantech and Agricultural sectors, he supports the company with valuable guidance in the technology development, risk management and capital raising areas. Glenn has worked with ECT for over seven years and continues to support the business in the executive role of Business Development and Corporate Finance.

David Smith

Non-executive Director

David has a strong legal and commercial background, having practised commercial law for over 25 years including nearly 19 years as a partner in national firms. He is currently a partner in the intellectual property and technology group at Gadens Lawyers. He has assisted many companies with protecting their intellectual property, IP commercialisation agreements, collaborative research agreements and international negotiations. David chairs the Company's Audit and Risk Committee. Best Lawyers has named David as 2018 Lawyer of the Year – Privacy and Data Security Law for Melbourne, Australia. He is also currently listed as a "Best Lawyer" for Intellectual property law, Information technology law and Gaming Law. He recently retired as President of Bicycle Network and is a graduate of the Australian Institute of Company Directors (AICD).

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 18 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.

Executive Committee

Ashley Moore

Chairman-Managing Director
ECT India

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.

James Blackburn

Chief Operating Officer
ECT Limited

James has a strong executive background as a corporate development practitioner with over 18 years' experience in governance, operational, and technical roles across research, investment and corporate services disciplines.

James has core responsibility for ECT Corporate Services and plays a key role in directing and adminstering the Company's commercialisation programs.

Glenn Fozard

Executive Director
ECT Finance Ltd

Glenn has a strong commercial background and over 16 years' experience in finance and capital markets at both board and executive level. With a deep understanding of tailored financial solutions for SMEs in the R&D, Cleantech and Agricultural sectors, he supports the company with valuable guidance in the technology development, risk management and capital raising areas. Glenn has worked with ECT for over seven years and continues to support the business in the executive role of Business Development and Corporate Finance.

Key Personnel

Warrick Boyle

Chief Engineer - Coldry

Warrick is a Manufacturing and Chemical Engineer with 20 years' experience across diverse manufacturing roles in medical, chemical, industrial, pharmaceutical and consumer goods.

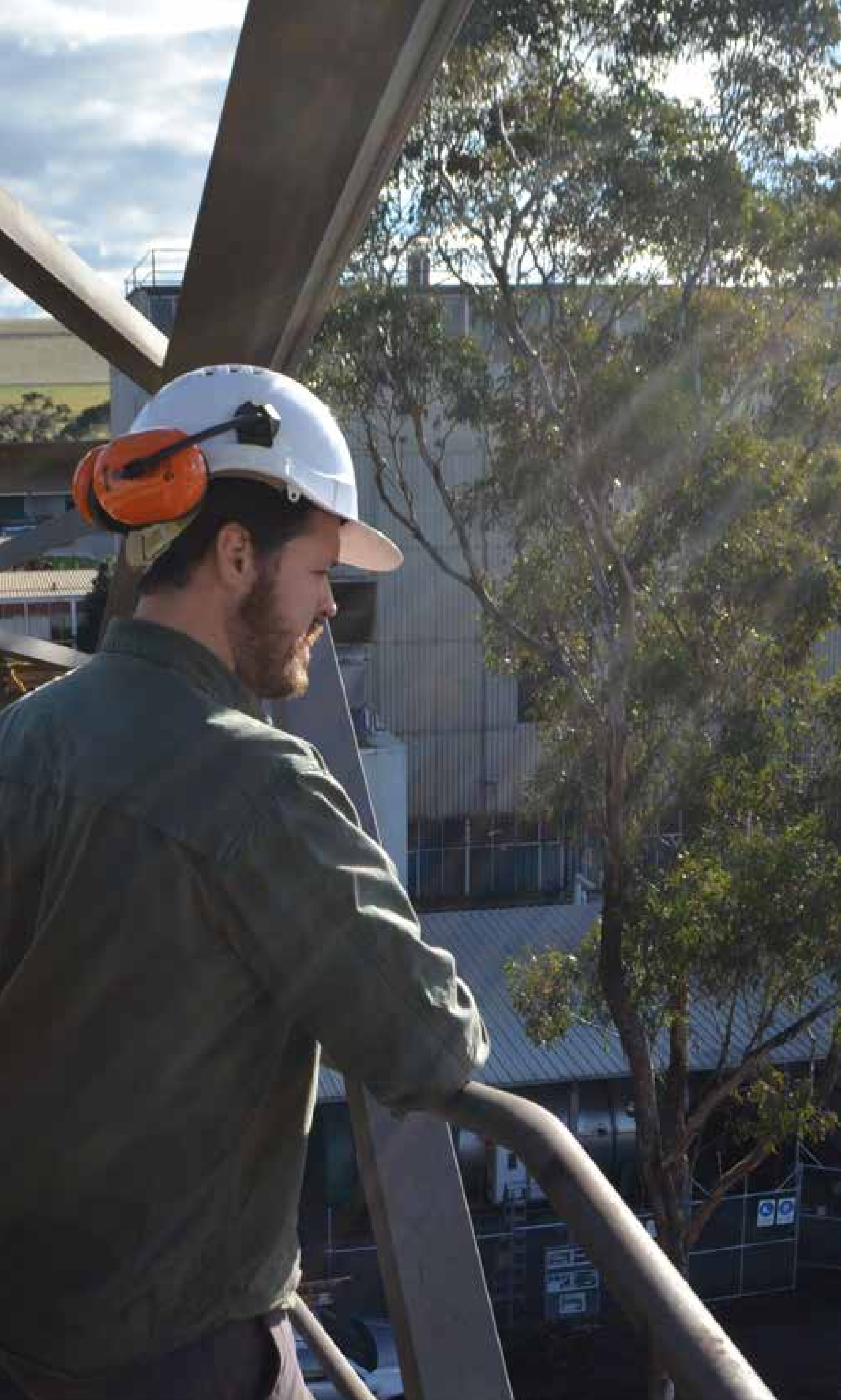
Warrick's core responsibility is the fundamental and applied process development of the Coldry technology and the operations of the High Volume Test Facility.

Lachlan Bartsch

Chief Engineer- Matmor

Lachlan is a project manager with strong operational background and engineering design experience with a focus on metallurgical applications and design consulting.

Lachlan's experience with the multidisciplinary management of feasibility and prefeasibility studies as a Project Engineer and Area Manager, combined with his metallurgical, operational and commissioning experience provides an ideal skillset to drive the Matmor development and commercialisation program.



Key Personnel

Keith Henley-Smith

Chief Engineer- COHgen

Keith is a chemical engineer, metallurgist and inventor with over 40 years' experience.

Mr Henley-Smith leads the fundamental research and development efforts for Matmor, HydroMOR and COHgen.

Prior to his work with ECT, Keith invented the first and only non-magnetic stainless steel, PAK450.

Since 1998, Keith has been an adviser to the European fusion program (Euratom), providing assistance on material selection for the Joint European Torus (JET) in relation to first wall neutron absorption materials.

Adam Giles

Corporate Communications Manager & Company Secretary

Adam has over 25 years business and management experience across both private and public sectors.

His long-term involvement with the development of the Coldry and Matmor technologies and as a founding shareholder of the Company provides valuable background, helping inform strategic direction.

Key responsibility areas include Corporate Communications and Governance.

Our Technologies

Coldry- Unique low rank coal drying technology

- IP owned 100% by ECT and protected in all major markets
- 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 and applications
- 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 manufacturing costs by ~65% through use of low cost, abundant raw materials
- Reduces energy costs through innovative thermo-chemical pathway (impact embedded in manufacturing costs above)
- CO_2 emissions reduction helps deliver lower emissions intensity

Innovative resource upgrading and conversion technologies

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 Technology

Coldry Contents

General Information

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

Introduction

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

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

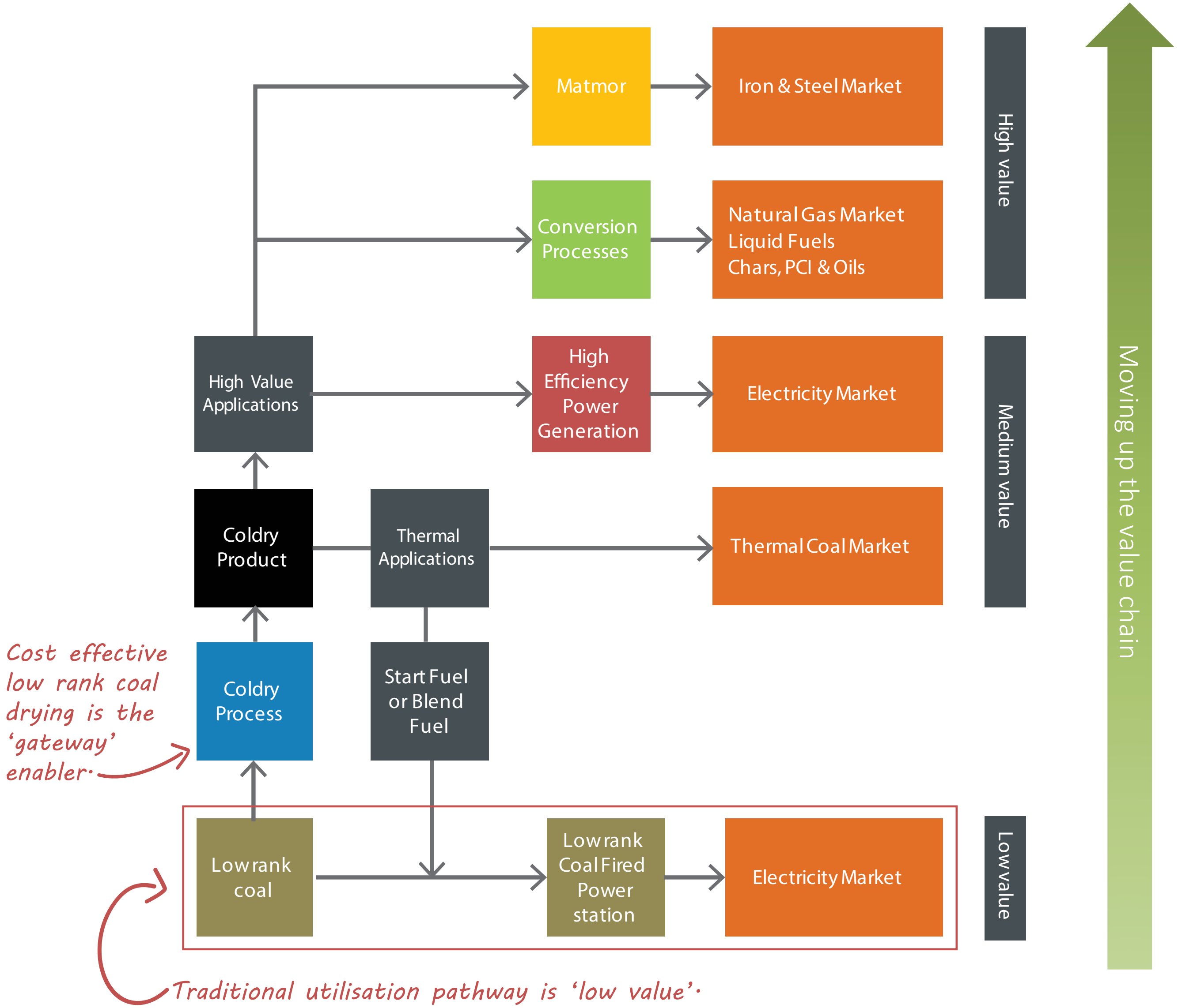
Developed in Australia and patented globally, Coldry is a cost effective and energy efficient method for dewatering high-moisture low rank coals such as lignite, creating an upgraded product similar in material properties to black coal for local and export markets.

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

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

Coldry Value Proposition

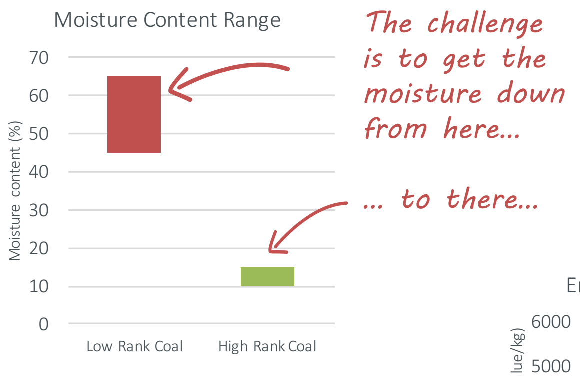
By converting high moisture, low calorific value lignite from a low value material with limited usage opportunities into a high energy, low moisture, transportable solid fuel, Coldry opens up new markets and a wide range of applications. It also reduces the CO_2 emissions intensity associated with utilisation,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

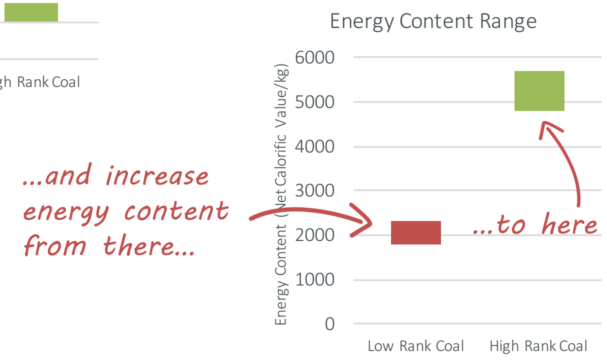


The low rank coal challenge

To enable low rank coal use in higher value applications, it needs to be dried.

- High moisture content:
  - Low net energy content
  - Not suitable for use in black coal applications or most upgrading processes
  - CO_2 intensive power generation
- Significant risk of spontaneous combustion compared to bituminous coal
  - Limits storage volume and duration
  - Increased transport cost
- Inefficient transportation cost due to carting mostly water





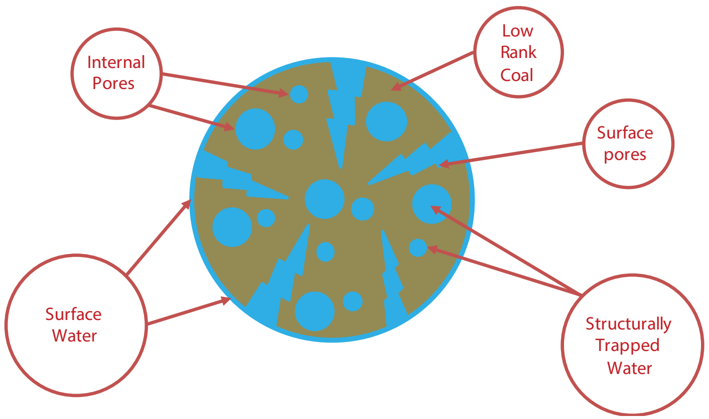
The Drying Challenge

Drying is easy.

- Drying efficiently and cost-effectively is the challenge.
- Coldry meets the challenge.
- Achieving a net energy uplift and zero CO_2 emissions at the lowest possible marginal cost, is the goal.

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

Dr Nigel S Dong, IEA Clean Coal Centre



Coldry Pilot Plant: Coal receiving and primary processing.

Coldry Process Overview

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

1. Brown coal densification (BCD)
2. Waste heat utilisation

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

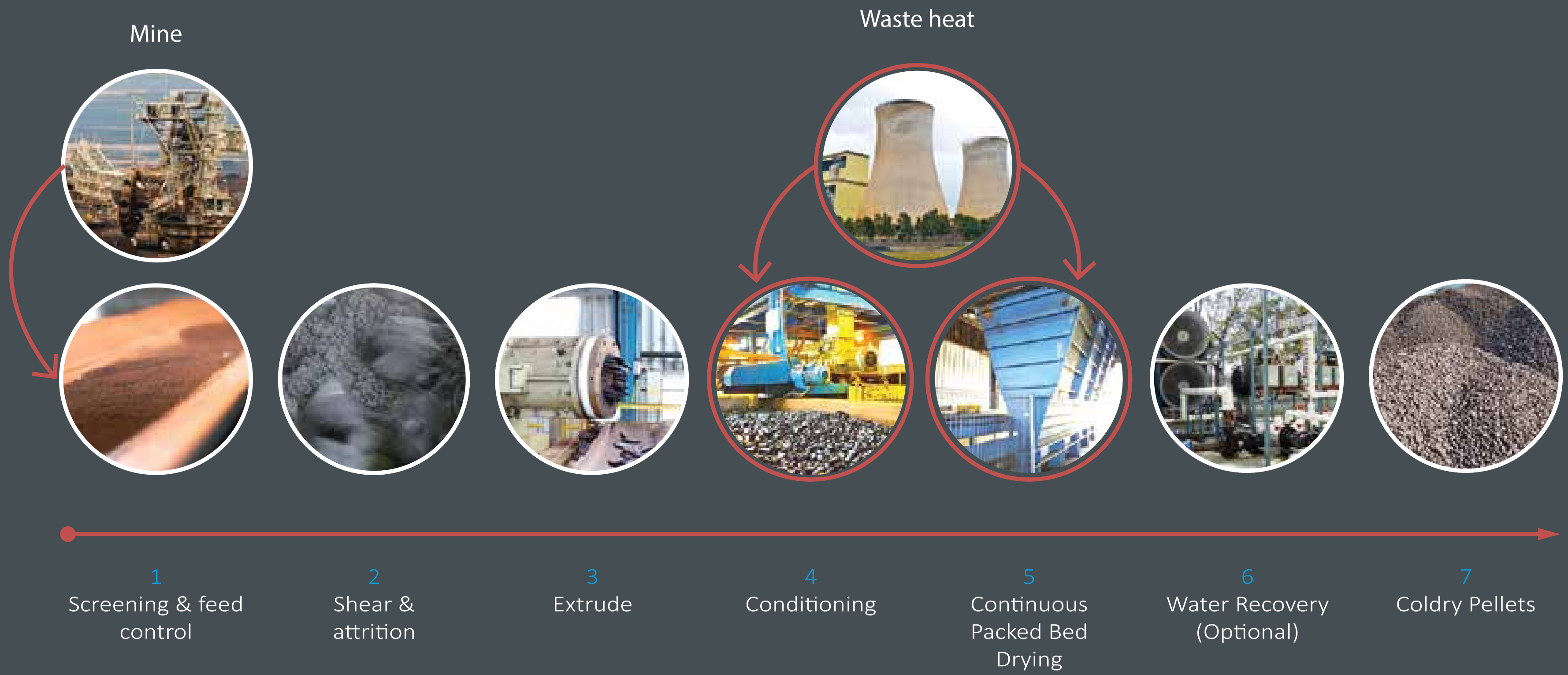
The Coldry technology process involves several process stages:

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

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

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

Coldry Process



1 Primary processing begins when brown coal is mined and delivered to the Coldry plant where it is milled and screened to achieve a consistent size.

2 This is where the process of Brown Coal Densification is triggered.

A small quantity of water is added to form a paste which is then subjected to mechanically induced shear stress over time.

3 The coal paste is extruded to form pellets.

The pellets are soft, malleable and prone to sticking together.

As such, they need to be conditioned.

4 Utilising low grade waste heat from a co-located power station, the pellets are conditioned, drying the surface to reduce adhesion and increasing their strength to minimise breakage.

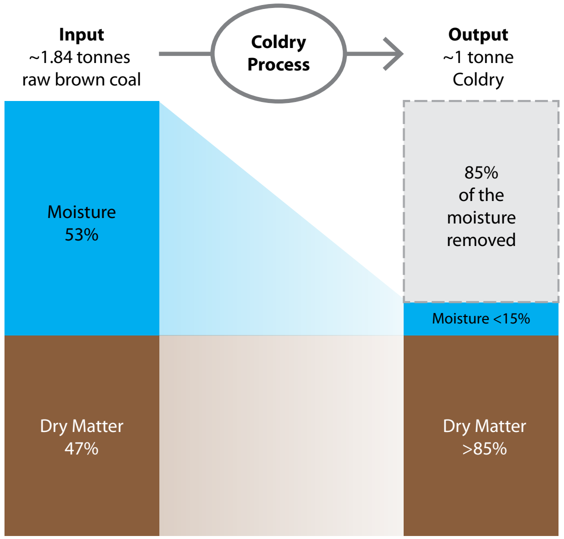
5 Following conditioning, the pellets are ready to proceed to the secondary drying stage. Our Packed Bed Dryer utilises low grade waste heat to drive the continuous moisture removal from the pellets.

6 The process can collect the expelled moisture as 'Class A' water, suitable for immediate industrial use without expensive treatment. Water recovery incurs an additional cost and may be suitable in drought prone areas.

7 Coldry pellets are continuously discharged from the Packed Bed Dryer after a pass through time of between 36 and 48 hours.

Coldry pellets feature a stable moisture level of between 10 and 15%.

Coldry Physical Transformation

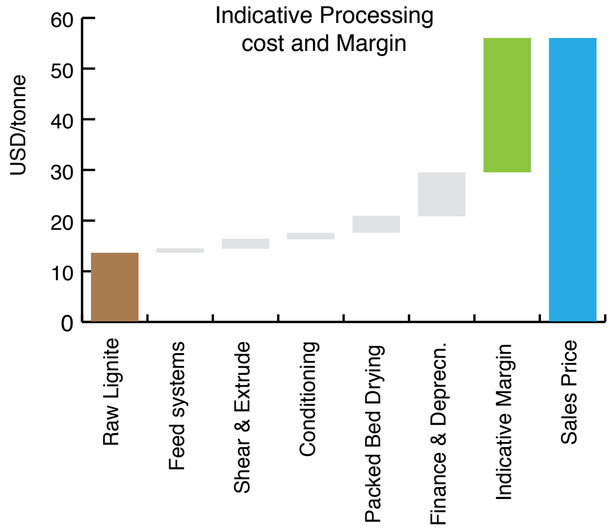


The Coldry process specifically targets the removal of moisture, leaving the dry matter in place.

In the case of Indian lignite, approximately 1.84 tonnes of as-mined lignite is physically transformed to produce 1 tonne of Coldry solid fuel pellets.

The water is evaporated, so unlike processes that heat and squeeze brown coal to remove water, there's no waste water contamination issue.

Coldry Value Transformation

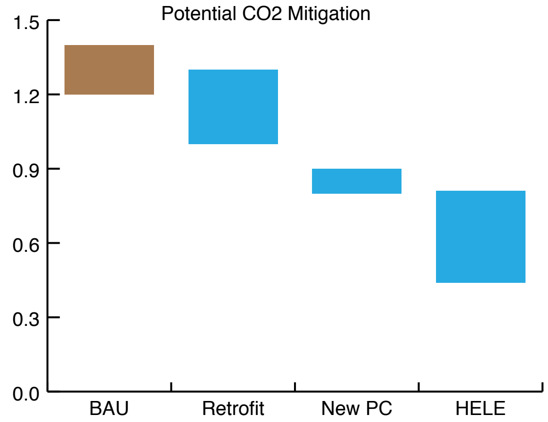


The marginal upgrading cost supports substantial value add through allowing low-rank coal to service higher value coal markets, with significant margin.

The graph shows the estimated value transformation from low value lignite to higher value solid fuel, and the processing cost on the way through.

And while each project will have its own unique profile, this illustrates the potential economics of deploying the Coldry process on lignite assets.

CO_2 Mitigation & Water Savings



The Coldry process is designed to harvest the waste heat from a power station and direct that heat to drying the lignite.

Under business-as-usual (BAU) scenarios, Coldry can be retrofitted to existing power stations, providing a mixed feed, reducing CO_2 by up to 15%.

Coldry can be integrated from the ground up into a new power station.

For standard pulverised coal (PC) technology the CO_2 saving is around 30%.

Whereas High Efficiency, Low Emission (HELE) technology could deliver savings of between 42% and 63%.

In addition, the Coldry process acts as a heat sink when cooling the power station, reducing or eliminating the need to draw water from local rivers.

Status of Development

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

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

2007

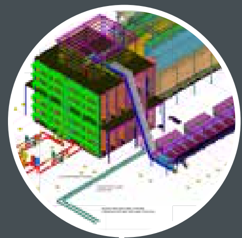
- Coldry Pilot plant Ver. 1
- Continuous Production

2009

- Coldry Pilot plant Ver. 2
- Water recovery

2013

- Coldry Pilot plant Ver. 3
- Larger extruder



2014

Coldry Commercial-Demonstration scale design completed

2016

- Tri-partite Agreement
- Master Project Agreement

2016-17

- Coldry HVTF
- upgrades stages 1 & 2 complete
- Stage 3 started
- Boiler trials

2017-18

- NITI Aayog Review completion
- MPA signing
- Project start

Coldry High Volume Test Facility

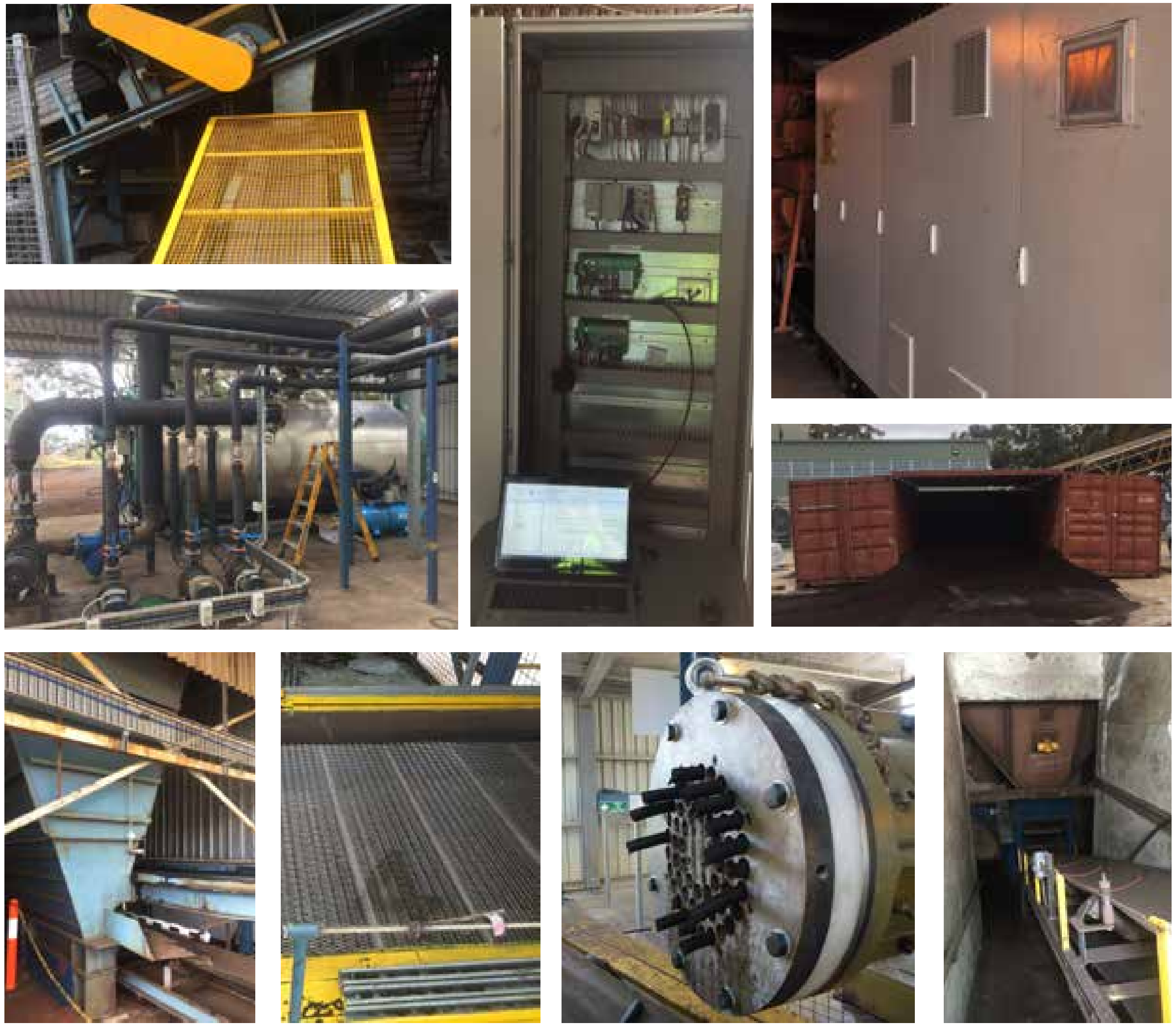
Upgrade overview

Stage 1

Completed December 2016

Colckwise from top left:

- Health and Safety audit and compliance, including installation or replacement of motor guards, adding safety barriers and man down switches.
- Electrical system upgrade, including wiring and cabinets.
- Receving coal hopper maintenance, including new hopper lining and and covering.
- Capacity matching modifications, aligning rate of material flow across the primary, secondary and tertiary systems
- Waste heat simulation via 4MW thermal boiler, improving drying capacity and range of operation.

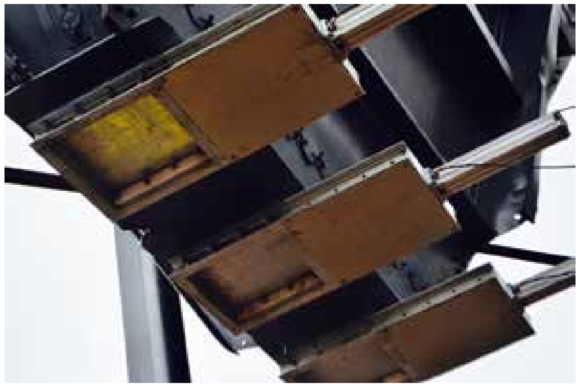


Stage 2

Completed July 2017

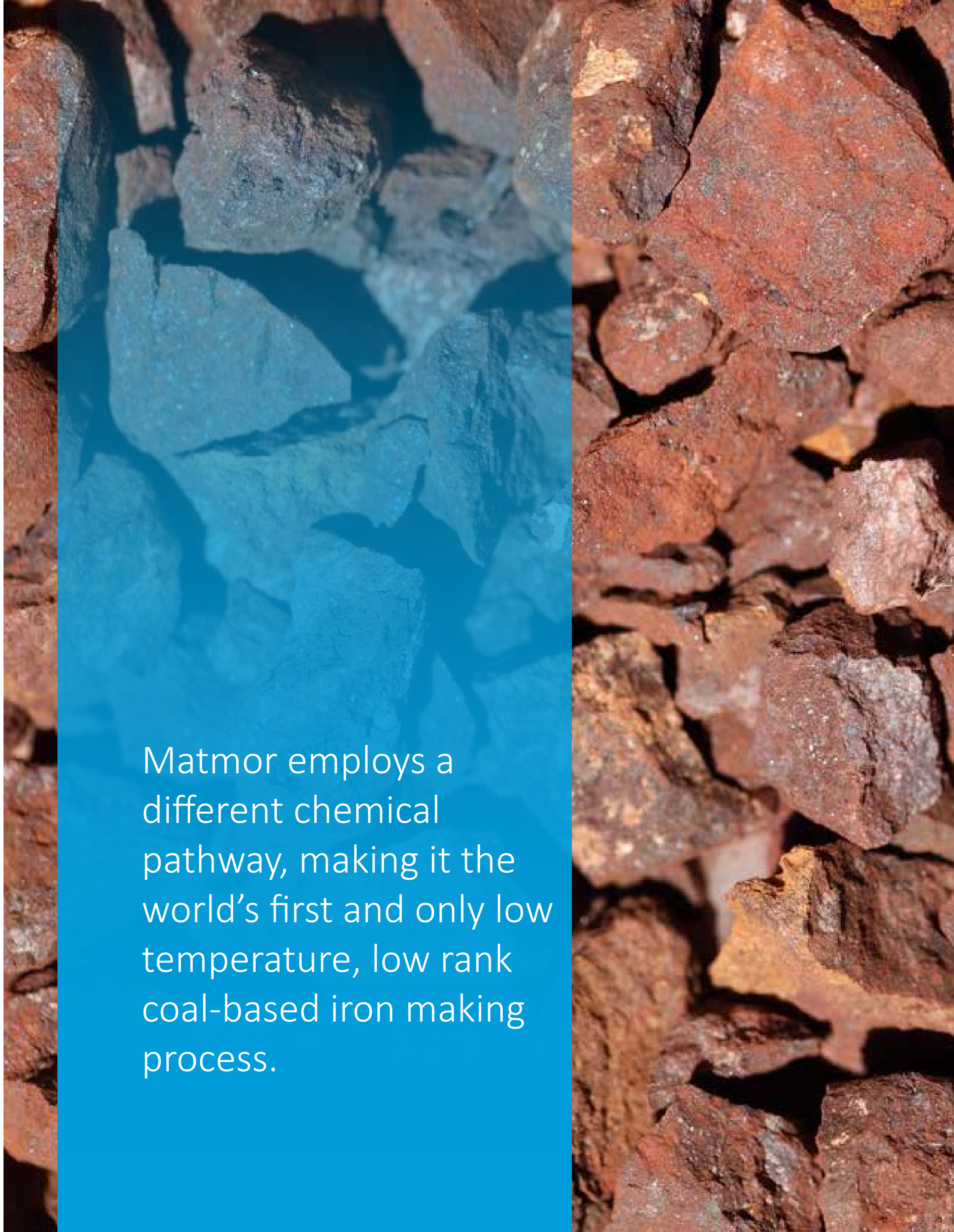
Left to right, from top left:

- Storage; coal receiving area upgraded to larger covering, allowing improved delivery access, increased capacity and all-weather protection.
- Improved process flow and control via new Programmable Logic Control (PLC) system
- Out feed hopper & loading system featuring a 45m incline conveyor and 70 tonne capacity.
- Out-feed hopper discharge gates.
- Coldry Primary Processing building.



Matmor Technology

Contents



Introduction

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

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

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

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

Matmor Value Proposition

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

1. Alternative raw material opportunity
2. Lower plant cost

The 'alternative raw material' opportunity

There exists a vast, 'above ground ore body' in the form of iron ore mine fines and slimes, and industrial wastes such as mill-scale and nickel refinery tailings.

Current processes can't utilise fines and wastes without expensive pre-processing. Matmor liberates this resource in an efficient, cost-effective manner.

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

1) Decoupling iron making from coking coal

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

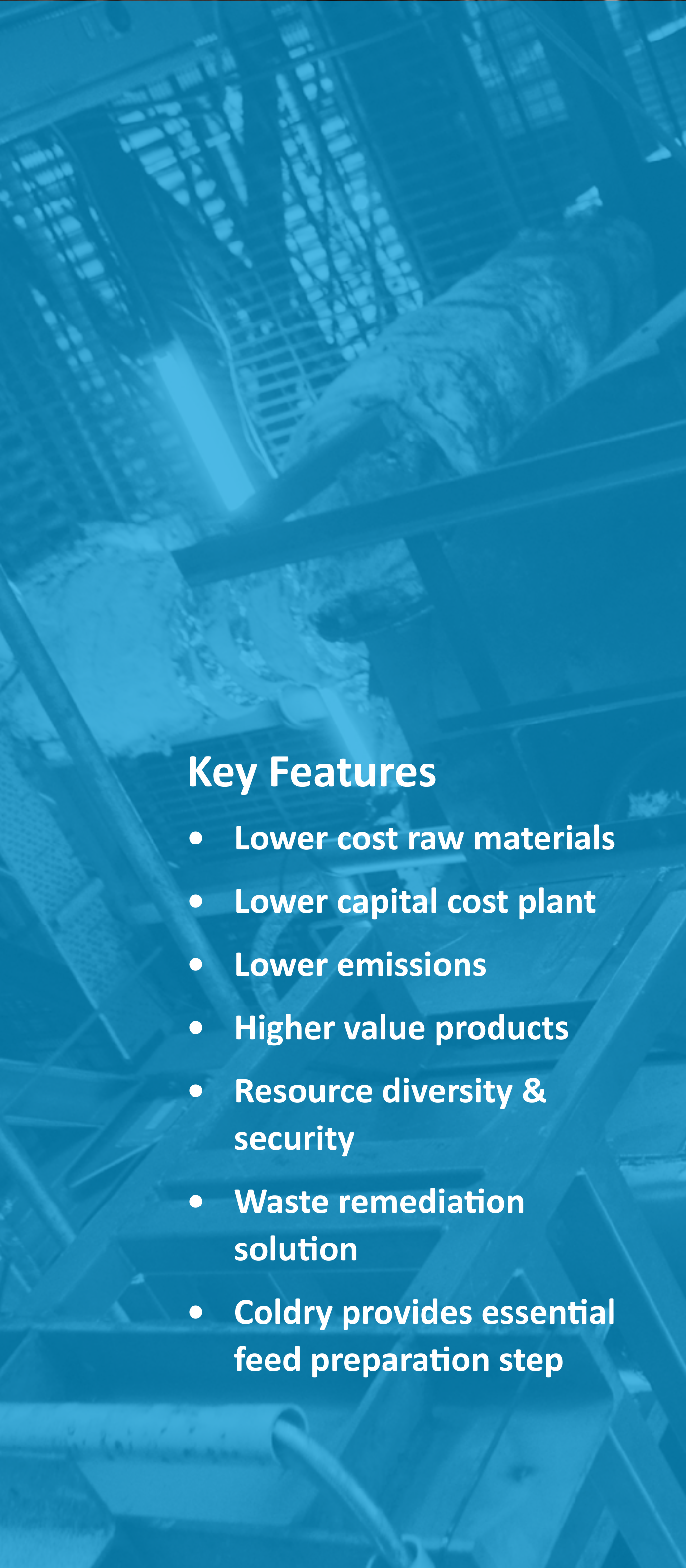
2) Exploiting the 'above ground ore body'

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

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

Lower Plant Cost

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

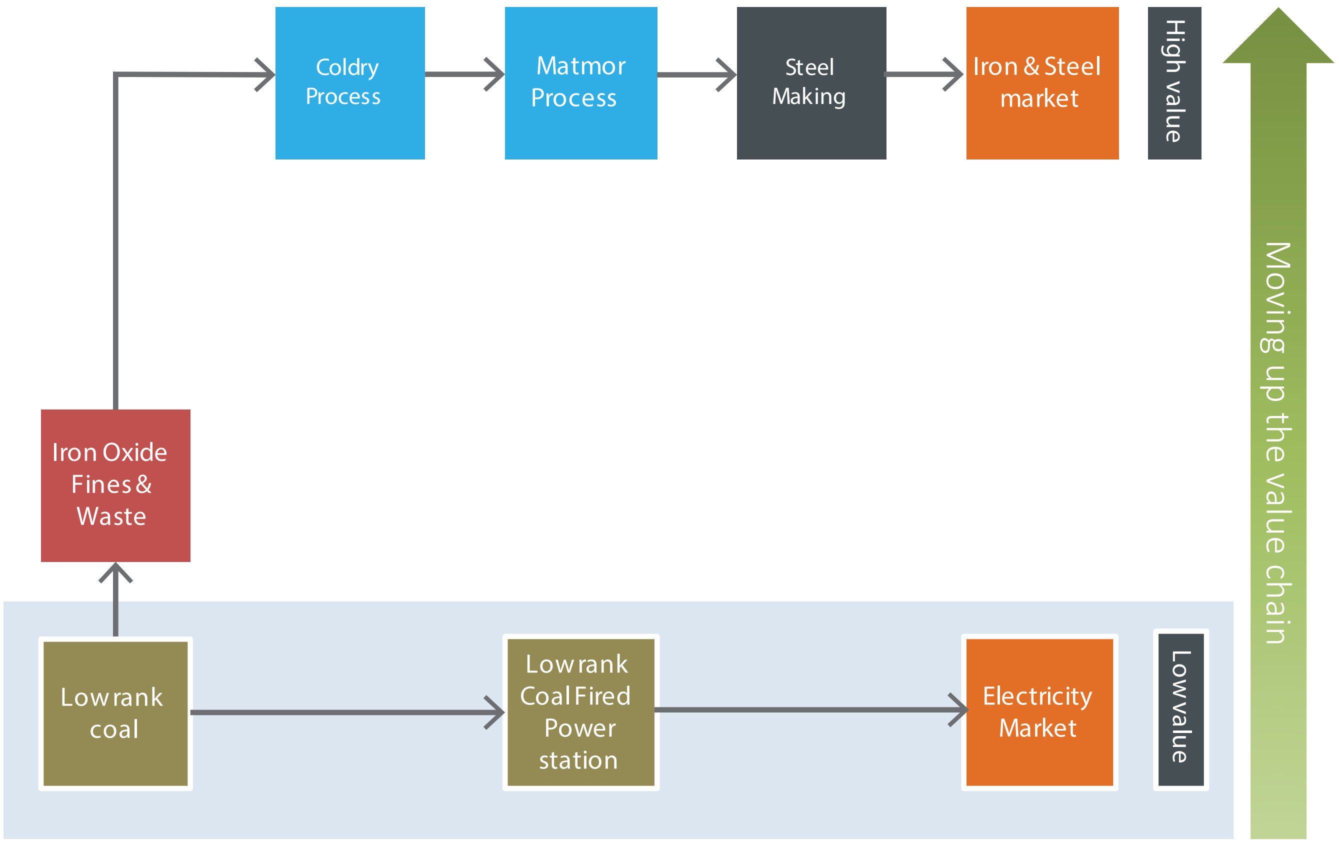


Key Features

- 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

Business-as-usual use of lignite is relatively low value.

Matmor allows lignite to be used to produce high value metal products.



The Steel Intensity Challenge

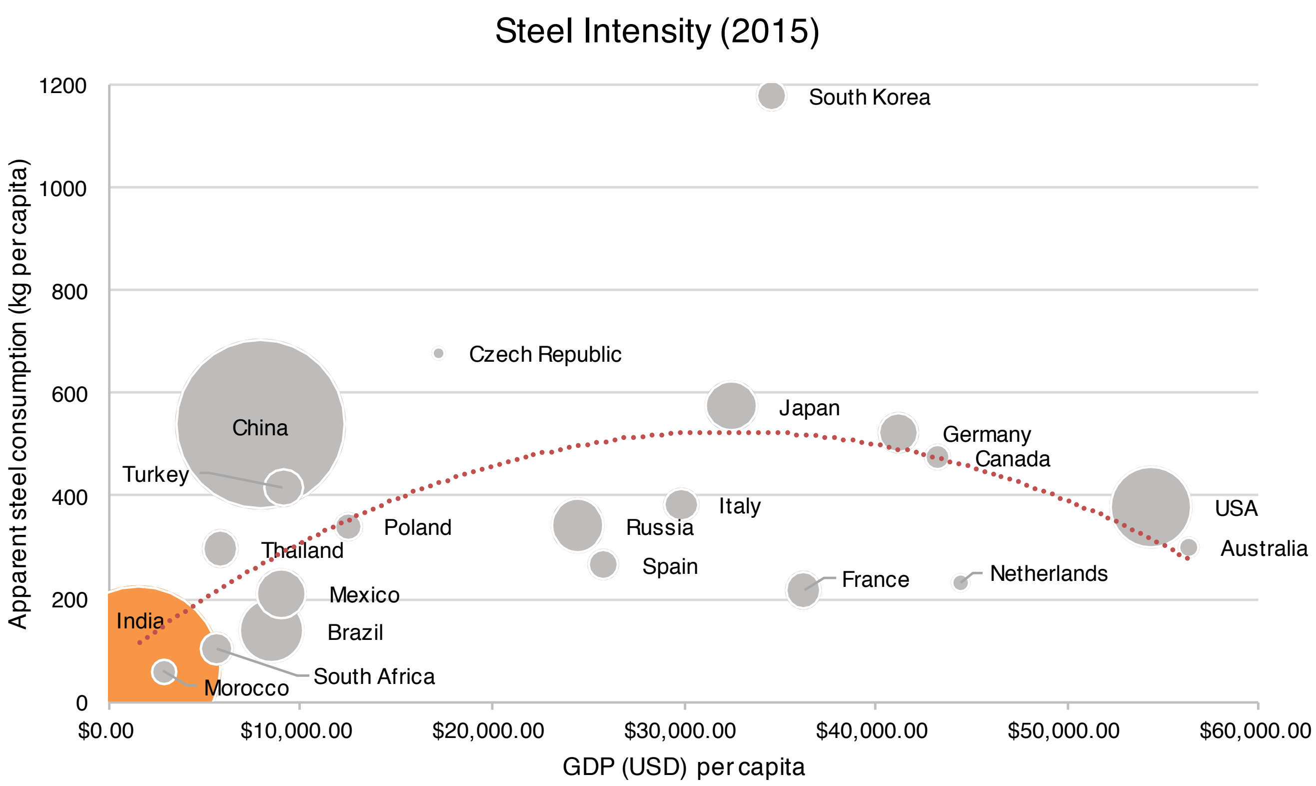
India is positioned to substantially increase its steel demand, yet is heavily reliant on imports of coking coal and iron ore.

India has signaled its intent to double steel intensity from 64kg to 120kg per capita per year.

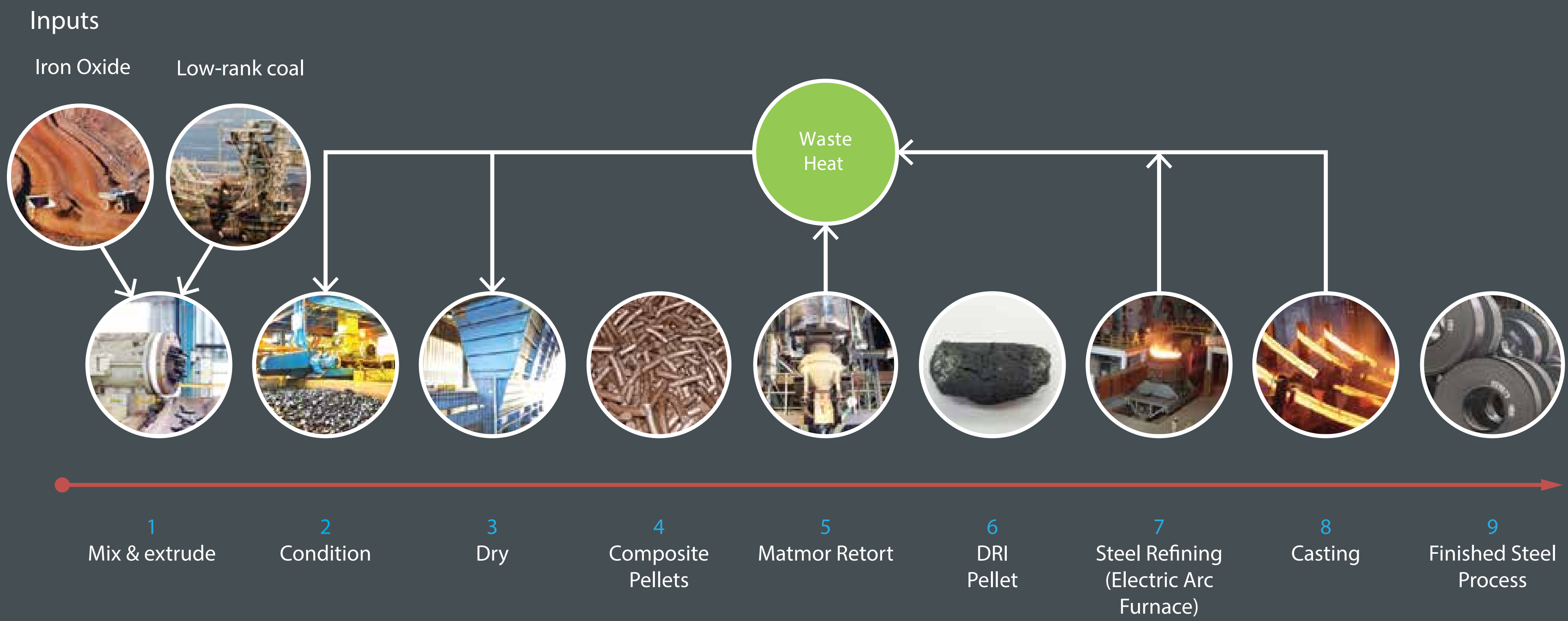
Matmor opens up new domestic raw material supply options in support of growth in emerging nations.

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.



Matmor Process



1 Iron ore fines are combined in a specific ratio with lignite, then processed through the Coldry Process, beginning with shearing and extrusion.

2 The 'green' pellets are sticky and malleable, requiring conditioning prior to delivery to the Packed Bed Dryer.

3 The pellets are dried in our Packed Bed Dryer, utilising waste heat from the process to drive evaporation.

4 The dried composite pellets contain approx. 5% moisture and are ready to be delivered to the Matmor Retort.

5 The Matmor Retort is where the action happens. Iron oxides are reduced to iron via a unique chemical process.

6 The output from the Matmor Retort is a 'direct reduced iron' (DRI) pellet suitable for melting in either an induction or electric arc furnace.

7 Electric Arc Furnace steel refining allows the iron to be refined to deliver a specific grade of steel.

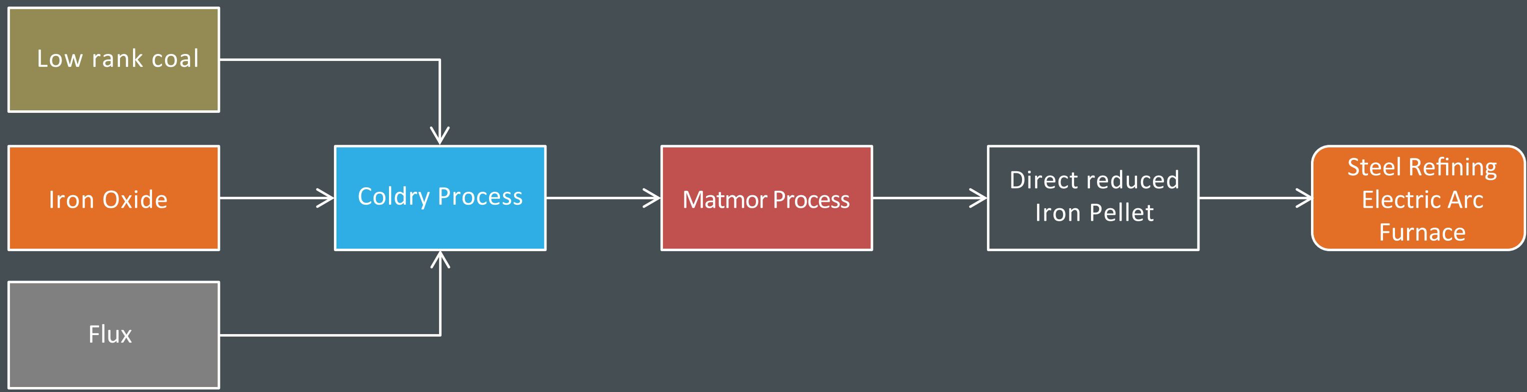
8 Casting delivers specific iron and steel forms, including sheets, rods, wire, slabs and billets.

9 The finished product is then ready for sale into its desired market.

Matmor Process vs Blast Furnace

Matmor Process

- > Lower cost
- > Simpler
- > More flexible
- > Less CO_2



- > **Lower cost inputs**
- > **Utilise domestic raw materials**
- > **Utilise waste grade ore**

Environmental improvement eliminates:

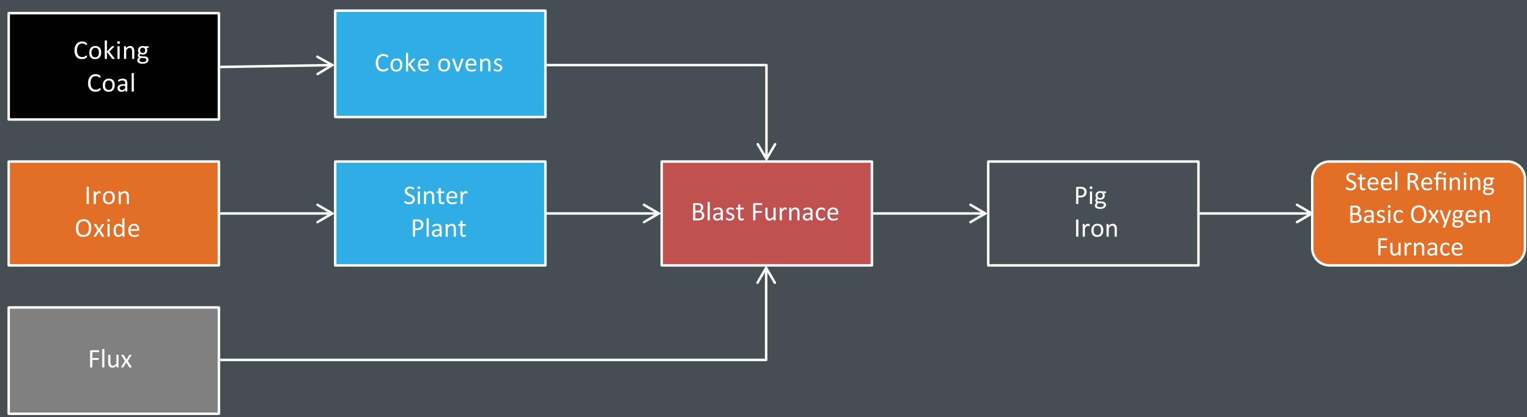
- > **Sinter plants**
- > **Coke ovens**
- > **Associated CO_2 emissions**

Efficient:
Lower temperature than Blast Furnace:

- > **Lower capex**
- > **Lower maintenance cost**
- > **Economic at smaller scale**

Product:
Tailored to the same specification as tradtional processes delivering the desired grades of iron and steel for the various applications.

Blast Furnace



Benefit vs Blast Furnace

Decoupling from traditional raw materials strengthens a business' resistance to inherent price volatility:

- Critical Raw material prices have moved between early and late 2016; mainly Coking coal
- Compared below is F2015/16 average (left) vs. mid October Spot (right)

	Traditional	ECT	Traditional	ECT
	BF- BOF	C/M- EAF*	BF- BOF	C/M- EAF*
	Blast Furnace - Basic Oxygen Furnace	Coldry / Matmor- EAF* + Power Generation	Blast Furnace- Basic Oxygen Furnace	Coldry / Matmor- EAF* + Power Generation
Case / Scenario	**Base Case**	**Mid Case**	**Base Case**	**Mid Case**
	Crore ₹	Crore ₹	Crore ₹	Crore ₹
CAPEX	2,522	1,607	2,522	1,607
OPEX	969	1,002	1,485	1,022
SALES	1,264	1,307	1,330	1,376
Gross Profit	**295**	**305**	**-155**	**354**
IRR (ungeared)	9.1%	17.2%	negative	20.0%
IRR (geared 30%)	**7.7%**	**18.4%**	**negative**	**22.1%**

Notes:

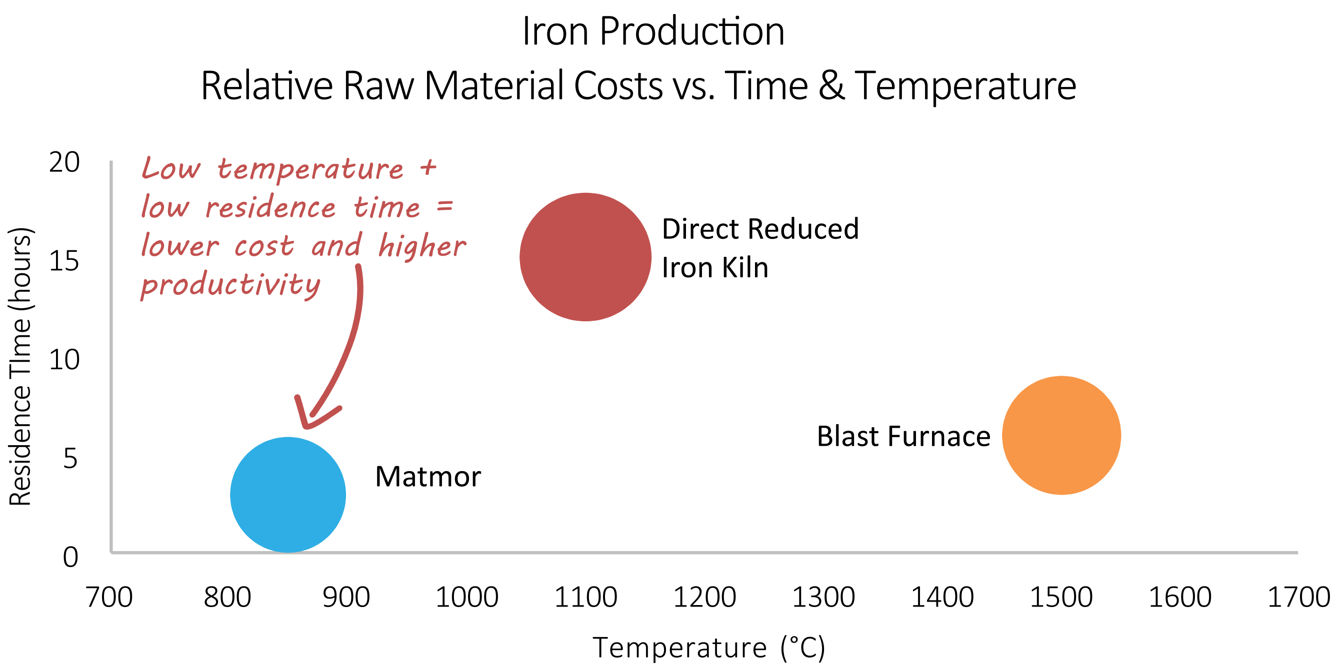
- EAF- Electric Arc Furnace
- Crore ₹ - The above table is based on the Techno-economic Feasibility Study prepared for the commercial scale project in India. Crore is 10 million and ₹ is the symbol for India's currency, the Rupee.

Benefits v other methods

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

In the graph below, residence time is a proxy for asset productivity and temperature is a proxy for asset capital intensity

Bubble size represents 'Relative Raw Material Cost'.



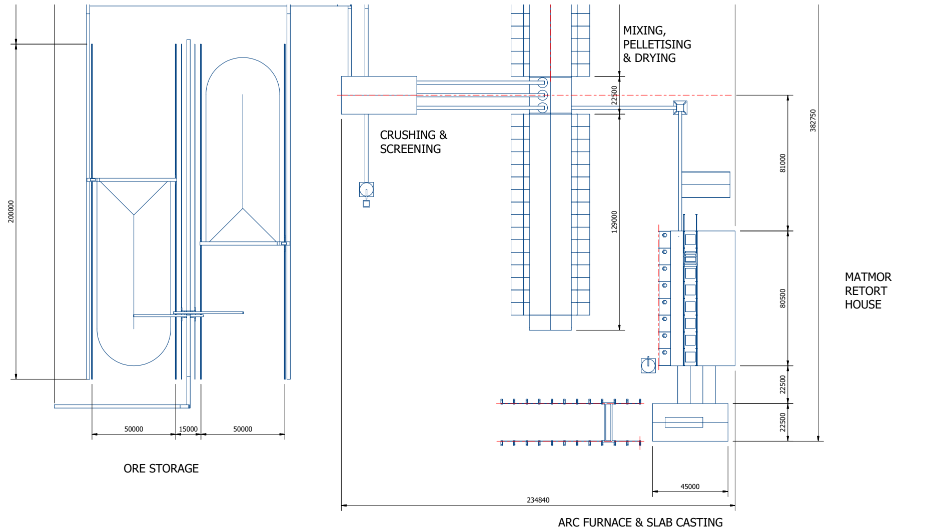
Status of Development

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

The Matmor test facility has undergone significant upgrades over the past year to support test programs that will inform the Pilot Plant development program and increase confidence as we advance through scale-up toward commercial capacity.

The upgrades have included reconfiguration of plant parameters, the addition of new process equipment to manage inputs and outputs and extra monitoring points for temperature, gas flow and gas sampling.

These upgrades enable the collection of steady state operation data and inform future engineering design decisions.



Images (clockwise from top left):

- **Schematic of the proposed Coldry-Matmor Integrated Commercial Scale plant developed as part of the Techno Economic Feasibility Study;**
- **Matmor Test Plant entry gate;**
- **Matmor bench retort during testing (Keith Henley-Smith & Adam Giles);**
- **Matmor Test Plant during operation;**
- **Matmor bench retort work area;**
- **Matmor Chief Engineer , Lachlan Bartsch collecting reduced pellets during a test run.**

Commercialisation Strategy

ECT’s commercialisation strategy is a core part of its business model. Revenue is the goal.

- Commercialisation is the process that converts ideas, research, or prototypes into viable products and production systems.
- Commercialisation relies on the creation of effective manufacturing, supply chain and implementation strategies.
- Research, development and commercialisation require significant investment before revenue is realised.
- Our commercialisation strategy also includes marketing and sales systems, which will seek to drive the transition from research investment to revenue generation.

Financial Report

Contents

General information

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

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

388 Punt Road
South Yarra, VIC, 3141
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017. The directors have the power to amend and reissue the financial statements.

Director's 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 2017.

Directors

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

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

Principal activities

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

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

Coldry Process

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

The Coldry process produces pellets that are stable, easily stored, can be transported, and are of equal or higher energy value than many black coals. When used in energy generation, Coldry pellets have a significantly lower CO_2 footprint than the low-rank coal from which they are made, providing a compelling emissions abatement solution.

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

Essentially, the Coldry process combines two mechanisms to achieve efficient, cost-effective de-watering; Brown Coal Densification; and Waste Heat Utilisation. Brown Coal Densification is achieved through the destruction of the internal porous structures, mobilising the structurally trapped water within low-rank coal. Waste Heat Utilisation provides 'free' evaporative energy to remove the moisture, thereby minimising paid energy input, resulting in net energy uplift and net CO_2 reductions.

Matmor Process

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

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

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

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

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

Intellectual Property

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

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

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

The benefits the Company sees in the application of the HydroMOR process include further reductions in capital cost due to its ability to achieve the required metal reduction at a lower temperature, and operating savings in terms of raw material efficiency improvements, as well as decreased CO_2 intensity. With the capital cost savings being applied to carbon offsets, this brings closer the potential of carbon emissions neutral steel production.

Dividends

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

Review of operations

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

Major Highlights:

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

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

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

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

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

$10 million. The Company is in the process of submitting its application for an Advance Finding and Overseas Ruling in relation to the Matmor component of the India project.

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

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

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

Financial Results:

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

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

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

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

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

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

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Subsequent to reporting date, the following events occurred:

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

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Coldry

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

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

Matmor

Matmor has commenced the next steps in scale-up on the commercialisation pathway, which include:

- Expanded testing works at the Test Plant to prepare the design briefing to support commencement of pilot plant design;
- Refurbishment and design modification work at the Test Plant to support evaluation of new pilot plant design features; and
- Pilot plant design program

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

Environmental regulation

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

Information on directors

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

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

Name:	**Barry Richards**
Title:	Non-Executive Director
Qualifications:	MAICD
Experience and expertise:	Barry has a strong industry and commercial background of over 30 years including his role as Managing Director of Mecrus Pty Ltd since its formation over 18 years ago, contract and business development roles with Siemens / Silcar, and operations and maintenance management experience with the State Electricity Commission of Victoria (SECV). He provides extensive experience in business management, major project development and delivery, coal plant operations and maintenance and has a broad understanding of technology and process development.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration, Nomination and Governance Committee
Interests in shares:	Nil
Interests in options:	Nil

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

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

Company secretary

Adam Giles has over 25 years business and management experience across both private and public sectors. His long-term involvement with the development of the Coldry and Matmor technologies provides valuable background, helping inform strategic direction. Key responsibility areas include Operations, Investor and Media Relations and Corporate Governance.

Meetings of directors

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

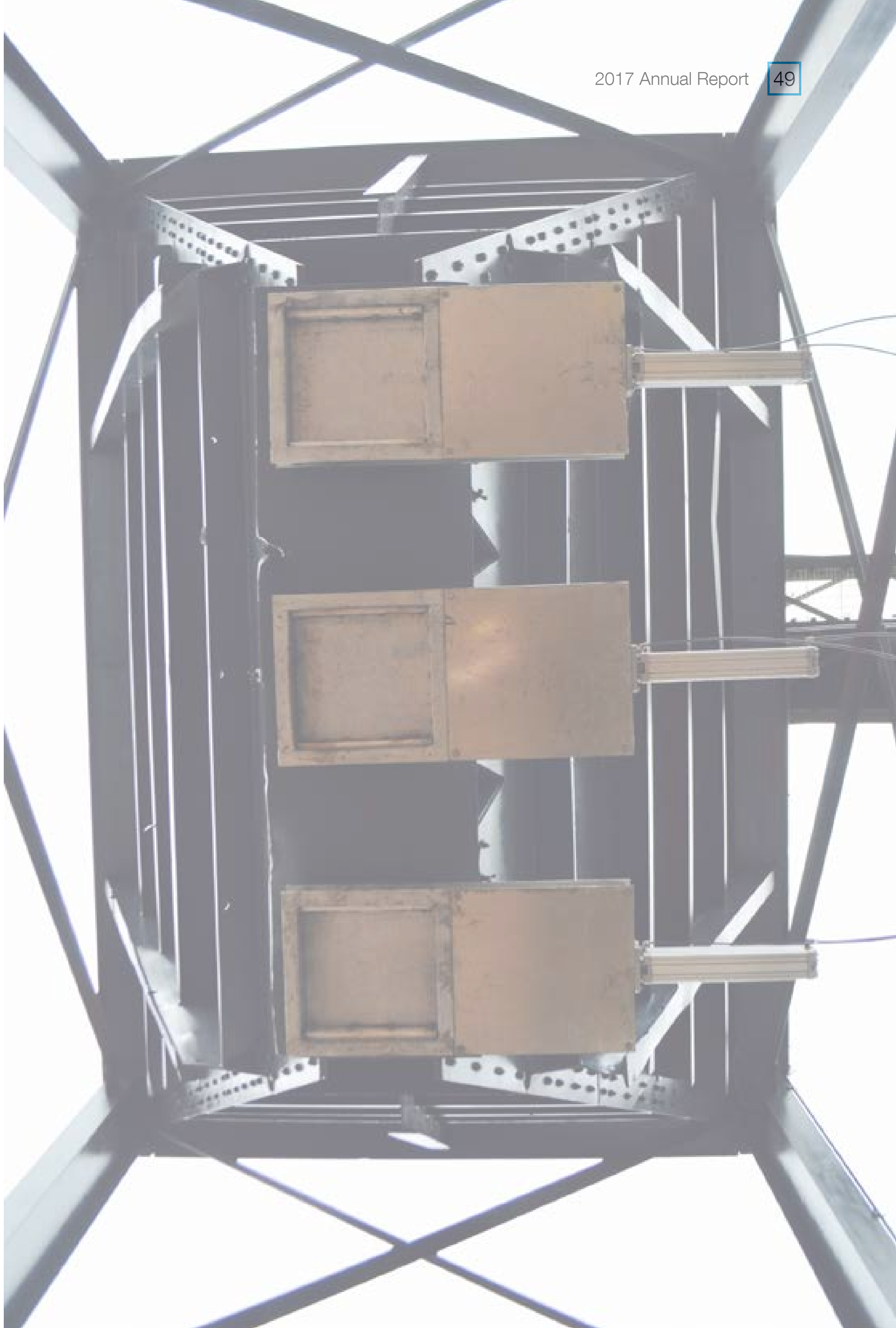
	Full Board		Remuneration, Nomination and Governance Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Glenn Fozard	13	13	2	2	-	-
Ashley Moore	13	13	-	-	2	2
David Smith	13	13	-	-	2	2
Barry Richards	13	13	2	2	-	-

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

Retirement, election and continuation in office of directors

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

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



Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive directors' remuneration

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

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

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

Three tier base remuneration:

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

Two tier additional reward remuneration structure:

- Committee chair- $10,000
- 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.

Any remuneration paid to a non-executive director must be reasonable given the circumstances of the Company and the responsibilities of the non-executive director;

Wherever practicable, the Company will obtain an independent quotation or estimate from an appropriate independent party in respect of those additional services;

If the non-executive director is an appropriate person to perform those additional services, the remuneration must be benchmarked against any such quotation or estimate obtained by the Company;

- The Managing Director (or if absent, their delegate) must report to the Board on the budgetary impact to the Company of the proposed engagement of the non-executive director. Any engagement of a non-executive director to provide those additional services must be unanimously approved by all directors (other than the non-executive director providing services);

- The non-executive director must report in writing to the Board at the completion of the additional services in such form as the Board may reasonably require;
- All amounts paid to non-executive directors in respect of providing those additional services will be disclosed in the annual financial statements of the Company; and
- The above policy also applies to entities associated with a director, where the additional services of the non-executive director are provided through that entity.

Executive remuneration

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

Executive and Director Incentive Plan

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

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

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

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

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

Executive remuneration and reward framework

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

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

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

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

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

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

Consolidated entity performance and link to remuneration

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

Use of remuneration consultants

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

Details of remuneration

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

- Glenn Fozard- Chairman and Executive Director
- Ashley Moore- Managing Director
- David Smith- Non-Executive Director
- Barry Richards- Non-Executive Director
- Adam Giles- Company Secretary
- Jim Blackburn – Chief Operating Officer

Amounts of remuneration

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

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

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

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

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

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

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

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

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

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

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

Service agreements

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

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

Name:	**Glenn Fozard**
Title:	Executive Chairman
Agreement commenced:	16 May 2017
Term of agreement:	3 years
Details:	Executive remuneration (contract) up to $19,160 per month. No leave or superannuation is payable under this contract. Mr. Fozard is eligible for employee incentive schemes when such schemes are established. The contract may be terminated by either party providing six months written notice.
Name:	Ashley Moore
Title:	**Managing Director**
Agreement commenced:	23 June 2013
Term of agreement:	Ashley Moore's employment may be terminated by either party by providing three (employee) or six (Company) months written notice of termination.
Details:	Annual salary, including superannuation, of $250,000.

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

Share-based compensation

Issue of shares

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

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

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

Options

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

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

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

Options granted carry no dividend or voting rights.

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

Additional information

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

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

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

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

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

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

Additional disclosures relating to key management personnel

Shareholding

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

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

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

Option holding

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

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

Loans to key management personnel and their related parties

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

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

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

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

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

This concludes the remuneration report, which has been audited.

Shares under option

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

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

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

Shares issued on the exercise of options

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

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

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

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of BDO East Coast Partnership

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

Auditor's independence declaration

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

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Ashley Moore
Managing Director
31 August 2017 Melbourne

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

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 31 August 2017

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

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

		Cents	Cents
Basic earnings per share	34	(0.154)	(0.160)
Diluted earnings per share	34	(0.154)	(0.160)

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

Statement of financial position

As at 30 June 2017

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

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 2017

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

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity
Balance at 1 July 2016	60,084,680	4,157,764	(58,195,698)	6,046,746
Loss after income tax expense for the year	-	-	(4,357,282)	(4,357,282)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(4,357,282)**	**(4,357,282)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	225,000	-	-	225,000
Share-based payments (note 35)	62,500	(15,643)	-	46,557
Shares issued on exercise of options (note 19)	2,733,611	-	-	2,733,611
Transfer option premium (exercised options) net of adjustments	266,111	(266,111)	-	-
Balance at 30 June 2017	**63,371,602**	**3,876,010**	**(62,552,980)**	**4,694,632**

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

Statement of cash flows

For the year ended 30 June 2017

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

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

Notes to the financial statements 30 June 2017

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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

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

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

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

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Revenue recognition

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

Rendering of services

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

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

Research and development tax refund

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

Interest

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

Other revenue

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

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

A receivable for the Research and development tax incentive receivable is recognised at the time that the eligible expenditure has been incurred and the consolidated entity has reasonable certainty that the amounts will be received.

Associates

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

Investments and other financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

Intangible assets

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

Intellectual property

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings. The unwinding of the discount on the present value of future cash flows associated with deferred consideration and earn-out provisions is recognised as finance costs.

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

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

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

AASB 15 Revenue from Contracts with Customers

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

AASB 16 Leases

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

Other amending accounting standards

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Income tax

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

Earn-out provision

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

Recovery of deferred tax assets

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

Deferred consideration - Matmor

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

Research and development tax offset

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

Note 4. Revenue

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

Note 5. Other income

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

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

Note 6. Change in fair value of financial liabilities

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

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

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

Note 7. Expenses

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

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

Note 8. Income tax expense

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

Note 8 Income Tax Expense (continued)

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

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

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

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

Note 9. Current assets- cash and cash equivalents

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

Note 10. Current assets- trade and other receivables

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

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

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

Note 11. Current assets- other

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

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

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

Reconciliations

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

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

Note 13. Non-current assets- intangibles

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

Reconciliations

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

	Consolidated	
	Intellectual Property $	Total $
Balance at 1 July 2015	**6,720,000**	**6,720,000**
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2016	**6,240,000**	**6,240,000**
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2017	**5,760,000**	**5,760,000**

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

Note 14. Current liabilities- trade and other payables

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

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities- borrowings

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

Refer to note 22 for further information on financial instruments.

Innovation Structured Finance Co. (Brevet Capital) Loan

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

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

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

Assets pledged as security

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

Note 16. Current liabilities- provisions

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

Deferred consideration liability - Matmor Assets

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

a) 50% of proceeds received by ECT from exercise of ESI Options up to a cash amount of $1m

b) a minimum of 15% of proceeds received by ECT from exercise of ESI Options thereafter

c) $500,000 on signing a binding contract for construction of the Matmor Pilot Plant (it was agreed by the parties to trigger this payment early, and as such, it is no longer available for further payment).

d) $500,000 on the Matmor Pilot Plant operations achieving an agreed steady state as well as conversion targets

e) $1,000,000 on signing of a binding contract for construction of a commercial scale Matmor plant

f) first collection of revenue in any form from commercialisation of Matmor technology

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

Movements in provisions

Movements in the current liability portion of 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	2,009,775
Amounts due- transferred to current payables	(995,116)
Re-estimate of future cash flows	(467,665)
Reclassify to non-current liabilities	(546,994)
Carrying amount at the end of the year	**-**

Note 17. Non-current liabilities- borrowings

	Consolidated	
	2017 $	2016 $
Equipment finance	73,930	-

Refer to note 22 for further information on financial instruments.

Assets pledged as security

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

Note 18. Non-current liabilities- provisions

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

Refer to note 16 for further details.

Earn-out provision - Coldry

The earn-out provision represents deferred consideration related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is calculated based on $0.50 per projected processed tonne of Coldry pellets and is discounted at a rate of 35.0% (2016: 41.5%). The consideration is $3,000,000. In prior years, this was not accounted for as being interest bearing as required under the acquisition agreement. However, this correction is not material to the financial statements due to the discount rate and forward timescale associated with repayment.

Movements in provisions

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

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

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

Note 19. Equity- issued capital

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

Movements in ordinary share capital

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

Movements in deferred share capital

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

Ordinary shares

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

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

Deferred share capital

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

Options exercised

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

Share buy-back

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

Capital risk management

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

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

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

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

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

Note 20. Equity- reserves

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

Share-based payments reserve

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

Options reserve

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

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

Movements in reserves

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

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

Note 21. Equity - accumulated losses

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

Note 22. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

The consolidated entity has minimal exposure to interest rate risk.

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

Credit risk

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

Liquidity risk

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

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

Financing arrangements

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

Remaining contractual maturities

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

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

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

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

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

Fair value of financial instruments

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

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

Note 23. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

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

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

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

Valuation techniques for fair value measurements categorised within level 3

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

Level 3 assets and liabilities

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

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

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

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

Note 24. Key management personnel disclosures

Compensation

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

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

Note 25. Remuneration of auditors

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

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

Note 26. Contingent liabilities

Perpetual Royalty Liability

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

Note 27. Commitments

	Consolidated	
	2017 $	2016 $
Lease commitments - operating *		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	110,225	41,548
Equipment finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	81,242	
One to five years	171,705	
Total commitment	252,947	
Less: Future finance charges	(28,208)	
Net commitment recognised as liabilities	224,739	
Patent commitments **		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	28,790	23,856
One to five years	112,032	95,424
More than 5 years	33,157	71,568
	173,979	**190,848**

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

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

Royalty commitments

The Company has entered into agreements which require it to pay certain royalties on production of its Coldry and Matmor technologies. These include:

- Coldry Equity Sale Deed, 2009; and
- Royalty Payment Deed (Matmor), 2014.

The Company is committed to make certain royalty payments in the event that commercial value is derived from the application of the technologies as follows:

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

Note 28. Related party transactions

Parent entity

Environmental Clean Technologies Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

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

Transactions with related parties

The following transactions occurred with related parties:

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

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

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

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

Terms and conditions

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

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

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

Statement of financial position

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

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

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

Capital and other commitments

The parent entity has operating lease and patent commitments payable (not recognised as liabilities) as well as equipment finance lease commitments. Refer to note 27 for details.

Significant accounting policies

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

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

Note 30. Interests in subsidiaries

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

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

Note 31. Events after the reporting period

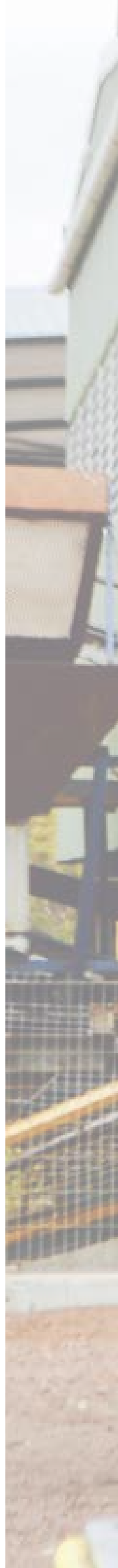
Subsequent to reporting date, the following events occurred:

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

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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



Note 33. Non-cash investing and financing activities

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

Note 34. Earnings per share

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

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

Note 35. Share-based payments

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

Options granted to Glenn Fozard

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

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

2017

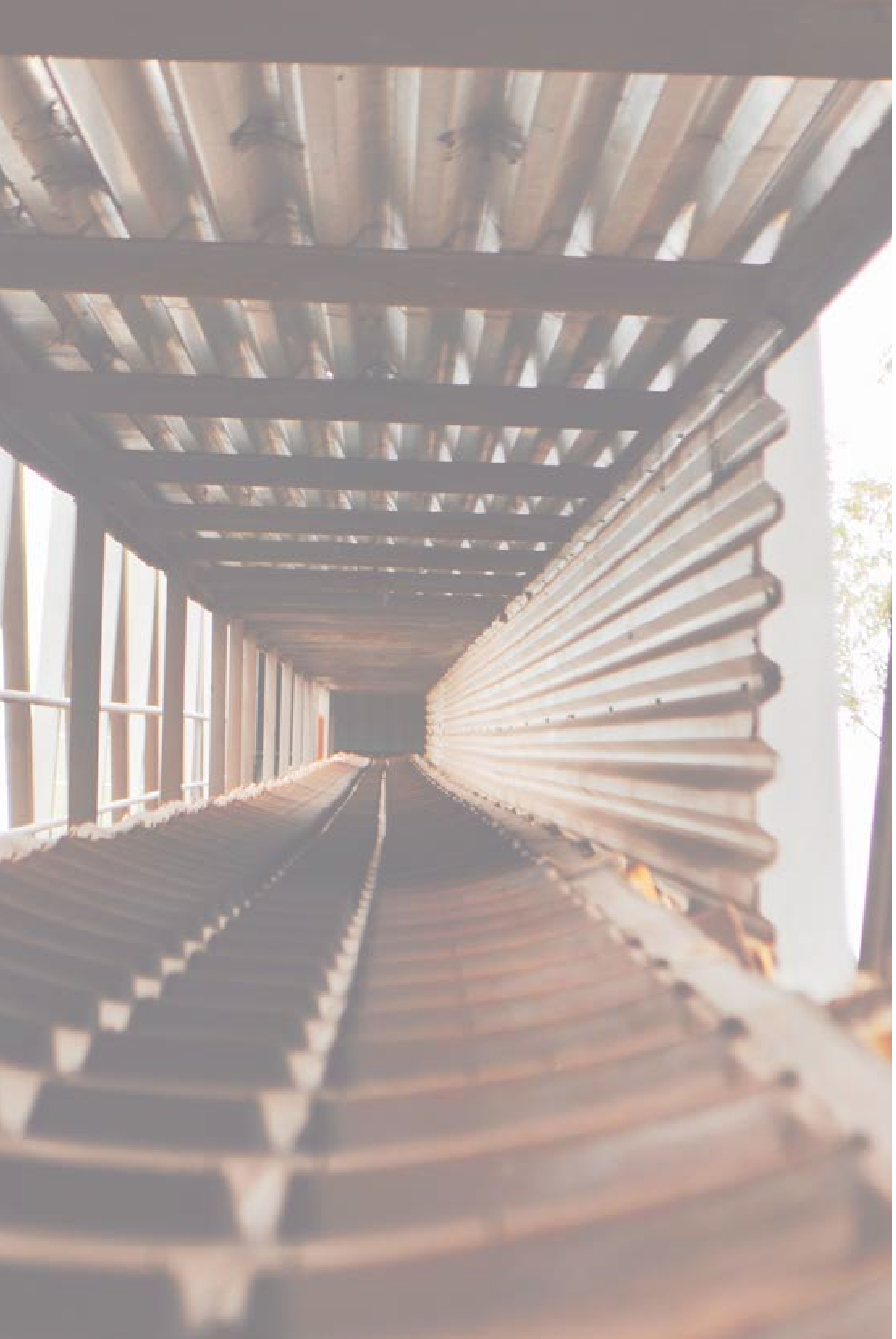
Grant date	Expiry Date	Exercise Price	Balance at start of the year	No. Granted	Exercised	Expired	Balance at end of the year
05/06/2015	31/01/2017	$0.040	2,000,000	-	-	(2,000,00)	-
05/06/2015	30/06/2017	$0.045	2,000,000	-	-	(2,000,00)	-
05/06/2015	30/06/2017	$0.050	7,000,000	-	-	(7,000,00)	-
			11,000,000			**(11,000,000)**	**-**
Weighted average exercise price			$0.047	$0.000	$0.000	$0.047	$0.000

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

2016

Grant date	Expiry Date	Exercise Price	Balance at start of the year	No. Granted	Exercised	Expired	Balance at end of the year
05/06/2015	31/01/2016	$0.030	2,000,000	-	-	(2,000,00)	-
05/06/2015	30/06/2016	$0.035	2,000,000			(2,000,00)	-
05/06/2015	31/01/2017	$0.040	2,000,000	-	-	-	2,000,000
05/06/2015	30/06/2017	$0.045	2,000,000	-	-	-	2,000,000
05/06/2015	30/06/2017	$0.050	7,000,000	-	-	-	7,000,000
			15,000,000			**(4,000,000)**	**-**
Weighted average exercise price			$0.043	$0.000	$0.000	$0.033	$0.047

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



Share-based loan to key management personnel

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

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

Note 35. Share-based payments

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

Director's Declaration

In the directors' opinion:

the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the
- International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Ashley Moore
Managing Director

31 August 2017
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Environmental Clean Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Environmental Clean Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

BDO

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

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

BDO

Coldry earn out provision & Matmor deferred consideration

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

Other information

The directors are responsible for the other information. The other information comprises the information contained in director's report and shareholder information for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

BDO

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

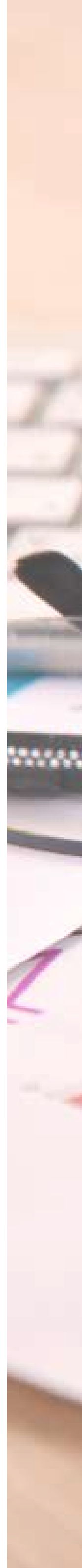
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 31 August 2017



Shareholder Information

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

Distribution of equitable securities

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

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

Equity security holders

Twenty largest quoted equity security holders

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

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

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

Unquoted equity securities

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

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

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

Substantial holders

There are no substantial holders in the Company.

Voting rights

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

Ordinary shares

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

Options

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