ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Full Year Results for Year Ended 30 June 2014

Wednesday 27 August 2014: Environmental Clean Technologies Limited (ASX:ESI) attaches the company's Financial Report for the year ended 30 June 2014.

For further information contact: *Ashley Moore – Managing Director - info@ectltd.com.au*

About ECT

ECT is in the business of commercialising leading-edge coal and iron making technologies, which are capable of delivering financial and environmental benefits.

We are focused on advancing a portfolio of technologies, which have significant market potential globally.

ECT's business plan is to pragmatically commercialise these technologies and secure sustainable, profitable income streams through licencing and other commercial mechanisms.

About Coldry

When applied to lignite and some sub-bituminous coals, the relatively simple Coldry beneficiation process produces a black coal equivalent (BCE) in the form of pellets. Coldry pellets have equal or superior energy value to many black coals and produce lower CO_2 emissions than raw lignite.

About MATMOR

The MATMOR process has the potential to revolutionise primary iron making.

MATMOR is a simple, low cost, low emission, production technology, utilising the patented MATMOR retort, which enables the use of cheaper feedstocks to produce primary iron.

Environmental Clean Technologies Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Environmental Clean Technologies Limited
ABN:	28 009 120 405
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	25.1%	to	1,644,631
Loss from ordinary activities after tax attributable to the owners of Environmental Clean Technologies Limited	down	53.2%	to	(2,548,113)
Loss for the year attributable to the owners of Environmental Clean Technologies Limited	down	53.2%	to	(2,548,113)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $2,548,113 (30 June 2013: $5,444,185).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.12)	(0.18)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $	Previous period $
Victoria Coldry Pty Ltd	50.00%	50.00%	-	-
Coldry East Kalimantan Pty Ltd	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued with an emphasis of matter paragraph.

11. Attachments

Details of attachments (if any):

The Annual Financial Report of Environmental Clean Technologies Limited for the year ended 30 June 2014 is attached.

12. Signed

Signed Ashley Moore ______________________________ Date: 26 August 2014

Ashley Moore
Managing Director
Melbourne

Environmental Clean Technologies Limited

ABN 28 009 120 405

Annual Financial Report - 30 June 2014

Directors	Glenn Fozard (Chairman) Ashley Moore (Managing Director) Stephen Carter Iain McEwin
Company secretary	Adam Giles
Registered office	Suite 712 530 Little Collins St Melbourne VIC 3000
Principal place of business	Suite 712 530 Little Collins St Melbourne VIC 3000
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
Auditor	BDO East Coast Partnership Level 14 140 William Street Melbourne VIC 3000
Bankers	National Australia Bank Limited 3/330 Collins Street Melbourne VIC 3000
Stock exchange listing	Environmental Clean Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: ESI)
Website	www.ectltd.com.au

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 2014.

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 (appointed on 17 July 2013)
Ashley Moore - Managing Director
Stephen Carter
Iain McEwin
Lloyd Thomson (appointed on 22 August 2013 and resigned on 24 April 2014)
Michael Davies (resigned on 20 August 2013)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- demonstrating the Coldry Process design at commercial scale;
- developing the Matmor Process; and
- managing the development and extracting value from Intellectual Property.

Coldry Process

The Coldry process is the consolidated entity's first technology proven to be commercially viable as an economic method of dewatering brown coal to produce a black coal equivalent. Once applied, the mechanically simple Coldry process produces pellets that are stable, easily stored, can be transported and are of equal or higher energy value than black coal. Essentially, the Coldry process works through the destruction of internal porous structures, allowing the expulsion of water from lignite and sub-bituminous coals. The Coldry process delivers a ‘Gateway technology’ that enables an ideal front-end feedstock solution for numerous new technology applications.

Matmor Process

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

The Matmor process is positioned to fundamentally change primary iron making, creating a high-grade iron product from brown coal and ferrous media such as iron ore, mill scale or other iron bearing wastes or tailings. The core change lies in the design of our simple, low cost, low emission, patented Matmor retort using lower cost, alternative raw materials. Essentially the process involves blending brown coal (lignite) with iron ore or other ferrous metal bearing media to form a paste that is dewatered using the Coldry process. The pellets are then fed into a simple low cost, low emission patented Matmor retort where the remaining moisture is removed, the coal volatiles are driven off and the iron oxides are reduced to metal.

Intellectual Property

The Coldry intellectual property was acquired from the Calleja Group in 2009. The Calleja Group remains the owner of the Matmor technology but the consolidated entity has an exclusive right with the Calleja Group, under a Participation Agreement to licence the Matmor technology and ultimately purchase that intellectual property as well. The Coldry process is covered by patents, or pending patents in all major markets with significant brown coal deposits. The sole remaining patent of interest for Coldry yet to be granted is India. This is progressing through the Indian national system.

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 $2,548,113 (30 June 2013: $5,444,185).

This represents an improvement of 53% from the prior year result.

Operational Highlights

Total expenses were reduced by 38% to $4.193m from $6.759m in the prior year.

- Core cash expenses (total expenses excluding non-cash items depreciation and amortisation, movement in earn-out provision, finance costs and the unique activity of engineering costs) have decreased from $2.510m to $2.042m ($488k, or a 19% decrease), driven by organisational structure and priority changes (employee and sales and marketing expense)
  - Employee costs were $332k lower in 2014 resulting from organisational changes
  - Sales and marketing expense was $205k lower than 2013 due the company’s focus on progressing the Coldry demonstration project ahead of other business development
- Engineering expense was $2.412m lower versus 2013 due to the detailed engineering works for the Coldry Demonstration Plant concluding in August 2013 compared to running the whole of the prior year
- Research and development rebate was $341k greater at $1.633 million than in 2013 due to the higher spend on qualifying research and development activity completed during the prior financial year

Corporate

Organisational changes were carried out through the year resulting in decreased employee, consulting and sales and marketing expenses. The execution of these changes included:

- Organisational change to better align with the objectives of the company
- Increased organisational focus on fewer corporate objectives
- Implementation of activity-based cost control systems and management reporting
- Expanding in-sourcing of support activity where appropriate
- Identification and adoption of cost effective strategies around delivery of accounting, audit and legal services to the company

These have been successful, and underpinned the cost decreases noted above.

Coldry

The ‘Design for Tender’ program, begun in November 2011, was concluded in August of the 2013/14 fiscal year. Key deliverables included:

- Detailed design of the core process
- Baseline cost estimates for an Australian facility
- An ability to engage globally with core design package information

The completion of this significant program has delivered a valuable and tangible outcome – the ability for an experienced constructor to deliver the Coldry Demonstration Plant.

Providing a somewhat frustrating backdrop to the otherwise positive engineering development activities was the combined Victorian State and Federal Government Advanced Lignite Demonstration Program (ALDP). While our participation under the ALDP did not change the underlying engineering activities, the significant delays within the program generated significant frustration for our shareholders.

The company was informed on 2 January 2014 that it had not been successful in attracting a grant, despite being viewed as a vastly superior drying technology in many aspects. Our reliance on yet to be developed rail and port export infrastructure for future commercial production volumes was seen as a gap. The company also holds the view that the program had an apparent bias toward attracting foreign investment via subsidising established, relatively Co2 intensive technologies as opposed to the stated intent of supporting demonstration of pre-commercial technologies.

Running parallel to our efforts under the ALDP program were business development activities focused on opportunities in India.

The company's plans for India, outlined for shareholders during the EGM in August 2013, involved a three way 'fit' with Coldry and Matmor serving key strategic needs of the Indian economy's growth, and both technologies gaining from access to the very competitive nature of Indian engineering and fabrication services.

Coldry advancement is focussed on, but not limited to, the first demonstration plant being built at Neyveli Lignite Corporation's (NLC) site in Tamil Nadu, India. This has continued to advance through the year, with the key milestones being the appointment of Thermax as dedicated EPC contractor for Coldry deployment in India, and most recently the completion of the Feasibility Study for Coldry at NLC.

The appointment of Thermax followed a disciplined process of engagement with a number of well-respected EPC firms in India. Interest, capability, and cost competitiveness were among the assessments made. Thermax stood out on a number of fronts, and in particular their expertise in heat exchange systems, waste heat recovery, and all aspects of power station design were very important to the integration requirements of Coldry.

The Feasibility Study report, requested by NLC, addresses a range of deployment aspects at commercial scale on the Neyveli site. These include:

- The Coldry technology (having already passed through NLC's earlier evaluation process)
- The Coldry product
- Potential markets within India
- Energy balance and energy harvesting from the NLC power station
- Process integration considerations with the host power station
- Fabrication and capital expenditure considerations
- Funding options
- Financial performance of the Commercial Demonstration Plant (CDP) as a standalone venture
- Strategic opportunities for NLC following successful demonstration

Supporting ECT in achieving these Coldry objectives are Greenard Willing India and YES Bank.

Through this process the company identified capital cost savings of up to 65% for the construction of the Coldry demonstration plant, when compared to the cost to deploy the same size plant under the ALDP proposal.

As the fiscal year draws to a close, the company is focused intently on its primary objective of demonstrating Coldry.

Matmor

The Matmor process remains a key development objective into the future.

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

Fundamental R&D has continued throughout the fiscal year, with extensive bench testing of a broad scope of Indian iron ore and Indian lignite. These have been, in every instance, successful at producing a high quality metal. Commercial discussions with substantial parties relating to potential collaboration on Matmor development continue.

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

Matmor, being a high temperature (up to 1000ºC) pyro metallurgical process, will entail a greater level of engineering and scale up development than Coldry. The next phase of development is to scale up from our 40kg/hr test plant to a 700kg/hr (around 6,000 tonnes per year) Pilot plant. To this end the company will seek suitably qualified partners in various markets to collaborate.

Coal Asset Development

While ECT has discontinued its efforts to develop Victorian Lignite assets associated with EL5119 due to the strategic focus on Coldry Demonstration in the short to medium term, the company sees value in pursuing resource access in support of the commercialisation activities of our technology suite. The company is in discussion with a number of resource developers with the view of establishing reciprocal agreements to co-own and/or develop resources in tandem with the application and deployment of ECT's technologies.

Significant changes in the state of affairs

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

- On 20 August 2013, the consolidated entity announced that it had concluded its nearly two-year engineering efforts, resulting in a detailed design for Coldry technology deployment thus enabling the consolidated entity to proceed to construction in Victoria and more importantly, develop Indian project opportunities and access lower cost equipment in India itself

- The consolidated entity entered a strategic relationship with YES Bank, India's 4th largest private sector bank to provide in-country corporate advisory services in support of the consolidated entity's strategy to develop the Coldry project and leverage the cost effective fabrication capabilities available in India's manufacturing and engineering sectors

- On 3 January 2014, the consolidated entity announced that it had not attracted a grant under the Advanced Lignite Demonstration Program (ALDP)

- On 19 May 2014, the company announced that it had signed a Heads of Agreement with Indian power station builder and energy engineering firm, Thermax (BSE:500411 and NSE:Thermax)

Arup Bond

- In relation to the Arup Bond, on 5 July 2013, the company and Arup agreed to extend the maximum amount of the Arup Bond from $2.5 million by another $1.4 million to $3.9 million. Terms of the extension were interest free and convertible into the company's shares at a price of 90% of the lowest volume-weighted average price ('VWAP') of the preceding 5 days trade

- During the year, debt with a face value of $2.125 million was converted to 359,307,142 ordinary shares in the company

Options

- At a general meeting of the company held on 30 May 2014, shareholders approved the issue of two series of listed options consisting of New Options (ESIOA) to raise approximately $1.4 million of capital and New Bonus Options (ESIOB) issued at nil consideration. ESIOA and ESIOB options have an exercise price of 0.9 cents and 1.5 cents respectively and expire on 31 July 2017. The prospectus for this capital raising was lodged on 30 June 2014. Subsequent to the end of the fiscal year, the Offer was fully subscribed

- The company's pre-existing 871,885,303 quoted options (ESIO) exercisable at 2.0 cents each, expired on 16 January 2014

Financing

- On 31 October 2013, the company issued a shareholder update on capital management advising a further round of funding had been delivered via the 'FAST Finance' model. Term: 12 months; Repayment: Cash in full; Interest Rate: 12.5% per annum payable upfront

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

Matters subsequent to the end of the financial year

The following significant events occurred after the reporting date:-

Mecrus JV agreement

- On 25 July 2014, the company advised it has executed a binding Heads of Agreement to form a Joint Venture (JV) company with Australia's leading brown coal plant operator, Mecrus

Issue of options

- On 30 July 2014, the company advised it had concluded its New Options Offer, fully subscribed with gross proceeds of $1,396,172. The company further advised that it would issue 1,396,172,364 ESIOA options to eligible participants under the Program, representing a take up of 100% of the Program approved at the company's EGM on 30 May 2014. This included pre-commitments received prior to the Offer opening, valid applications received, and the underwritten amount, in addition to valid shortfall applications received prior to the announcement

Arup bond conclusion

- On 14 August 2014, the consolidated entity advised that the Strategic Deliverable Bond (SDB), established to fund the delivery of Coldry engineering outcomes, had been extinguished through the receipt of a final conversion notice for the balance of the bond

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Coldry

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

Matmor

The company is focused on advancing Coldry as its lead technology, which is a necessary sequencing given that the Coldry process is required to deliver the feedstock for Matmor.

Matmor is positioned to commence the next steps in scale-up on the commercialisation pathway:
- pre-feasibility and expanded testing works at the Test Plant to prepare the design briefing to support commencement of pilot plant design;
- pilot plant design program; and
- pilot plant construction and operations

The search for the most appropriate technical and financial partner for Matmor continues.

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 CDP, this status will change. Appropriate planning is in place to manage this transition.

Information on directors

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

Name:	Ashley Moore
Title:	Managing Director
Qualifications:	BEng(Chem), MIEAust, CPEng, MAICD
Experience and expertise:	Ashley is a Chartered Professional Engineer, with extensive experience in all facets of manufacturing, plant operations, supply chain management, sales and marketing and major project delivery from more than 25 years in the industry. Ashley joined the company in October 2009 as Business Manager, Coldry. Ashley was appointed to the role of Chief Operating Officer of the company in August 2011, and then to Managing Director in 2013.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Finance Committee
Interests in shares:	2,916,668 ordinary shares
Interests in options:	Nil

Name:	Stephen Carter
Title:	Non-Executive Director
Qualifications:	MBA, Dip Co. Dir., Dip App. Sc., FAICD
Experience and expertise:	Stephen has extensive experience in delivering strategic projects including the commissioning of Crown Casino, the commercial preparation for the integration of Ansett/Air New Zealand, delivery of a multi-million dollar funding package for the redevelopment of the Melbourne Showgrounds, the review and transformation of Air New Zealand's engineering division and the commercial repositioning of Spotlight Pty Ltd.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration, Nomination and Governance Committee; Chair of Audit and Risk Committee; Chair of Finance Committee
Interests in shares:	Nil
Interests in options:	Nil

Name:	Iain McEwin
Title:	Non-Executive Director
Experience and expertise:	Iain has considerable business experience in the ownership and operation of his own business as a supplier to the building and construction industry. Iain is a key shareholder in the company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Finance Committee
Interests in shares:	53,108,581 ordinary shares
Interests in options:	Nil

Name:	Lloyd Thomson (appointed on 22 August 2013 and resigned on 24 April 2014)
Title:	Former Non-Executive Director
Experience and expertise:	Lloyd has extensive business management experience, with comprehensive knowledge of finance and capital markets, as well as new business development and risk management.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Not applicable, as no longer a director
Interests in shares:	Not applicable, as no longer a director
Interests in options:	Not applicable, as no longer a director

Name:	Michael Davies (retired 20 August 2013)
Title:	Former Managing Director and Chairman
Qualifications:	Dip Civil (Eng), Grad Macquarie University Adv Mgt Program
Experience and expertise:	Michael is an experienced senior manager having spent 14 years in General Manager and CEO/Managing Director roles. Michael's career included time with Caterpillar Inc., Caterpillar dealers including Hastings Deering Limited, Gough Group (NZ) Ltd and Joy Mining Machinery Australia Limited before commencing his consulting business.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Not applicable, as no longer a director
Interests in shares:	Not applicable, as no longer a director
Interests in options:	Not applicable, as no longer a director

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Remuneration, Nomination and Governance Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Glenn Fozard	13	13	2	2	2	2
Ashley Moore	13	13	-	-	-	-
Stephen Carter	13	13	2	2	2	2
Iain McEwin	12	13	-	-	-	-
Lloyd Thomson	9	10	-	-	2	2
Michael Davies	1	1	-	-	-	-

	Finance Committee	
	Attended	Held
Ashley Moore	2	2
Iain McEwin	2	2
Lloyd Thomson	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 number of directors (excluding a director appointed to either fill a casual vacancy or as an addition to the existing directors) must retire by rotation as well as any other director who has held office for three years or more since last being elected and any other director appointed to fill a casual vacancy or as an addition to the existing directors. Such directors can offer themselves for re-election.

Accordingly, at the 2013 AGM, Stephen Carter and Iain McEwin retired as directors by rotation and, being eligible, offered themselves for re-election and were subsequently re-elected. Lloyd Thomson who was elected by directors on 22 August 2013 retired and was also re-elected at the AGM. He subsequently retired on 24 April 2014. Glenn Fozard was elected a director of the company on 17 July 2013. Michael Davies resigned on 20 August 2013.

Remuneration report (audited)

The remuneration report, which has been audited, outlines 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 group, directly or indirectly.

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 making recommendations on remuneration packages and policies applicable to the Board members and senior executives of the company. The company has in the past provided equity based short term and long-term incentives based upon achievement of pre-determined performance criteria.

At the 2012 Annual General Meeting ('AGM'), shareholders approved an Executive and Director Incentive Plan (the 'Plan') to facilitate the provision of equity based remuneration to KMP. The approval of this plan expires 13 November 2014. In respect of the year ended 30 June 2014, the directors have elected not to take their entitlement under the Plan.

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

Non-executive directors remuneration

The aggregate non-executive director remuneration is determined by a general meeting. The most recent determination was at the AGM held on 10 September 2008 where the shareholders approved an aggregate remuneration of $250,000 for the work undertaken by non-executive directors in their capacity as non-executive directors.

Effective 1 July 2012, the base fee payable to non-executive directors for discharging their duties as directors is 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. With recent changes in Board structure and numbers, Director remuneration has been adjusted as follows:

- Non-executive Director - $50,000 base
- Chairman - $25,000 p.a. additional
- Committee Chairs - $10,000 p.a. additional

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 non-executive director (including responsibilities involved in the performance of the additional services);
- wherever practicable, the company will obtain an independent quotation or estimate from an appropriate independent party in respect of those additional services;
- if the non-executive director is an appropriate person to perform those additional services, the remuneration must be benchmarked against any such quotation or estimate obtained by the company;
- the Managing Director or designate, in the absence of the Managing Director, must report to the Board on the budgetary impact to the company of the proposed engagement of the non-executive director. Any engagement of a non-executive director to provide those additional services must be unanimously approved by all directors (other than the non-executive director providing services);
- the non-executive director must report in writing to the Board at the completion of the additional services in such form as the Board may reasonably require;
- all amounts paid to non-executive directors in respect of providing those additional services will be disclosed in the annual financial statements of the company; and
- the above policy also applies to entities associated with a director, where the additional services of the non-executive director are provided through that entity.

Executive remuneration
The Remuneration, Nomination and Governance Committee is responsible for determining remuneration and nomination policies in respect of KMP. In establishing such policies the Committee is guided by external remuneration surveys and industry practices, commensurate with the scale and size of the company's operations. The remuneration levels are reviewed regularly to ensure the company remains competitive as an employer.

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

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

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

Any securities issued under the Plan is not counted against the 15% limit on placements without shareholders approval as required under the ASX Listing Rules. No bonuses were achieved in the fiscal year ended 30 June 2014.

Executive remuneration and reward framework
The executive remuneration and reward framework has four components:

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

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

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

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

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

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

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of bonus and incentive payments are dependent on defined earnings per share targets 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 'Additional information' section of the remuneration report for details of the last five years earnings and total shareholders return.

Details of remuneration

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

The KMP of the consolidated entity during the current financial year consisted of the following:
- Glenn Fozard - Chairman and Non-Executive Director
- Ashley Moore - Managing Director
- Stephen Carter - Non-Executive Director
- Iain McEwin - Non-Executive Director
- Lloyd Thomson - Former Non-Executive Director (appointed on 22 August 2013 and resigned on 24 April 2014)
- Michael Davies - Former Managing Director and Chairman (retired 20 August 2013)
- Adam Giles - Company Secretary

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

* Michael Davies did not receive remuneration during the year.

2013	Short-term benefits: Cash salary and fees $	Short-term benefits: Consulting fees $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Stephen Carter	50,000	154,000	-	-	-	-	204,000
Iain McEwin	50,000	-	-	-	-	-	50,000
Executive Directors:							
Michael Davies	283,286	-	-	13,725	-	-	297,011
Ashley Moore	206,922	-	-	16,632	-	-	223,554
Other Key Management Personnel:							
Adam Giles	139,100	-	-	12,519	-	-	151,619
John Osborne	-	43,288	-	-	-	-	43,288
	729,308	197,288	-	42,876	-	-	969,472

In addition to discharging his responsibility as non-executive director, Stephen Carter was engaged by the consolidated entity to provide special services on a consultancy basis, primarily in the area of capital raising management.

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

Name	Fixed remuneration 2014	Fixed remuneration 2013	At risk - STI 2014	At risk - STI 2013	At risk - LTI 2014	At risk - LTI 2013
Non-Executive Directors:						
Stephen Carter	100%	100%	-%	-%	-%	-%
Iain McEwin	100%	100%	-%	-%	-%	-%
Lloyd Thomson	100%	-%	-%	-%	-%	-%
Executive Directors:						
Glenn Fozard	100%	-%	-%	-%	-%	-%
Ashley Moore	100%	100%	-%	-%	-%	-%
Michael Davies	100%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
Adam Giles	100%	100%	-%	-%	-%	-%
John Osborne	-%	100%	-%	-%	-%	-%

Service agreements

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

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

Ashley Moore's employment may be terminated by either party by providing three (employee) or six (company) months written notice of termination. 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.

Share-based compensation

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2014.

Options
There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2014.

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2014.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014 $	2013 $	2012 $	2011 $	2010 $
Revenue	1,644,631	1,314,914	686,266	274,987	884,085
EBITDA	(1,679,297)	(4,938,052)	(4,910,789)	(2,502,282)	(2,764,054)
EBIT	(2,198,840)	(5,477,784)	(5,491,142)	(3,073,761)	(3,358,560)
Loss after income tax	(2,548,113)	(5,444,185)	(5,549,700)	(3,121,709)	(3,728,403)

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

	2014	2013	2012	2011	2010
Share price at financial year end ($)	0.002	0.007	0.019	0.010	0.032
Basic earnings per share (cents per share)	(0.122)	(0.326)	(0.430)	(0.380)	(0.540)

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.

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

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

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

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Ashley Moore	583,335	-	-	(583,335)	-
Iain McEwin	38,412,637	-	-	(38,412,637)	-
Adam Giles	3,896,977	-	-	(3,896,977)	-
	42,892,949	-	-	(42,892,949)	-

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
Unlisted ordinary options	14 December 2014	$0.050	20,000,000
Listed ordinary options (ESIOB)	31 July 2017	$0.015	728,900,091
Listed ordinary options (ESIOA)	31 July 2017	$0.090	1,396,172,364
			2,145,072,455

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

The following ordinary shares of Environmental Clean Technologies Limited were issued during the year ended 30 June 2014 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
15 January 2014	$0.020	75,000

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

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

Officers of the company who are former audit partners of BDO East Coast Partnership
There are no officers of the company who are former audit partners of BDO East Coast Partnership.

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

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

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

On behalf of the directors

Ashley Moore

____

Ashley Moore
Managing Director

26 August 2014
Melbourne

BDO

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Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

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

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 26 August 2014

The Board of Directors (the 'Board') of Environmental Clean Technologies Limited ('ECT' or 'company') is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the company's business. The directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance. The company's corporate governance benchmark and that of the Board is the ASX Corporate Governance Council's 'Revised Principles of Good Corporate Governance and Recommendations (2nd edition)' ('ASX Corporate Governance Guidelines') and the company's conformity or otherwise is reported in the following Corporate Governance Statement and, where appropriate, elsewhere in the company's annual report. Further information regarding our corporate governance and board practices can be found at the company's website, www.ectltd.com.au.

The Board provides strategic direction, guidance and oversight of management, facilitates accountability to the company's shareholders through defined roles and responsibilities for the Board and executive management, and ensures that there is a balance of power and appropriate authorisations to avoid any individual having sole authority. The specific responsibilities of the Board are as follows:

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

The Board delegates many of its responsibilities to the Managing Director who is responsible to the Board for the day-to-day management of the company. The relationship between the Board and management is a partnership that is crucial to the company's long-term success. The separation of responsibilities between the Board and management is clearly understood and respected. Importantly for ensuring the integrity of the financial statements the Managing Director provides a management representation letter to the Board that certifies that the company's financial statements present a true and fair view of the results and the financial position of the company and are in accordance with relevant accounting standards.

In addition, the Board has received a statement from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material aspects in relation to financial reporting risks.

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

Shareholders

The shareholders of the company elect directors at the Annual General Meeting ('AGM') in accordance with the constitution. All directors are subject to re-election by rotation within three years, other than the Managing Director.

AGMs are held in Melbourne. Shareholders have the opportunity to express their views, ask questions about company business and vote on other items of business for resolution by shareholders at the AGM. It is proposed to hold the 2014 AGM in November 2014 on a date to be announced. The time and venue will be advised with the Notice of AGM. At the 2014 AGM, director rotation, election and re-election will be managed pursuant to the company's constitution.

Communication with shareholders

ECT is committed to complying with the continuous disclosure obligations of the Corporations Act and the Australian Securities Exchange ('ASX') Listing Rules. The Board recognises the significance of relevant and timely disclosure and has developed a Continuous Disclosure Policy that is available from the Corporate Governance section of the company's website.

ECT keeps the market informed through its annual report, half yearly report, and periodic update reports and by disclosing material developments to the ASX and the media as they occur. From time to time, briefings and site visits are arranged to give those who advise shareholders and interested stakeholders a better understanding of the company's operating facilities. In conducting briefings, ECT takes care to ensure that any price sensitive information released is made available to all shareholders and the market at the same time. These announcements are lodged with the ASX and then posted on the company's website.

Composition of the Board

The Board is structured to deliver tangible results in the commercialisation of the Coldry and Matmor technologies. The directors review the Board's performance and structure on an on-going basis to ensure that the Board has the appropriate mix of expertise and experience.

As at 30 June 2014 the Board comprised a Managing Director and three independent non-executive directors. The independent directors have no relationship with management or the company that would interfere with the exercise of their independent judgment and are free from any interest or other relationship, which could materially interfere with their ability to act in the best interests of the company. The independent non-executive directors have, at times, provided consulting services to the company to assist in the capital raising and other important activities, but these services are quite separate from their role as directors and are not seen by the Board as compromising their independence. At the present stage of the company's development it is considered appropriate to have a Board that is hands on and integrally involved in the operations of the company.

The Board as currently constituted has the range of skills, knowledge and experience necessary to govern the company and understand the economic sectors in which the company operates. As noted above, the company is continuously evaluating the mix of expertise of the directors.

Board Committees

To assist in the execution of its responsibilities, the Board has three committees. The Remuneration, Nomination and Governance Committee and the Audit and Risk Committee comprise two non-executive directors. The Finance Committee comprises a non-executive director and the Managing Director. The Company Secretary provides secretariat services for each of the committees and the Board.

Audit and Risk Committee

Independent director, Stephen Carter currently chairs the Audit and Risk Committee with Iain McEwin and Mike Davies (now retired) also served as a member until his date of retirement. The Managing Director is responsible for the preparation of financial reporting packages for the Board with accounting support services drawn upon as needed. External accounting firms are called upon to provide services as and when required. The committee meets with the company's auditors, BDO East Coast Partnership, who attends meetings on at least a bi-annual basis prior to finalising the half year and year-end financial statements.

The charter of the Audit and Risk Committee is shown in the Corporate Governance Policy on the company's website and its responsibilities include assisting the Board to fulfil its fiduciary responsibilities by:

- considering the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard company assets;
- serving as an independent and objective party to review the financial information;
- reviewing the accounting policies adopted by ECT;
- reviewing the quality of the external audit function; and
- establishing and maintaining a risk identification process, effective risk management and reporting.

Remuneration, Nomination and Governance Committee

The Remuneration, Nomination and Governance Committee was chaired by Iain McEwin and is now chaired by independent director Stephen Carter with Glenn Fozard serving as the other member. This committee has the responsibility of advising the Board on matters pertaining to executive remuneration and incentive programs and overseeing Board and executive performance via evaluation against key performance indicators, considering the on-going requirements of the Board and the appointment of new directors if considered appropriate.

Finance Committee

Following the retirement of Lloyd Thomson, independent director Stephen Carter assumed the role as chair of the Finance Committee. This committee is responsible for consideration of capital funding options available to the company to finance the development and commercialisation of the Coldry and Matmor technologies, meet ongoing working capital requirements and manage financial risk exposure.

Independent professional advice

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

Internal controls and management of risks

The management of risk is important in the creation of shareholder value and is a priority for the Board and management. The company has a framework in place to safeguard the company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk associated with exposures to foreign currencies and financial instruments. To assist in discharging this responsibility the Board has in place a control framework, which includes the following:

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

Ethical standards and diversity

The company has established procedures and guidelines to ensure that the highest ethical standards, corporate behaviour and accountability are maintained. The Board has a Code of Conduct for directors, which establishes guidelines for their conduct in matters such as ethical standards and conflicts of interests.

The Code is based on that developed by the Australian Institute of Company Directors and is published in the Corporate Governance section of the Environmental Clean Technologies Limited website.

The directors note the ASX Corporate Governance Council Recommendation for companies to establish a policy concerning diversity. The company does not comply with this recommendation nor does it expect to in the near term. The establishment of policies regarding the structure and make-up of the company's workforce prior to establishing the commerciality of the company's technology is considered by the directors to be premature. The company does not, at this stage, have any female staff or directors.

Directors' share dealings

The company has a Securities Trading Policy, which establishes rules for directors and senior management in dealing in the company's securities consistent with the requirements of the ASX Listing Rules and Guidance Notes.

The Directors' Securities Trading Policy includes the following:

- directors must consult with the Chairman of the Board before dealing in shares or other securities of the company;
- dealings (whether purchases or sales) in the company's shares or other securities by related persons may not be carried out other than the period commencing two days and ending 30 days following the date of announcement of the company's annual or half yearly results or a major announcement leading, in the opinion of the Board, to a fully informed market; and
- a copy of the Environmental Clean Technologies Limited Securities Trading Policy is available from the About ECT – Corporate Governance section of the company's website.

Contents

General information

The financial statements cover Environmental Clean Technologies Limited as a consolidated entity consisting of Environmental Clean Technologies Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Environmental Clean Technologies Limited's functional and presentation currency.

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

Suite 712, 530 Little Collins St
Melbourne VIC 3000

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 26 August 2014. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	1,644,631	1,314,914
Expenses			
Corporate costs		(454,786)	(355,802)
Legal costs		(120,659)	(101,838)
Employee benefits expense		(1,079,708)	(1,411,267)
Sales and marketing		(97,437)	(302,466)
Depreciation and amortisation expense	5	(519,543)	(539,732)
Engineering costs		(551,496)	(2,963,502)
Occupancy expense		(160,391)	(163,107)
Travel and accommodation		(60,271)	(100,598)
Movement in earn out provision		(173,079)	72,403
Other expenses		(69,037)	(75,057)
Finance costs	5	(906,337)	(818,133)
Loss before income tax expense		(2,548,113)	(5,444,185)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Environmental Clean Technologies Limited	20	(2,548,113)	(5,444,185)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Environmental Clean Technologies Limited		(2,548,113)	(5,444,185)
		Cents	Cents
Basic earnings per share	33	(0.122)	(0.326)
Diluted earnings per share	33	(0.122)	(0.326)

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

	Note	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents	7	215,120	627,115
Trade and other receivables	8	35,849	150,228
Other	9	46,857	99,233
Total current assets		297,826	876,576
Non-current assets			
Investments accounted for using the equity method	10	2	2
Property, plant and equipment	11	52,280	120,328
Intangibles	12	7,200,000	7,680,000
Total non-current assets		7,252,282	7,800,330
Total assets		7,550,108	8,676,906
Liabilities			
Current liabilities			
Trade and other payables	13	283,441	1,044,425
Borrowings	14	1,793,333	2,754,612
Provisions	15	87,915	62,602
Other	16	173,416	-
Total current liabilities		2,338,105	3,861,639
Non-current liabilities			
Provisions	17	616,183	431,788
Total non-current liabilities		616,183	431,788
Total liabilities		2,954,288	4,293,427
Net assets		4,595,820	4,383,479
Equity			
Issued capital	18	54,837,275	52,076,821
Accumulated losses	20	(50,241,455)	(47,693,342)
Total equity		4,595,820	4,383,479

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2012	49,518,412	-	(42,249,157)	7,269,255
Loss after income tax expense for the year	-	-	(5,444,185)	(5,444,185)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,444,185)	(5,444,185)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	2,558,409	-	-	2,558,409
Balance at 30 June 2013	52,076,821	-	(47,693,342)	4,383,479

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2013	52,076,821	-	(47,693,342)	4,383,479
Loss after income tax expense for the year	-	-	(2,548,113)	(2,548,113)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,548,113)	(2,548,113)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	2,760,454	-	-	2,760,454
Balance at 30 June 2014	54,837,275	-	(50,241,455)	4,595,820

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

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Research and development offset and sundry receipts		1,633,027	1,292,083
Payments to suppliers and employees (inclusive of GST)		(3,051,282)	(5,216,866)
		(1,418,255)	(3,924,783)
Interest received		11,604	22,831
Interest and other finance costs paid		(260,384)	-
Net cash used in operating activities	31	(1,667,035)	(3,901,952)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,635)
Proceeds from loan repayments		1,402	-
Net cash from/(used in) investing activities		1,402	(2,635)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,500	-
Proceeds from borrowings		2,899,000	4,211,955
Share issue transaction costs		-	223,227
Repayment of borrowings		(1,820,278)	(189,352)
Prepaid options premiums		173,416	-
Net cash from financing activities		1,253,638	4,245,830
Net increase/(decrease) in cash and cash equivalents		(411,995)	341,243
Cash and cash equivalents at the beginning of the financial year		627,115	285,872
Cash and cash equivalents at the end of the financial year	7	215,120	627,115

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Note 1. Significant accounting policies (continued)

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Going concern
For the year ended 30 June 2014 the consolidated entity had an operating loss before tax of $2,548,113, negative cash flow from operating activities of $1,667,035, and net current liabilities of $2,040,279. As the consolidated entity is currently in the process of commercialising its primary Coldry technology, it continues to be reliant upon the research and development rebate as well as debt and equity capital injections for its liquidity needs in meeting operating costs. Such conditions can indicate a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is therefore dependent upon a number of factors, one being the continuation and availability of funds. Subsequent to year-end, the consolidated entity successfully completed an options issue which raised approximately $1.4m in capital. Having regard to the 2014 operating cash outflows, these receipts, in addition to capital management activities, are expected to be sufficient to cover 2015 operating requirements. This, combined with an ongoing relationship with our funding partners, provides the directors with comfort that the consolidated entity is well positioned to continue its pursuit of developing and commercialising its technology.

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

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and its 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 necessarily incurred should the consolidated entity continue as a going concern.

Note 1. Significant accounting policies (continued)

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 28.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

Research and development tax refund
The research and development tax refund is not recognised until there is a reasonable assurance that the consolidated entity will comply with the conditions attaching to the refund and that the refund will be received.

Note 1. Significant accounting policies (continued)

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 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 apply 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 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.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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.

Note 1. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Bonds issued represent debt as they are convertible into a variable number of ordinary shares of the company. The difference between the fair value of equity issued and the carrying value of the bonds at the time of conversion represents a financing cost that is recognised in the income statement.

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

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

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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 national government 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 interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

Earnings per share

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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 2014. 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 and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle' (see below for description of these improvements). Part B makes amendments to AASB 119 'Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB's 'Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part D makes consequential amendments arising from the issuance of AASB 14 'Regulatory Deferral Accounts'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E. The adoption of such amendments is not expected to have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments affect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other.

Interpretation 21 Levies
This interpretation is applicable to annual reporting periods beginning on or after 1 January 2014. The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The adoption of the interpretation from 1 July 2014 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. 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 judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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

Note 3. Operating segments

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

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

Note 4. Revenue

	Consolidated 2014 $	Consolidated 2013 $
Interest	11,604	22,831
Research and development tax refund	1,632,606	1,292,083
Other revenue	421	-
Revenue	1,644,631	1,314,914

Note 5. Expenses

	Consolidated 2014 $	Consolidated 2013 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	34,451	52,996
Fixtures and fittings	835	1,158
Office equipment	4,257	5,578
Total depreciation	39,543	59,732
Amortisation		
Intellectual property	480,000	480,000
Total depreciation and amortisation	519,543	539,732
Finance costs		
Interest and finance charges paid/payable	21,338	12,220
Fast Finance interest cost	327,935	527,451
Arup Bond finance costs	557,064	278,462
Finance costs expensed	906,337	818,133

Note 6. Income tax expense

	Consolidated 2014 $	Consolidated 2013 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,548,113)	(5,444,185)
Tax at the statutory tax rate of 30% (2013: 30%)	(764,434)	(1,633,256)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	144,000	144,000
Finance cost	167,119	80,866
Research and development	(489,782)	(387,625)
Deferred tax movement not recognised	942,430	1,795,220
Sundry items	667	795
Income tax expense	-	-

Note 6. Income tax expense (continued)

	Consolidated 2014 $	Consolidated 2013 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	18,445,363	15,358,977
Potential tax benefit at 30%	5,533,609	4,607,693

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

Note 7. Current assets - cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank	215,120	627,115

Note 8. Current assets - trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Other receivables	20,196	133,173
Loan – Coldry East Kalimantan	15,653	17,055
	35,849	150,228

Note 9. Current assets - other

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	33,711	86,087
Other deposits	13,146	13,146
	46,857	99,233

Note 10. Non-current assets - investments accounted for using the equity method

	Consolidated 2014 $	Consolidated 2013 $
Victoria Coldry Pty Ltd - 50% interest	1	1
Coldry East Kalimantan Pty Ltd - 50% interest	1	1
	2	2

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment - at cost	652,405	765,251
Less: Accumulated depreciation	(604,787)	(654,677)
	47,618	110,574
Fixtures and fittings - at cost	5,971	5,971
Less: Accumulated depreciation	(4,305)	(3,470)
	1,666	2,501
Office equipment - at cost	53,715	56,236
Less: Accumulated depreciation	(50,719)	(48,983)
	2,996	7,253
	52,280	120,328

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 2012	163,570	2,023	11,832	177,425
Additions	-	1,636	999	2,635
Depreciation expense	(52,996)	(1,158)	(5,578)	(59,732)
Balance at 30 June 2013	110,574	2,501	7,253	120,328
Write off of assets	(28,505)	-	-	(28,505)
Depreciation expense	(34,451)	(835)	(4,257)	(39,543)
Balance at 30 June 2014	47,618	1,666	2,996	52,280

Note 12. Non-current assets - intangibles

	Consolidated 2014 $	Consolidated 2013 $
Intellectual property - at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(2,400,000)	(1,920,000)
	7,200,000	7,680,000

Note 12. Non-current assets - intangibles (continued)

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 2012	8,160,000	8,160,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2013	7,680,000	7,680,000
Amortisation expense	(480,000)	(480,000)
Balance at 30 June 2014	7,200,000	7,200,000

Note 13. Current liabilities - trade and other payables

	Consolidated 2014 $	Consolidated 2013 $
Trade payables	90,209	882,145
Other payables	193,232	162,280
	283,441	1,044,425

Refer to note 22 for further information on financial instruments.

Note 14. Current liabilities - borrowings

	Consolidated 2014 $	Consolidated 2013 $
Fast Finance Loan	1,155,555	1,587,945
Arup Bond	637,778	1,166,667
	1,793,333	2,754,612

Refer to note 22 for further information on financial instruments.

Fast Finance Loan
The Fast Finance loans were renewed during the period and expire on 31 October 2014. They are repayable in cash from the R&D tax rebate refund with an interest rate of 12.5% p.a.

Arup Bond
The Arup Bond is a tripartite arrangement between the company, Arup Pty Ltd ('Arup'), and a broking house. The company issues the bond to the broking house upon advancement of funding to support operational requirements or when the broking house settles Arup invoices on behalf of the company. Under the terms of the bond, the broking house provides a guarantee to Arup with respect to payments for Arup services provided to the company, and provides such guarantee through assignment of the bond to Arup. As Arup receives cash for services, the bond is reassigned to the broking house. At any time, bonds may be held by either or both Arup and the broking house.

The bond converts to shares in the company issued at a 10% discount to the lowest daily volume-weighted-average-price of the last 5 trading days. There is no interest charge associated with the bond. The term of the arrangement between the parties was extended to 31 December 2014. Since balance date, the Bond has now been concluded.

Note 15. Current liabilities - provisions

	Consolidated 2014 $	2013 $
Annual leave	87,915	62,602

Note 16. Current liabilities - other

	Consolidated 2014 $	2013 $
Other current liabilities	173,416	-

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

Note 17. Non-current liabilities - provisions

	Consolidated 2014 $	2013 $
Long service leave	26,046	14,730
Earn-out provision	590,137	417,058
	616,183	431,788

Earn-out provision
The earn-out provision represents deferred consideration related to the acquisition of the Coldry intellectual property from the Maddingley Group. The consideration payable is based on fifty cents per projected processed tonne of coal feedstock between 2017 and 2021. The consideration, payable in 2021, is capped at $3m.

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

Consolidated - 2014	Earn-out provision $
Carrying amount at the start of the year	417,058
Unwinding of discount	173,079
Carrying amount at the end of the year	590,137

Note 18. Equity - issued capital

	Consolidated 2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares - fully paid	2,186,700,273	1,824,318,131	54,837,275	52,076,821

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares Issued	$
Balance	1 July 2012	1,571,593,752	49,518,412
Monash placement	26 July 2012	37,500,000	500,000
FAST Financing interest and fees	9 October 2012	2,625,000	31,500
Fees payable on Arup Bond	21 November 2012	5,555,556	75,000
Conversion of Fast Finance Loan	6 February 2013	29,198,543	264,539
Placement	6 February 2013	12,911,362	125,000
FAST Financing interest and fees	6 February 2013	13,796,909	116,977
Arup Bond conversion	19 February 2013	83,453,878	750,000
Arup Bond conversion	22 May 2013	19,072,018	150,000
Arup Bond conversion	7 June 2013	27,777,778	200,000
Arup Bond conversion	26 June 2013	20,833,335	150,000
Adjustment for Arup Bond finance cost		-	195,393
Balance	30 June 2013	1,824,318,131	52,076,821
Bond conversion	11 July 2013	13,888,889	111,111
Bond conversion	17 July 2013	21,681,186	173,449
Issuance of shares	17 July 2013	3,000,000	24,000
Bond conversion	22 July 2013	21,681,186	195,132
Bond conversion	16 August 2013	24,554,967	171,885
Bond conversion	20 August 2013	47,470,000	427,230
Bond conversion	21 August 2013	51,209,267	410,178
Bond conversion	12 September 2013	62,500,000	625,000
Bond conversion	28 October 2013	42,247,571	380,228
Issuance of shares	15 January 2014	75,000	1,500
Bond conversion	26 March 2014	18,518,519	37,037
Bond conversion	8 April 2014	37,037,038	148,148
Bond conversion	2 June 2014	18,518,519	55,556
Balance	30 June 2014	2,186,700,273	54,837,275

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.

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

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

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

Note 18. Equity - issued capital (continued)

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

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

Note 19. Equity - reserves

Options reserve
This reserve is used to recognise the value of the options issued.

Note 20. Equity - accumulated losses

	Consolidated 2014 $	Consolidated 2013 $
Accumulated losses at the beginning of the financial year	(47,693,342)	(42,249,157)
Loss after income tax expense for the year	(2,548,113)	(5,444,185)
Accumulated losses at the end of the financial year	(50,241,455)	(47,693,342)

Note 21. Equity - dividends

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

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 monthly basis.

Market risk

Foreign currency risk
The consolidated entity's operations are currently solely within Australia, and therefore are not exposed 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.

Note 22. Financial instruments (continued)

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 have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

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.

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 - 2014	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	-%	90,209	-	-	-	90,209
Other payables	-%	110,576	-	-	-	110,576
Arup Bond	-%	637,778	-	-	-	637,778
Interest-bearing - variable						
Fast Finance Loan	12.50%	1,200,000	-	-	-	1,200,000
Total non-derivatives		2,038,563	-	-	-	2,038,563

Consolidated - 2013	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	-%	882,145	-	-	-	882,145
Other payables	-%	162,280	-	-	-	162,280
Arup Bond	-%	1,166,667	-	-	-	1,166,667
Interest-bearing - variable						
Fast Finance Loan	15.00%	1,826,136	-	-	-	1,826,136
Total non-derivatives		4,037,228	-	-	-	4,037,228

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

Note 22. Financial instruments (continued)

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. 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	
	2014	2013
	$	$
Short-term employee benefits	583,827	926,596
Post-employment benefits	36,085	42,876
	619,912	969,472

Note 24. Remuneration of auditors

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

	Consolidated	
	2014	2013
	$	$
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	45,000	67,145

Note 25. Contingent liabilities

The Maddingley agreement and subsequent deeds of variation state that should the agreement be terminated for any reason other than breach or default on the part of Maddingley Associates, the subsidiary Asia Pacific Coal and Steel Pty Limited ('APCS') will grant to Maddingley Associates an option to buy the following for $1:

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

As part of the fulfilment of the agreement is dependent on the completion of future events noted above there is a potential loss to the consolidated entity if it fails to meet the obligations and Maddingley Associates exercise the option to purchase the Coldry Pilot Plant upgrades for $1. At 30 June 2014 the upgrades had a net book value of $47,618 (2013: $110,574).

Note 26. Commitments

	Consolidated 2014 $	Consolidated 2013 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	52,000	-
Patent licence		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	19,000	-

Note 27. Related party transactions

Parent entity
Environmental Clean Technologies Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

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

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

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

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

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2014 $	Parent 2013 $
Loss after income tax	(2,068,114)	(4,964,186)
Total comprehensive income	(2,068,114)	(4,964,186)

Note 28. Parent entity information (continued)

Statement of financial position

	Parent 2014 $	Parent 2013 $
Total current assets	297,826	876,576
Total assets	9,950,107	10,596,905
Total current liabilities	2,338,107	3,861,639
Total liabilities	2,954,290	4,293,427
Equity		
Issued capital	58,129,200	55,368,747
Accumulated losses	(51,133,383)	(49,065,269)
Total equity	6,995,817	6,303,478

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 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital and other commitments
The parent entity has operating lease commitments payable within one year amounting to $52,000. Patent licence commitments payable within one year amount to $19,000.

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

Note 29. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
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%

Note 30. Events after the reporting period

The following significant events occurred after the reporting date:-

Mecrus JV agreement

- On 25 July 2014, the company advised it has executed a binding Heads of Agreement to form a Joint Venture (JV) company with Australia's leading brown coal plant operator, Mecrus

Issue of options

- On 30 July 2014, the company advised it had concluded its New Options Offer, fully subscribed with gross proceeds of $1,396,172. The company further advised that it would issue 1,396,172,364 ESIOA options to eligible participants under the Program, representing a take up of 100% of the Program approved at the company's EGM on 30 May 2014. This included pre-commitments received prior to the Offer opening, valid applications received, and the underwritten amount, in addition to valid shortfall applications received prior to the announcement

Arup bond conclusion

- On 14 August 2014, the consolidated entity advised that the Strategic Deliverable Bond (SDB), established to fund the delivery of Coldry engineering outcomes, had been extinguished through the receipt of a final conversion notice for the balance of the bond

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

	Consolidated	
	2014 $	2013 $
Loss after income tax expense for the year	(2,548,113)	(5,444,185)
Adjustments for:		
Depreciation and amortisation	519,543	539,732
Write off of non-current assets	28,505	-
Unwinding of the discount on provisions	173,079	(72,403)
Fincance cost on convertible notes	557,064	312,061
Share-based payments (non-employee)	73,000	-
Accrued interest charges (Fast Finance)	88,889	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	112,977	(9,107)
Decrease in prepayments	52,376	-
Increase/(decrease) in trade and other payables	(760,984)	775,402
Increase/(decrease) in employee benefits	36,629	(3,452)
Net cash used in operating activities	(1,667,035)	(3,901,952)

Note 32. Non-cash investing and financing activities

	Consolidated	
	2014 $	2013 $
Shares issued on conversion of Arup Bond	2,734,953	1,250,000

Note 33. Earnings per share

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax attributable to the owners of Environmental Clean Technologies Limited	(2,548,113)	(5,444,185)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,082,472,758	1,668,668,127
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,082,472,758	1,668,668,127
	Cents	Cents
Basic earnings per share	(0.122)	(0.326)
Diluted earnings per share	(0.122)	(0.326)

At 30 June 2014, there were 20,000,000 unlisted ordinary options. These options were considered anti-dilutive and excluded from the calculation above.

In the directors' opinion:

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

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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

Ashley Moore
Managing Director

26 August 2014
Melbourne

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Environmental Clean Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Environmental Clean Technologies Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Environmental Clean Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion, we draft attention to Note 1 in the financial report, which indicates that for the year ended 30 June 2014 the consolidated entity had an operating loss before tax of $2,548,113, negative cash flow from operating activities of $1,667,035, and net current liabilities of $2,040,279. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or loans. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Environmental Clean Technologies Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 26 August 2014

The shareholder information set out below was applicable as at 25 August 2014.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of ESIOA options over ordinary shares	Number of holders of ESIOB options over ordinary shares
1 to 1,000	164	3	241
1,001 to 5,000	159	2	249
5,001 to 10,000	127	2	294
10,001 to 100,000	1,286	49	1,635
100,001 and over	1,639	256	885
	3,375	312	3,304
Holding less than a marketable parcel	1,600	56	784

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Marbrijen Pty Limited	93,347,545	3.87
L J & K Thomson Pty Ltd	86,970,000	3.61
Menzies Super Pty Ltd	77,251,554	3.21
Mr Danny Segal & Mrs Jennifer Ruth Segal	63,013,980	2.62
J B D Industrial Park Pty Ltd	47,400,000	1.97
Mr Iain Robert McEwin & Ms Dianne Church	36,441,914	1.51
Elgar Park Pty Ltd	33,397,514	1.39
L J Thomson Pty Ltd	30,500,000	1.27
Challenge Roofing Pty Ltd	28,090,002	1.17
P A Shakespeare Investing Pty Ltd	27,134,008	1.13
Mr Gregory Milts	26,041,489	1.08
Mr Emilio Mosca & Mrs Anna Mosca	25,050,000	1.04
Mr Larry Owen Hanley	24,011,905	1.00
Mr Rafael Jason Zakelj	20,500,000	0.85
Mrs Kirsty Lou-Anne Hastwell	19,000,000	0.79
Hanley Family Pty Ltd	18,534,545	0.77
M Whitney Pty Ltd	17,160,000	0.71
Joseph Barakat & Marie Barakat	17,109,647	0.71
Superior Coatings (Aust)	16,666,667	0.69
Mr George McDougall & Ms Geraldine Frances Elmes	16,000,000	0.66
	723,620,770	30.05

	Options over Ordinary shares Number held	Options over Ordinary shares % of total options issued
Mr Peter Andrew Proksa	143,100,000	10.25
Brian Menzies Pty Ltd	109,999,998	7.88
Superior Coatings (Aust)	80,000,000	5.73
A & K Moore Nominees Pty Ltd	78,296,174	5.61
Mr Patrick Giles & Mr Adam Giles	58,603,030	4.20
Mr Iain Robert McEwin & Ms Dianne Church	55,000,000	3.94
Fozard Investments Pty Ltd	50,000,000	3.58
Mr Stephen Carter	50,000,000	3.58
P S Properties Pty Ltd	50,000,000	3.58
Challenge Bricks & Roofing Pty Ltd	50,000,000	3.58
Mr Gregory Milts	44,750,000	3.21
Mr David Fagan	30,166,670	2.16
Joseph Barakat & Marie Barakat	30,000,000	2.15
Mr Phillip Beale	26,000,000	1.86
Mrs Lily Yuchun Thomson	25,000,000	1.79
Corbeaux Investments Pty Ltd	20,000,000	1.43
Mr Emilio Mosca & Mrs Anna Mosca	17,500,010	1.25
Mr Iain Robert McEwin	15,000,000	1.07
Mr Leslie Smith	15,000,000	1.07
Challenge Roofing Pty Ltd	14,263,010	1.02
	962,678,892	68.94

	Options over Ordinary shares Number held	Options over Ordinary shares % of total options issued
L J & K Thomson Pty Ltd	28,990,000	4.00
Mr Danny Segal & Mrs Jennifer Ruth Segal	21,004,660	2.90
Brian Menzies Pty Ltd	15,800,002	2.18
Mr Iain Robert McEwin & Ms Dianne Church	12,147,305	1.68
L J Thomson Pty Ltd	10,166,667	1.40
Challenge Roofing Pty Ltd	9,363,334	1.29
Mr Gregory Milts	8,680,496	1.20
Mr Emilio Mosca & Mrs Anna Mosca	8,350,000	1.15
Mr Larry Owen Hanley	8,003,968	1.10
Mr Peter Andrew Proksa	7,633,333	1.05
Mr Rafael Jason Zakelj	6,833,333	0.94
Mrs Kirsty Lou-Anne Hastwell	6,333,333	0.87
Hanley Family Pty Ltd	6,178,182	0.85
Mrs Jacqueline Martin	6,000,000	0.83
M Whitney Pty Ltd	5,720,000	0.79
Joseph Barakat & Marie Barakat	5,703,216	0.79
Superior Coatings (Aust)	5,555,556	0.77
Jacobson Holdings	5,500,000	0.76
Mr George McDougall & Ms Geraldine Frances Elmes	5,333,333	0.74
R J Cousins Transport Pty Ltd	5,111,111	0.71
	188,407,829	26.00

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	20,000,000	1

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.