ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

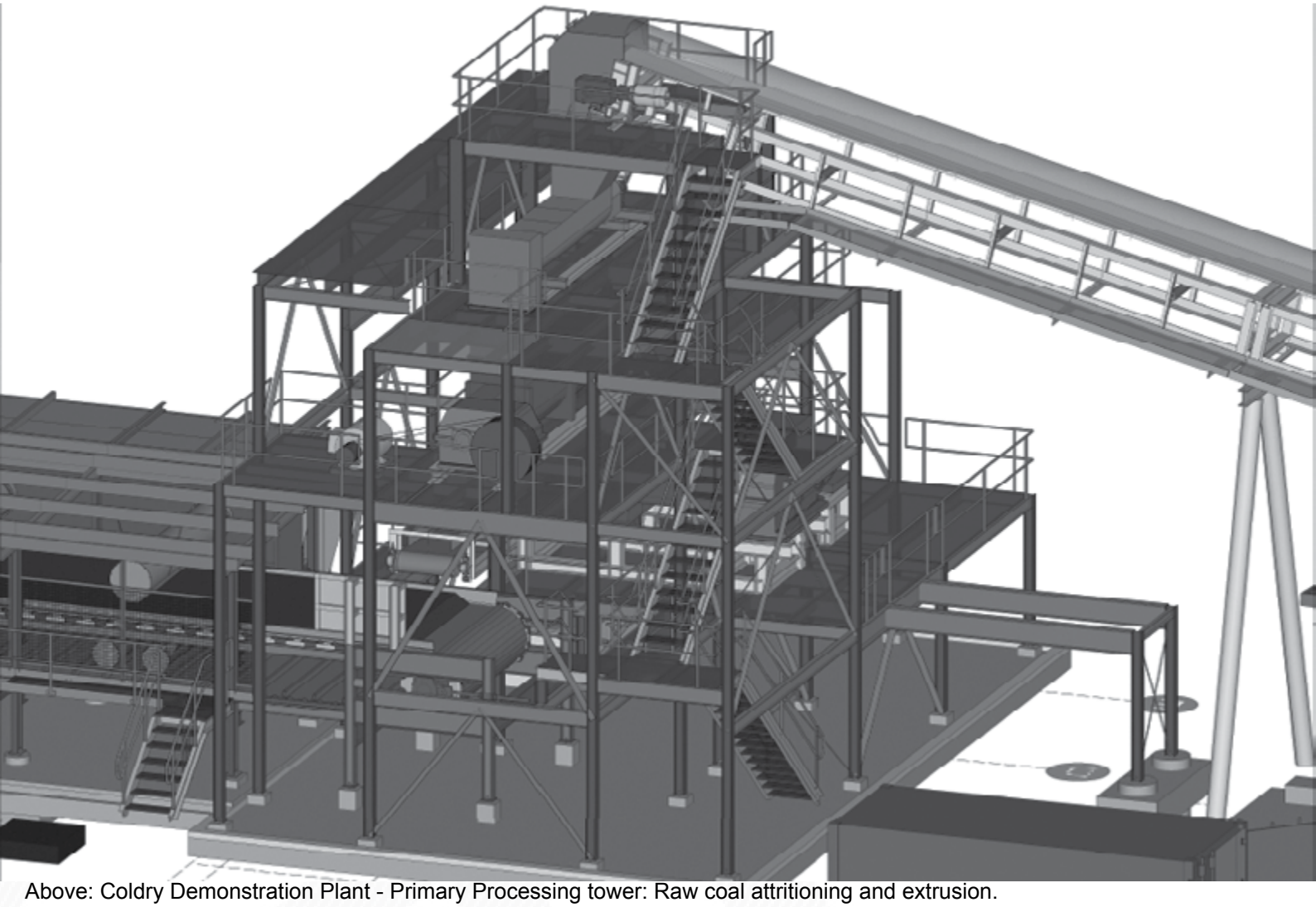
Annual Report

2013

Level 7
530 Little Collins Street
Melbourne VIC 3000
Australia

ABN 28 009 120 405

Contents



Above: Coldry Demonstration Plant - Primary Processing tower: Raw coal attritioning and extrusion.

Company Details

Directors

Ashley Moore	Managing Director (appointed Managing Director 20 March 2013)
Stephen Carter	Non-executive Director
Iain McEwin	Non-executive Director
Glenn Fozard	Non-executive Director (appointed 17 July 2013)
Lloyd Thomson	Non-executive Director (appointed 22 August 2013)
Michael Davies	Chairman (retired 20 August 2013)
	Post the report date, the Director's have decided to rotate the chairman's role on a meeting-to-meeting basis.

Secretary

Adam Giles (appointed 4 December 2012)

Principal Registered Office in Australia

Suite 712

530 Little Collins St

Melbourne Victoria 3000

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross Western Australia 6153

Auditors

BDO East Coast Partnership

Level 14

140 William Street

Melbourne Victoria 3000

Bankers

National Australia Bank Limited

3/330 Collins Street

Melbourne Victoria 3000

Securities Exchange

Australian Securities Exchange

Level 4

North Tower

Rialto

525 Collins Street

Melbourne Victoria 3000

Directors Message

Dear Shareholders,

The past year has been one of substantial progress for your Company as we diligently pursue our commercialisation agenda.

We have achieved a critical milestone in the past 12 months, with the delivery of complex and detailed engineering plans for our Commercial-scale Demonstration Plant (CDP). This body of work is now key intellectual property for ECT and will underpin the future development and design of any Coldry plant globally.

Delivery of this detail essentially means we are ready to proceed with plant construction following the raising of the significant capital required for the CDP. We remain optimistic, and are committed to driving the timetable as aggressively as possible.

While completing this engineering development work was our main agenda, we're also working consistently on other projects to progress the Coldry opportunity.

As a key example, we developed and submitted a detailed application for funding under the joint State and Federal Government Advanced Lignite Demonstration Program (ALDP), and await its outcome.

In tandem, we have also vigorously pursued new business development opportunities in the Indian market, which like the rest of Southeast Asia, is a critical market for new energy technologies like Coldry.

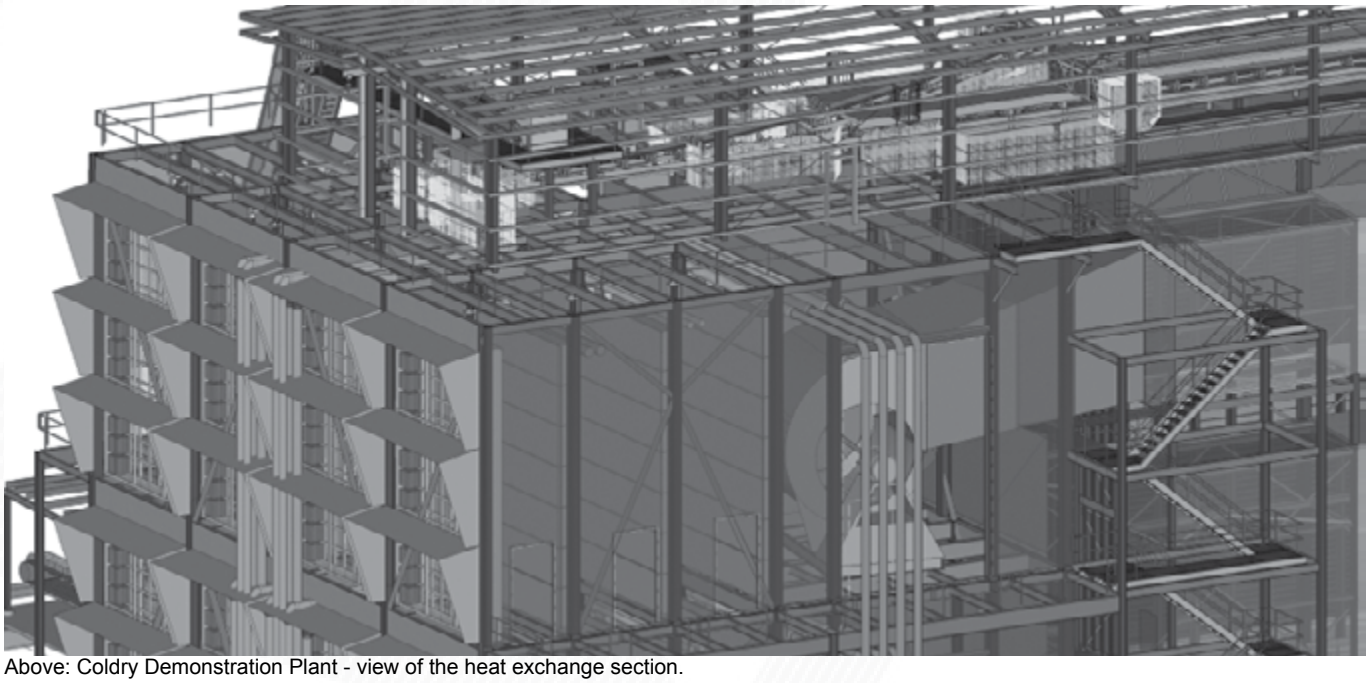
We have delivered:

- Construction ready engineering package
- Significant progress through a government grant program
- Significant headway towards a foothold in the Indian market

Coldry Engineering Program

A major commercial milestone was achieved with the completion of Phases 2 and 3 of the detailed 'Design For Tender' program, which was undertaken by our engineering partners Arup. Importantly, this process has now delivered civil, structural and services engineering in support of the Commercial-scale Demonstration Plant (CDP).

Following the completion of these comprehensive activities, Arup was further engaged to refine the engineering to optimise production capability and minimise operating and capital costs. Arup sought input from engineering construction firm McConnell Dowell to ensure that construction efficiencies were included in the final engineering. This work was finalised at the end of August and provides ECT with 'construction-ready' engineering documentation tailored to suit a Victorian roll out for the CDP in collaboration with a constructor such as McConnell Dowell. This process has ensured the Company now has the high-value intellectual property required to enable the physical construction of the CDP. The demonstration plant is designed to produce 20 tonnes per hour - a 10-times scale up of the existing Pilot Plant.



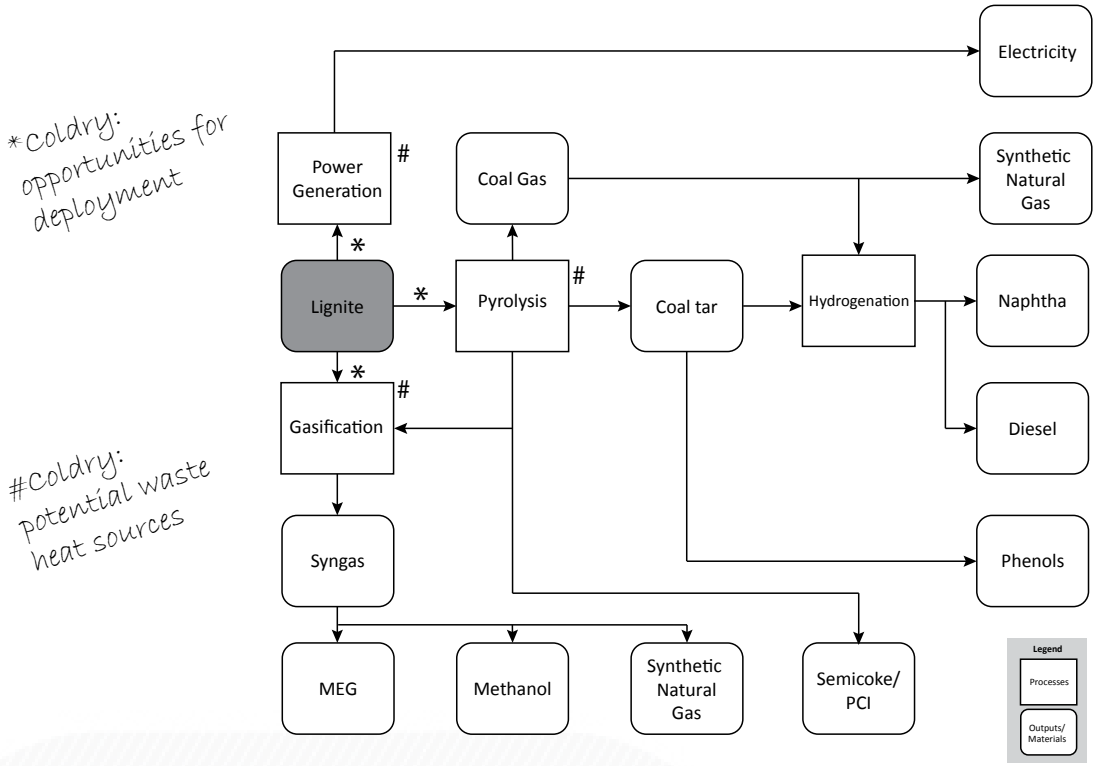
Above: Coldry Demonstration Plant - view of the heat exchange section.

Coal Allocation

While alternative energy sources are often promoted, Victoria's vast lignite[1] reserves continues to provide substantial opportunity for companies with emerging lignite technologies. The Victorian State Government announced in March 2012 it would consider opening up Gippsland reserves and offering new coal allocations.

Details are yet to be advised, however the Government has indicated it will support companies with new technologies capable of adding value to this otherwise low-value resource. We would expect technologies like coal gasification and the production of synthetic diesel, chars, tar and chemicals from lignite to be encouraged. In this scenario, there is a substantial opportunity for ECT, as these secondary or tertiary processes typically cannot efficiently process raw, wet lignite directly. Our Coldry lignite drying technology has significant potential as an efficient feedstock for these industries.

The figure below highlights the many upgrade paths for lignite.



Currently, the only operating path for lignite utilisation in Victoria is the power generation route, and it does not yet take advantage of the potential for improvement offered through pre-drying. The other routes are significantly enabled when employing pre-drying, which improves their carbon footprint, and therefore social licence to operate, as well as their economics. The broad high value product spectrum provided through these routes would deliver significant value to Victoria's lignite assets, far beyond that possible via electricity production.

ALDP

Shareholders would be well aware that the Company applied for funding in November 2012 to help progress Coldry commercialisation under the joint State and Federal Government ALDP.

This $90 million competitively tendered funding package, administered by the (then) Victorian Department of Primary Industries, sought expressions of interest from companies like ours with lignite upgrading technologies to construct and operate commercial demonstration facilities.

ECT submitted a comprehensive application for funding under this program at the Expression of Interest stage, and were shortlisted and invited to submit yet further detail into the Request for Proposal evaluation stage. The company has continued to engage throughout the evaluation process. At the time of writing this report, no funding decisions have been advised by the DPI but we believe our technology meets all grant criteria.

It was envisaged at the Program's outset that offers would be made to preferred applicants by June 2013, however that time frame has not been met, though the program continues to consider its decision.

In the event we are not successful, we are committed to pursuing alternate arrangements to further our commercialisation agenda.

1 Lignite is often refered to as brown coal, which is a generic term for low rank coals, including Lignite (as we have in Victoria), and some younger sub-bituminous coals. For consistency, the term Lignite will be used for simplicity and consistency.

India

India in particular poses a substantial commercial opportunity. This country has a rapidly expanding industrial base and 25% of its population is still without power. In late 2012 the country suffered a massive power blackout, which affected almost half the country's 1.2 billion population.

This incident highlighted the energy reality: internal power agencies are currently unable to meet rising demand and guarantee uninterrupted power supply.

While renewable energy technologies continue to develop, countries like India need energy solutions which are able to provide affordable long-term energy security.

We have been actively engaging in discussions and development plans with potential partners in the region.

Our Coldry technology has been successfully tested on lignite from India's Neyveli Lignite Corporation (NLC), a lignite mining and power industry leader and innovator. Earlier this year NLC commenced a program to examine alternatives for upgrading and better using their existing lignite resource.

ECT has developed a proposal, currently being considered by this high calibre Indian company, to dry lignite for domestic power generation and conversion to higher value products including liquid fuels and gas. The proposal involves an initial demonstration project prior to commercial scale-up of Coldry production at NLC's facility near Chennai.

Our Coldry technology is an affordable solution to providing emerging nations with an energy security option that is able to strike a balance between affordable base load power and CO_2 mitigation compared to the alternative of simply burning the wet, CO_2 intensive low rank coal.

Put simply, India is a net energy importer but faces challenges in terms of projected growth in energy demand. Bringing affordable electricity to a rapidly expanding industrial base and population requires new solutions. We remain confident of successful outcomes following ongoing engagement with partners in this region.

The Thermal Coal Market and Outlook

Like other commodity markets, the thermal coal market has been severely impacted by global economic conditions. Data indicates that miners are currently receiving well below US$65 per tonne FOB for Newcastle Index 5,500Kcal/kg coal. At this price, few if any Australian thermal coal miners would be profitable.

These market conditions have forced all coal producers to examine production costs.

For its part, ECT has worked diligently to optimise the Coldry process and equipment performance with a view to minimising our own production costs.

In the medium term, the market outlook is brighter. Coal price forecasters including Platts and Wood MacKenzie are predicting a moderate recovery in thermal coal prices over the next two years.

After this, they expect coal prices to return to the long-term trend of 1% to 2% annual price growth.

Matmor

While our Coldry lignite drying technology has been our lead commercialisation focus, we are also continuing plans to progress the innovative Matmor process.

As shareholders would be aware, Matmor is our second proprietary technology and a unique method for producing high-quality iron from inexpensive, abundant lignite and iron oxide-bearing materials.

We have continued raw-material characterisation trials over the past 12 months and the results have been extremely encouraging.

Testing focused on the treatment of ores, which contained iron in combination with other metals such as Nickel and Chrome.

Importantly, these trials demonstrate that our Matmor technology is capable of reducing not just iron, but also other more valuable metals from complex ore types. Some of these complex ores are abundant in lignite rich locations suitable for Matmor processing.

While the market price for coking coal has reduced substantially from its earlier peak in 2012, Matmor may provide a more cost effective means of producing primary iron than traditional processes, as well as potentially producing other more valuable metals from complex ore types. Further trials of this technology are planned for the next 12 months.

Given current world steel production exceeds 1,200 million metric tonnes and sources of quality coking coal and

iron ore are forecast to continue increasing in price, Matmor is ideally placed to take advantage of lower cost raw material inputs to meet the future demand.

Iron produced via Matmor technology is an ideal, high quality replacement for scrap steel, pig iron, DRI and HBI. The product is of consistent high quality, in solid, substantial form and provides for operational efficiencies compared to scrap in electric arc steelmaking.

Potential markets for our product include EAF and induction furnace-based secondary steelmaking.

There are several important steps required to bring this process to market and capitalise on the projected future increased demand for iron and steel.

Our next goal is to scale-up from our test plant, which has a capacity of 40kg/h hot liquid metal (HLM) to a pilot plant with a capacity of 700kg/h HLM (6,000 tpa).

Beyond this, a further scale-up to 60,000 tpa for demonstration is envisaged.

Successful demonstration will lead to validation of the current estimated process design limits currently projected to be around 120,000 tpa per retort. The modular design will provide flexibility and scalability in line with various applications.

It should be acknowledged that the Company has not been able to meet its earlier committed development milestones as agreed with the Technology owners, due to priority given to the advancement of Coldry – a necessary condition to be able to deliver on Matmor development milestones. However, we continue to have a collaborative relationship, and envisage to soon be able to re-establish a valid and deliverable commercialisation timetable which will be mutually satisfactory.

New Management Leadership

As advised at last year's Annual General Meeting the Board had planned for the roles of Chairman and Managing Director to be separated.

It was originally envisaged this role separation would occur in August 2013, however the Company decided to bring forward these changes. After interviewing and evaluating Ashley Moore's candidacy for the role of Managing Director, he was appointed to the role effective 1 May 2013.

New Directors

The Company has also appointed two new Directors.

Mr Glenn Fozard

After many years serving as an adviser to ECT, Glenn Fozard was appointed to the Board, effective 17 July 2013. Glenn brings to the Company very substantial experience in small cap capital raising, capital management, risk and governance and we are sure he will make a valuable contribution in these areas and others.

Mr Lloyd Thomson

Mr. Thomson brings to ECT a strong commercial background and extensive experience as follows:

- Certified Practicing Accountant (CPA)
- Founder and former partner of WHK Thomsons, the largest regional accounting firm in country Victoria
- Former Commissioner of the amalgamated Mildura Rural City Council 1995-97
- Former Chairman of Sunraysia Development Corporation, Thomsons Agribusiness Limited, Sunraysia Regional Advisory Board, Sunraysia Growers Advisory Group, Inland Advisory Group Association
- Founder of Sunraysia Permanent Building Society
- Former Member of Bendigo Bank's Northern Regional Advisory Board for 6 years
- Inaugural Chairman of Mildura Airport Pty Ltd from 2008 to 2012
- Recipient of the North West Victorian of the Year 1997
- Chairman and owner of Arumpo Bentonite Pty Ltd, a company that operates the largest open cut bentonite mine in Australia.

Mr. Thomson is also the Company's single largest shareholder, recently increasing his stake in the Company to approximately six per cent.

Closing

In closing, we wish to acknowledge the ongoing support and loyalty of our shareholders. We are aware this loyalty has been tested in the past year as a result of delayed outcomes from the ALDP and Monash Capital Group, and through the detailed program of development we carried out with Arup.

The Company's mission for the coming year is quite simple: We remain committed to confirming investor support for the Coldry CDP project, and subsequently commencing construction during calendar year 2014.

We look forward to bringing positive news and delivering shareholder value as we achieve these key milestones.

On behalf of the Board of Directors

Stephen Carter, Iain McEwin, Ashley Moore, Glenn Fozard, Lloyd Thomson

Technology Commercialisation Overview

As shareholders are well aware, ECT is a pre-commercial, pre-revenue technology commercialisation company.

At a high level, our objectives are simple; commercialise Coldry, then commercialise Matmor to generate revenue.

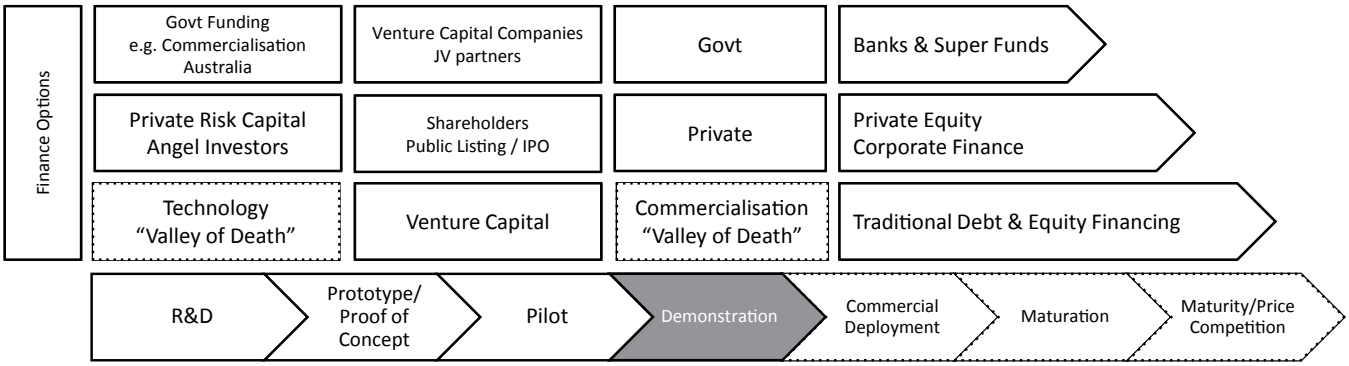
Necessarily Coldry is first cab off the rank as it also forms a major part of the front end processing for Matmor. By developing Coldry first, it not only de-risks part of the scale-up of Matmor in the future, but provides the path to the nearest term cash flows for the company.

Drilling down a layer, the commercialisation process involves progressive levels of research and development aimed at de-risking scale up and looks to validate, via hands-on operation and verifiable measurements, the technical and commercial basis of the technology.

The next stage for Coldry, commercial-scale demonstration, is intended to deliver on that validation objective.

Like any first-of-a-kind product or process, the initial commercial-scale deployment is usually the most expensive. Economies and efficiencies then develop as real-world learning is incorporated into subsequent versions. As such, the demonstration plant requires a significant capital investment.

Informed investors understand technology commercialisation follows a typical path that crosses two key financing 'gaps', colloquially called the 'Technology Valley of Death' and the 'Commercialisation Valley of Death'. The diagram below shows where we've been and where we stand.



The original Coldry IP owners, the Calleja family, funded the early lab-scale and pilot development, bridging the 'Technology Valley of Death'.

Since mid-2006 research and development has been funded by shareholder-sourced Venture Capital raised via the issue or conversion of securities as a listed company and subsidised by R&D Tax Incentives.

Traditionally, Venture Capital, in the form of either shareholder investment or institutional VC investment, has its limits. Between that VC limit and the point at which traditional debt and equity funding may kick in, is the "Commercialisation Valley of Death". This gap exists because the 'unit cost' of demonstration, as mentioned above, is higher than post-demonstration deployment. This extra cost also comes with increased risk from an investment perspective, simply because it's never been done. The upside of success can however be substantial. The key is attracting investors with the right risk-reward profile.

Most banks and institutional investors risk profiles preclude them from financing pre-demonstration technologies. Crossing 'the valley' typically requires private risk capital with a higher-risk investment appetite and longer-term expectation on those investment returns. The addition of government funding can also help overcome the challenge by spreading the higher demonstration cost and risk.

As you know, we're preparing to cross the 'commercialisation' valley now, and this requires substantial funding commitments, as well as taking advantage of any available Governmental or other support. Finding and attracting an investor with the right risk appetite to fit with our stage of development has been challenging. Additionally, our participation in the ALDP has not been without its frustrations due to delays, but the potential for the substantial assistance is worthy of patience.

Core Technologies Overview

Coldry

Drivers for lignite drying

Coal has made up almost half the increase in energy use over the last decade. The global demand for coal is forecast to increase by more than 1 billion tpa by 2035, despite concern over its role in global warming.

Long term demand growth, driven primarily by the growth in electricity demand in emerging nations, will underpin future coal price increases, despite recent short term downward pressures. This makes lower grade coals increasingly attractive, both in terms of price and as an energy security option for existing and new power plants.

While lignite is worthy of this increased attention, it presents the following challenges:

- High moisture content.
- Significant risk of spontaneous combustion compared to bituminous coal.
- Inefficient transportation cost due to high water content.

Further, power plants built to handle bituminous coal typically cannot accept a straight feed of low rank coal. Blending becomes necessary to homogenise the feedstock. This combination of factors means that low rank coal struggles to trade in the export market. Those that do trade are discounted relative to their lower net calorific value. Where low rank coal is used to generate electricity, it emits more CO_2/MWh than bituminous or higher grade coals, raising questions around the social licence to operate for such investments, as well as the security of those investments with their exposure to future CO_2 pricing.

The practical challenge to low rank coal is that it needs to be dried if it is going to substitute bituminous coal in power plants. To achieve this, low rank coal needs to be dried cost-effectively, while also dealing with the risk of spontaneous combustion, to avoid costly transport measures. Environmental Clean Technologies Ltd (ECT) has developed a low rank coal drying process named Coldry, that offers a solution for drying low rank coal. The process is also a low-cost solution, due to its use of “free” low-grade waste heat.

Techno-economic Evaluation

There are two application subsets for consideration when evaluating Lignite drying projects:

- **Export**. If the dry coal is headed for export, the margin typically needs to provide a return on investment of 15% or more, and a payback period of between 4 - 7 years on the capital cost of the plant itself. For the end user, the delivered price then needs to be equal to or less than the cost of alternatives.
- **Mine-mouth.** If the dry coal is heading straight into mine-mouth power plants, then the cost of production (raw coal cost + cost of beneficiation) needs to be less than the delivered cost of alternative coals or other fuels.

Drying lignite in a manner that also reduces the risk of spontaneous combustion is key to export opportunities. Lignite power plants typically sit on large, captive lignite reserves, though are unable to sell them to the export market due to the issues highlighted above.

Coldry also acts as a ‘gateway’ technology by producing a suitably dried product that can be used in other downstream applications. This is covered in further detail further below.

Applying Coldry, lignite mines are able to produce and sell more than their mine-mouth power plant consumes, thus generating additional revenues from otherwise limited applications.

Technical overview

Coldry is an evaporative drying process based on ‘brown coal densification’.

Background

‘Brown coal densification’ research gathered considerable pace during the 1980s with a collaboration between Melbourne University’s Department of Organic Chemistry and Conzinc Riotinto of Australia’s (CRA) Advanced Technical Development group.

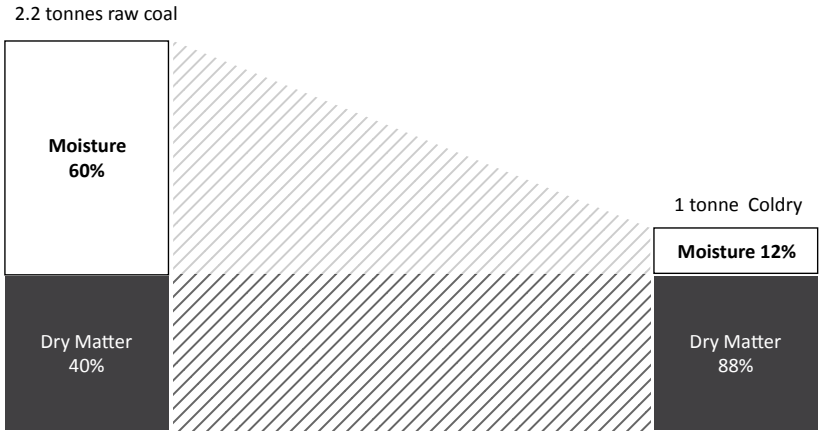
The research identified and explained the physical and chemical transformation of lignite to a dense, dry, hard material when subjected to mechanical shear and evaporative drying at or near ambient conditions.

How it works

Essentially lignite is sheared and attritioned, reducing the mean particle size and releasing water naturally held in the porous coal microstructure forming a plastic mass.

This dispersal of surface and physically trapped moisture lends itself to evaporative removal at or near ambient temperatures.

However, the real benefit to drying using 'brown coal densification' lies in its liberation of the physically trapped moisture within the coal micropores without the need for high temperatures or high pressures.



Developing the process

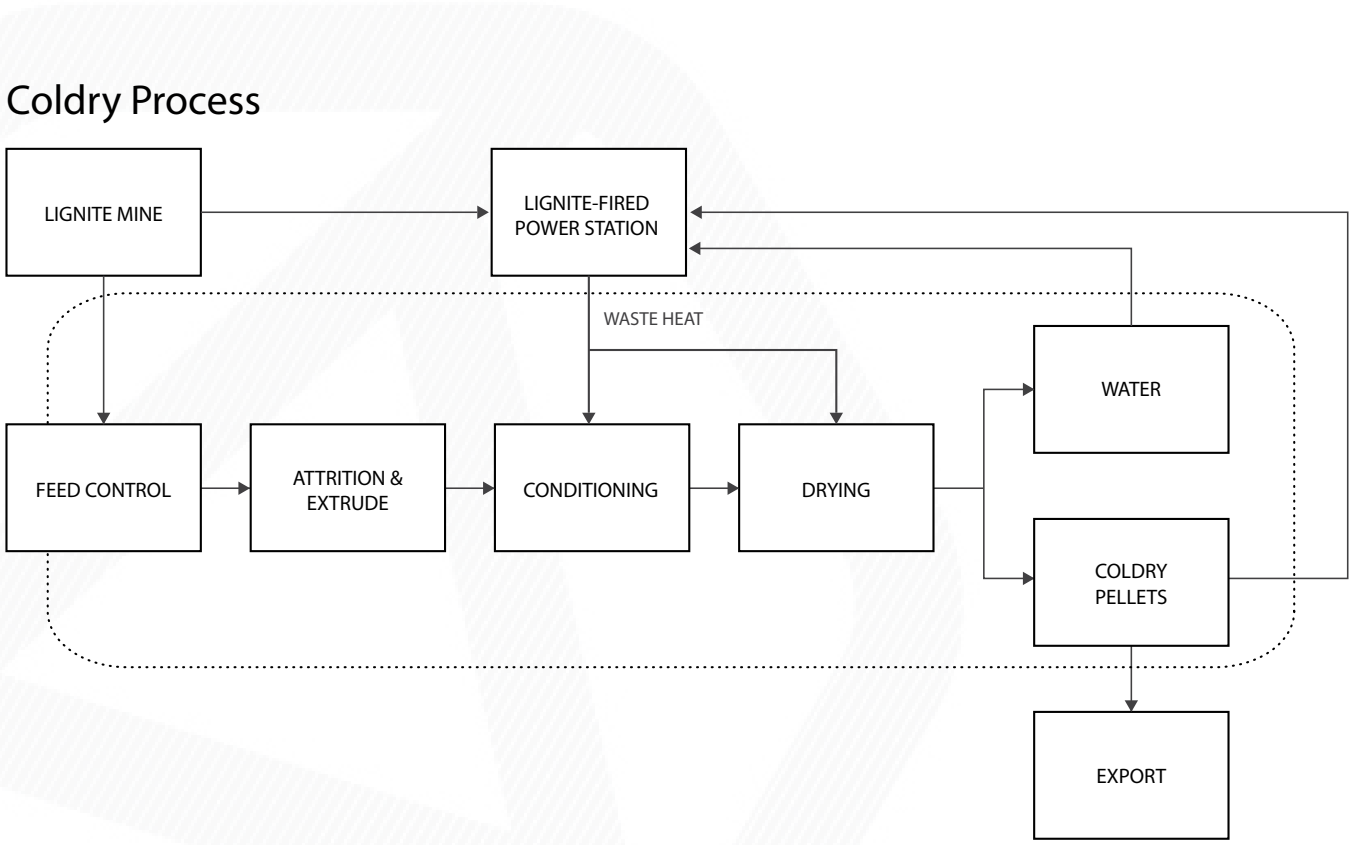
This is where the Coldry process builds upon the early work by the CRA and Melbourne University. The original research proposed air-drying the extruded pellets, but this approach had issues:

- Evaporative drying based on ambient conditions is highly variable. It is therefore almost impossible to integrate within a commercial supply chain.
- A 75 Hectare/million tpa of production lay-down area would be needed for evaporation.
- Using high-grade energy sources such as gas or steam to facilitate drying would not be cost-effective.

The development of the Coldry process to its current state therefore focused on:

- Primary processing: shear, attrition and extrusion of the coal to form pellets with the necessary microstructure destruction and cross-linking actions that produce a dense, dry, hard pellet.
- Controlled drying: low temperature, cost-effective evaporative drying to overcome the variability of atmospheric drying.

The result is the Coldry process shown below in a simple line diagram.



Outcome

When applied to approriate lignites, the Coldry process produces a feedstock in the form of densified pellets that are of similar calorific value to many bituminous coals, while significantly reducing CO_2 emissions/MWh compared to its original lignite form. Changes in the coal result in a pellet with a similar self-heating profile to commonly traded bituminous coals out of Australia, making it ideal for:

- Export to the thermal coal market.
- Downstream chemical processes
- Feedstock for coal-to-liquid (CTL) and coal-to-gas (CTG) processes, since the process retains the volatile matter that lends itself to coal conversion processes.

The Coldry process has been tested successfully on a wide range of low rank coal samples from Australia, China, Greece, India, Indonesia, Mongolia and Poland.

The single most important distinguishing factor between Coldry and other technologies is its use of low temperature or "cold" drying. The temperature range for drying is between 35 - 45˚C. This forms the basis for the synergy with existing mine-mouth power plants and avoids the need to incur OPEX by generating process heat or by calling on high-grade heat, from other processes, that may have higher value in other applications.

Integration with supporting power plant

As mentioned, key to the economic performance of the Coldry process is its integration with a co-located power plant(s), providing the following benefits:

- Free, low-grade waste heat to facilitate evaporative drying and minimise energy costs.
- Reduction of evaporative loss of water through power plant cooling towers.
- Ability to capture water extracted from lignite as a result of the Coldry process.
- Potential improvements in overall power plant efficiency via enhanced waste heat utilisation.

Net energy footprint

This is extremely important in evaluating the economic performance of any coal drying technology. The "uplift" in net calorific value has to be greater than the purchased energy consumed to dry the coal, otherwise it becomes a negative-sum game.

Depending on operational modes and in the cash of Victorian Lignite being dried to 12-15% final moisture content, the Coldry process uses between 100-150 kWh of electrical energy to run the plant to process 2.25 t of raw coal producing 1 t of Coldry pellets. That electrical energy is derived from around 1.2-1.8 Gj of raw coal energy/ Therefore the Coldry process has a net energy footprint, in the case of Victorian lignite, of 4-5 Gj/t.

Net CO_2 footprint

The above can be extended to net CO_2 footprint. If a coal drying technology is being considered for adoption in a CO_2 priced market, then its exposure from process emissions needs to be understood.

Depending on the the mode of operation, and assuming combustion of the Coldry pellets in a new coal-fired plant with 43% efficiency, ECT has calculated net savings of between 3-6 t of CO_2/t of CO_2 associated with electricity consumed by Coldry production. This provides a net beneficial CO_2 footprint compared to business-as-usual; i.e. burning the wet coal in an inefficient lignite power plant.

Conclusion

Coldry is ideally suited to drying low rank coals situated adjacent to a mine-mouth power plant. The plant can be deployed as a retrofit to existing power plants or tailored around the deployment of a new power plant, providing increased mutual efficiencies, decreased CO_2 emissions compared to as-mined lignite and increased revenue streams.

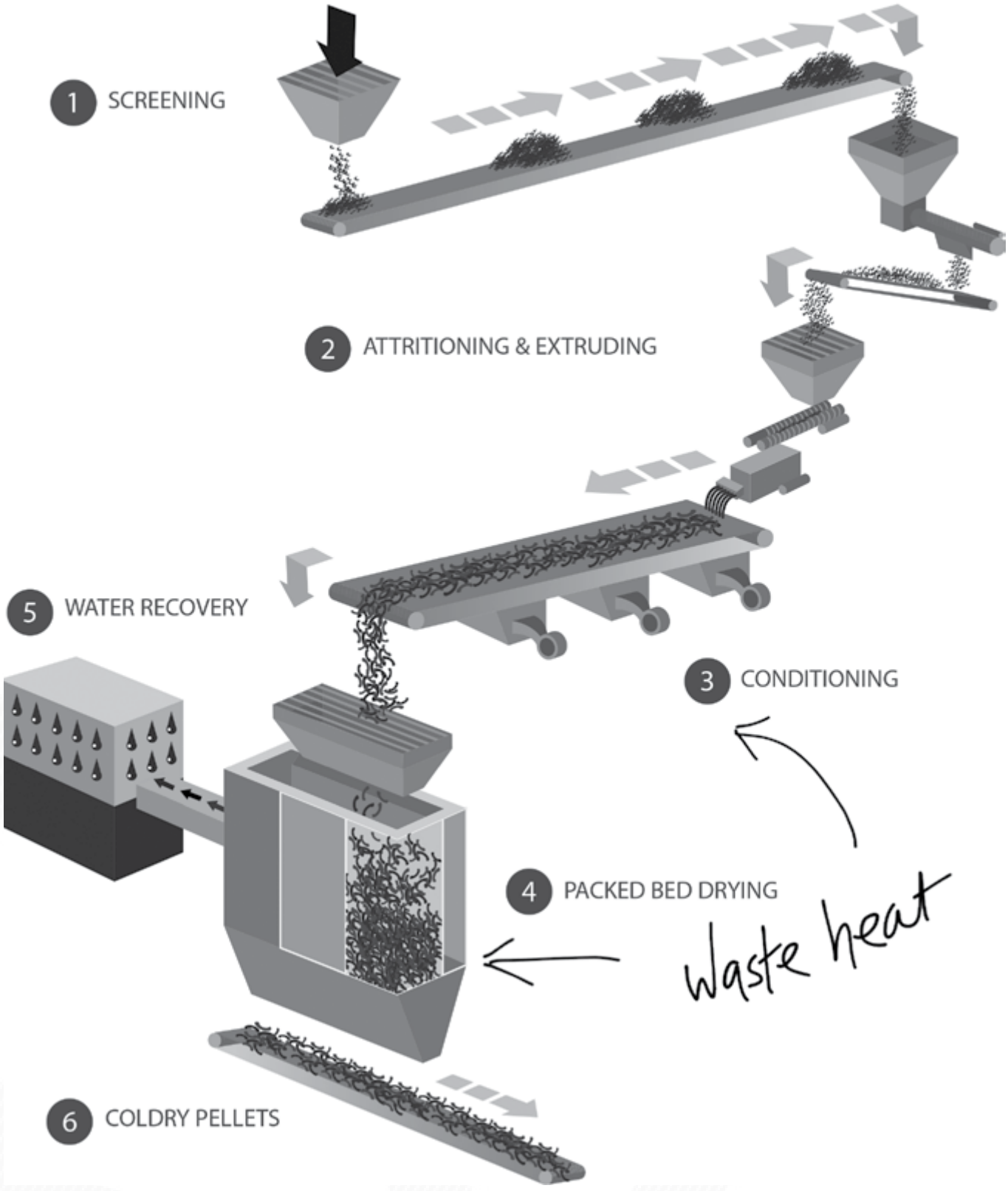
Key to achieving cost effective drying is the low energy input courtesy of low-grade waste heat recovery coupled with the process of 'brown coal densification' initiated through the finely tuned, yet mechanically robust primary processing plant.

Rounding off the process is the unique, patented packed bed dryer that provides control over the drying conditions to allow programmed production delivering into a commercial supply chain in addition to fuelling the host power plant.

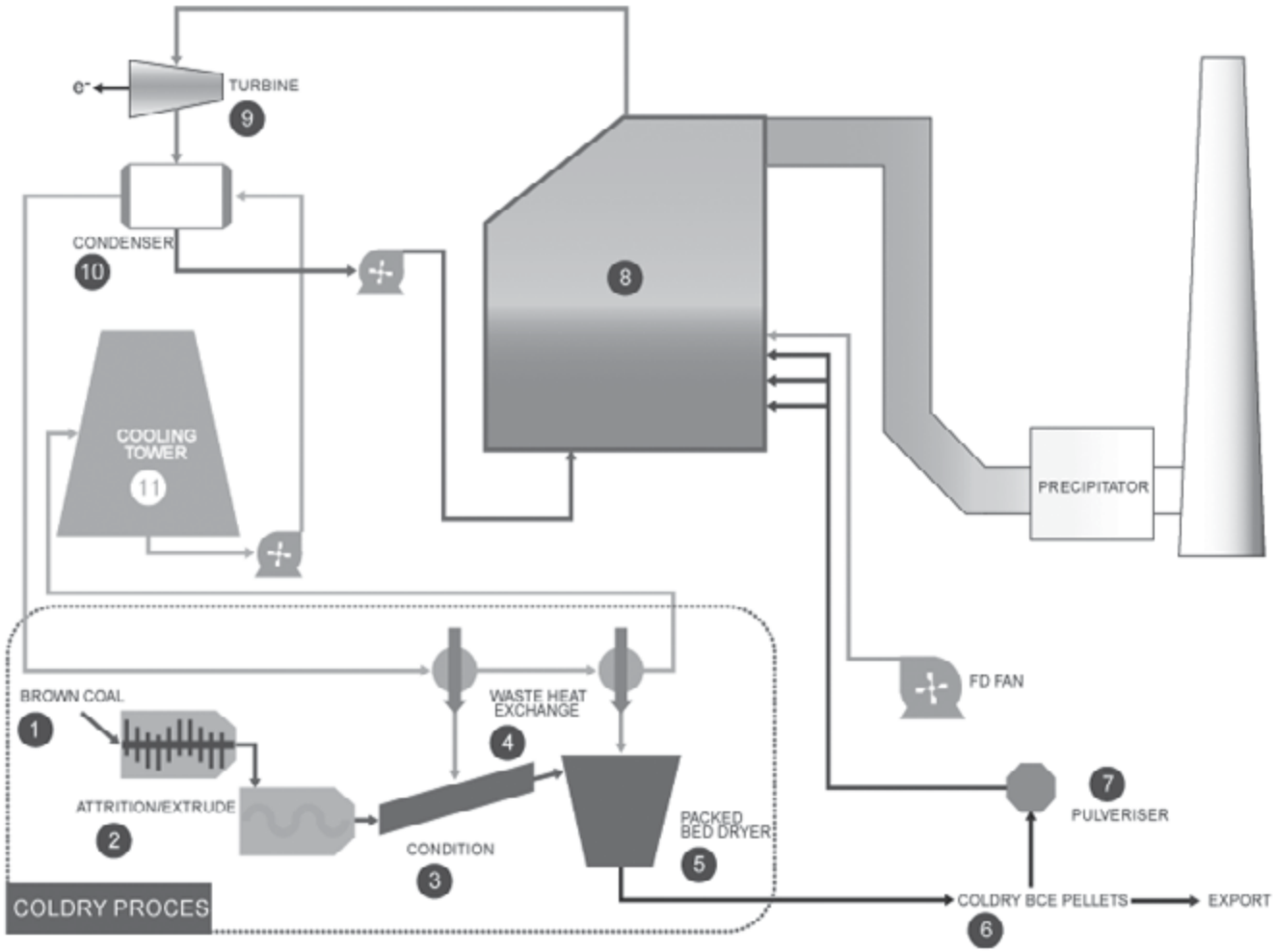
Economically, the process aims to deliver a cost of production that is competitive with bituminous coal, providing owners of typically stranded lignite assets the opportunity to sell into the growing thermal coal market.

And last, but increasingly more important, Coldry provides emerging nations with an energy security option that strikes a balance between affordable base load power and CO_2 mitigation compared to the alternative of simply burning the wet, CO_2 intensive low rank coal.

Coldry Process Flow Diagram



SCHEMATIC LAYOUT OF INTEGRATED COLDRY FIRED POWER STATION



1. Raw Coal Feed
Raw coal is milled and screened to <8mm to remove foreign objects.

2. Attritioning & Extruding
A small amount of water is added to the mill attritioner, where the coal is sheared to form a coal paste. This destroys the coal porous structure, mobilising the physically trapped water. The coal paste is then extruded to form pellets.

3. Conditioning
The extruded pellets are surface dried on the Conditioning belt to reduce adhesion between pellets and provide sufficient green strength to withstand the transition to the next step, the Packed Bed Dryer.

4. Heat Exchange
Waste heat form the co-located power station is recovered using heat exchange. This low grade energy stream is used to provide the warm air streams required to evaporate the now mobile water from the coal pellets.

5. Packed Bed Dryer
Incoming moist coal pellets from the Conditioning belt are further dried to their equilibrium moisture level within the packed bed dryer. Warm air from the heat exchangers removes the moisture from within the coal pellets.

6. Coldry Pellets
The incoming brown coal has now been converted into a Black Coal Equivalent (BCE) through the permanent elimination of physically trapped water. These high energy pellets are available for thermal applications, as well as other uses.

7. Pulveriser
The pulveriser reduces the pellets into finely ground coal dust, suitable for injection into a Pulverised Coal Combustion boiler.

8. Boiler
The coal is burned in excess air, producing a high temperature gas stream. This high temperature heats the water in the boiler, generating the steam needed for power generation.

9. Turbine
High temperature, high pressure stream is injected into the steam turbine, which is connected to the generator. High voltage electricity is the finished product from this operation.

10. Condenser
Steam exhausted from the turbine is passed into the condenser, where it is cooled to again form liquid water. This liquid water is pumped back into the boiler to start the steam cycle once again. The cooling water from the condenser is now at elevated temperatures, and needs to be cooled. It is pumped to the Coldry plant for heat exchange (step 4).

11. Cooling Tower
Return water from the Coldry heat exchange is now at a lower temperature, but still requires further cooling. This water is now pumped into the cooling tower, where a portion evaporates, cooling the remainder down to suitable temperatures for the condenser operation. Make up water is added to replace that which was lost to evaporation.

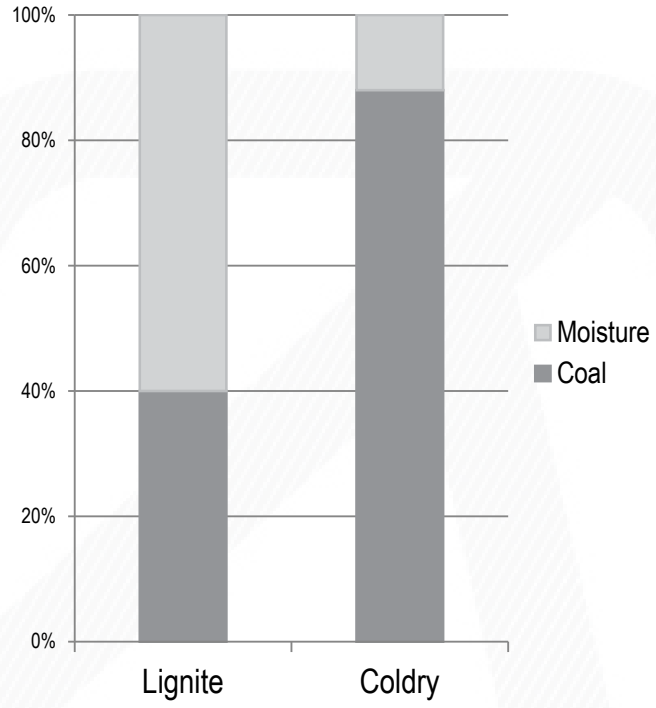
Product and Application

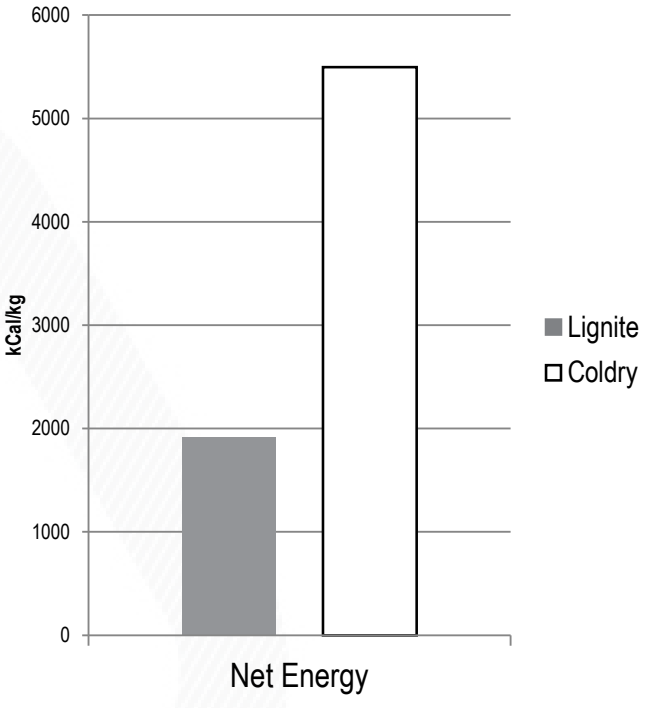
When applied to lignite, the Coldry process produces a feedstock in the form of dry, densified pellets that are of similar energy value to many black coals, whilst significantly reducing CO_2 emissions compared to its original lignite form.

Changes in the coal result in a pellet that does not permanently reabsorb moisture, making it ideal for:

- External sales to other thermal coal users (lower spontaneous combustion/ self heating risk);
- Feedstock for coal-to-gas and coal-to-liquid processes, replacing higher-cost drying methods;
- 'Gateway' process for high value added downstream products such as diesel, naptha, waxes, LPG, DME, Urea, Ethylene, Propylene - see diagram on page 5 as an example

Typical Results





In the case of Victorian lignite, Coldry delivers an 80% reduction in mositure content and an icrease of around 280% in net calorific value (wet basis).

Status of Development

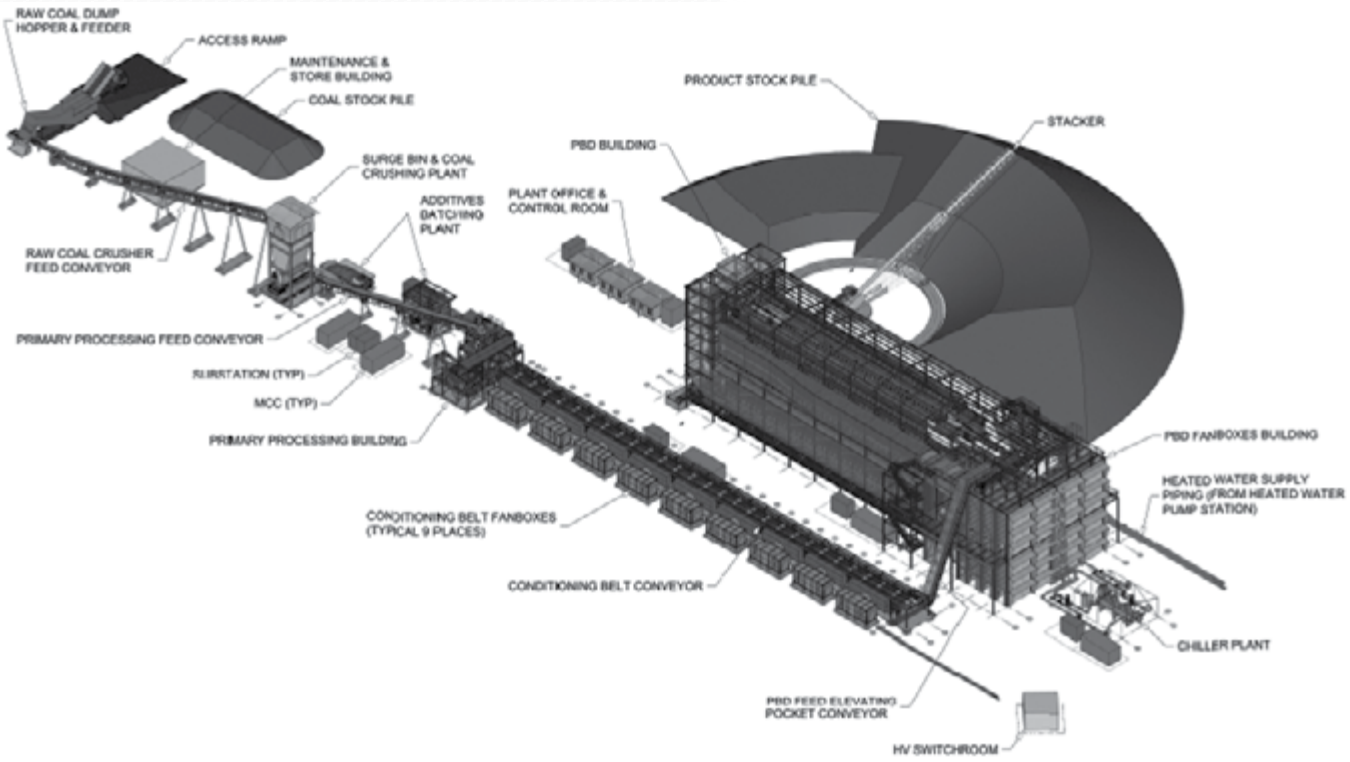
The Coldry process has been proven to pilot plant scale over several years. Located 50km North West of Melbourne near the Maddingley Coal Mine at Bacchus Marsh, our pilot plant is the centre of R&D for the Coldry process as well as for our Matmor technology.

These processes and the plant have been incrementally developed from lab-scale through to batch-scale and then to a continuous process since 2004. This pilot scale plant has enabled our technologies to be refined and optimised and poised for commercial scale up when appropriate.

Coldry Commercial-scale Demonstration Plant (CDP) Project

Recent research and development has focused on equipment selection, process refinement and data collection to inform the next stage of development, which is our Commercial-scale Demonstration Plant.

The design, shown below, is now complete and ready to be provided to a capable contractor such as McConnell Dowell for construction.



It is expected this plant will be co-located at the Loy Yang mine and power plant in Victoria, Australia, with capacity to produce 2 million tonnes of Coldry pellets per annum for domestic and international supply to the Asian market.

The demonstration plant design is illustrated at the bottom of the opposite page.

Coldry is ideally suited to drying low rank coals situated adjacent to a mine-mouth power plant.

These Coldry plants can be deployed as a retrofit to existing power plants or tailored around the deployment of a new power plant, providing increased mutual efficiencies, decreased CO_2 emissions compared to combustion of as-mined lignite and increased revenue streams.

Key to achieving cost effective drying is the low purchased energy cost and powerfully simple technology that drives the brown coal densification process.

Rounding off the process is the unique, patented packed bed dryer that provides control over the drying conditions. This allows programmed production, delivering into a commercial supply chain in addition to fuelling the host power station.

Economically, the process aims to deliver competitive production cost advantages when compared with bituminous coal. This enables owners of typically stranded lignite assets the opportunity to sell into the growing thermal coal market, or extend the life of their lignite reserves.

Additionally, Coldry provides emerging nations with an energy security option that strikes a balance between affordable base load power and CO_2 mitigation compared to the alternative of simply burning the wet, CO_2 intensive low rank coal.

Matmor

In typical blast furnace operations, careful selection of coals and cokes is required to limit the presence of volatile materials. This is because high volatiles dissolve into the iron at the high temperatures experienced in the process, forming inclusions that degrade the finished product iron or steel. The Matmor process operates at lower temperatures, thus avoiding this issue.

Further, while blast furnaces are most economically run on high-grade lump iron ores (Hematite – Fe_2O_3), Matmor technology is capable of reducing both high & low grade, lump or fines, and hematite as well as magnetite.

Additionally, it is able to recover iron content from various waste streams such as millscale (sometimes referred to as ‘blue fines’) and nickel refinery tailings. In terms of inputs, the following have been successfully tested in various combinations:

Matmor technology features:

- Lignite replaces metallurgical coal – significant raw material cost saving
- Eliminates the need for coke and coking ovens – significant capital saving
- Works exceptionally well on the harder to reduce magnetite and millscale (Fe_3O_4), without sintering, increasing availability and access to lower cost raw materials
- Waste stream process – millscale and high-Fe nickel refinery tailings can be processed to recover iron, turning a waste liability into a revenue producing product
- Iron ore process – high or low grade iron ore can be used, as can lump or fines
- Patented furnace – the Matmor retort is designed to utilise the high-volatile content of lignite to produce a high-quality iron product

Coals

- Latrobe Valley, Victoria
- Bacchus Marsh, Victoria
- Greece
- Poland
- China, Inner Mongolia
- Indonesian
- India

Iron Oxides

- Hematite Ore - Fe_2O_3
- Magnetite Ore - Fe_3O_4
- Millscale – Fe present as magnetite - Fe_3O_4
- Nickel Tailings – Fe present as hematite - Fe_2O_3
- Limonite (Iron-Nickel ore)

During steady-state production the test plant can produce up to 40kg of liquid iron per hour. Trials across different coals in combination with various iron ores and other iron bearing material such as mill scale and nickel tailings have consistently resulted in recovery of more than 95% of the iron with very low impurities.

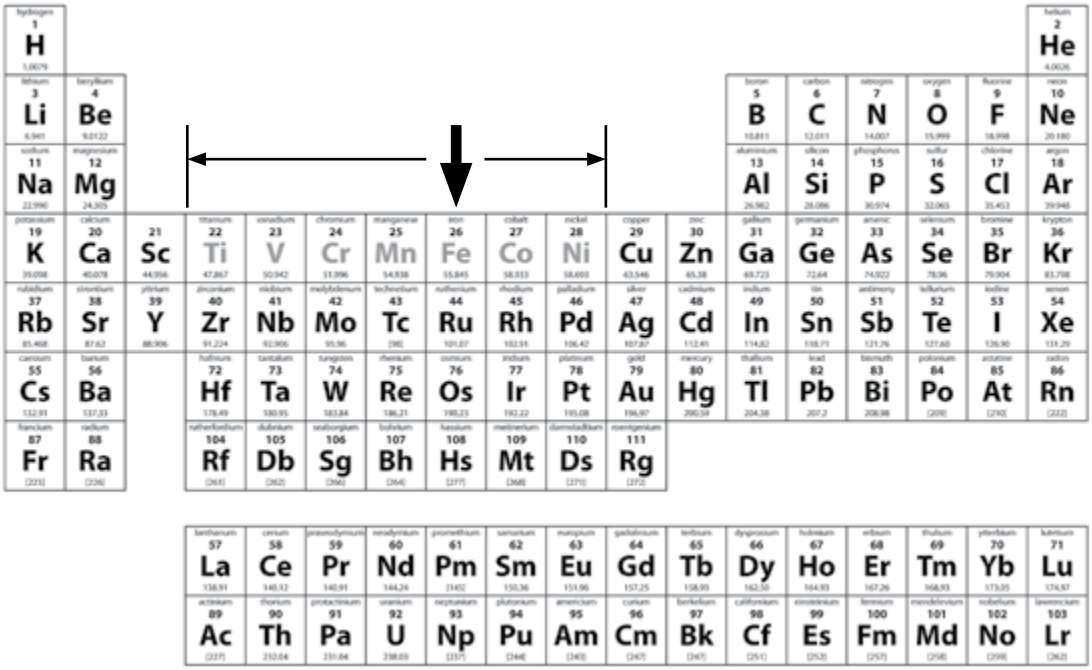
Subsequently, iron produced via the Matmor process is an ideal, high quality replacement for scrap steel, pig iron, DRI and HBI. The product is of consistent high quality, in solid, substantial form and provides for operational efficiencies compared to scrap in electric arc steelmaking.

Matmor Status of Development

Matmor is currently developed to 'test plant' scale of around 40kg per hour. The test plant has proven the ability to achieve continuous production. The next stage of development at test plant scale is to implement automation of certain aspects to gather operational data from continuous production over extended periods.

Fundamental R&D continues to refine the process, with a broader focus on testing and analysing other elements on the periodic table.

This will inform the design of the next stage in scale-up: Pilot Plant.



Value Proposition

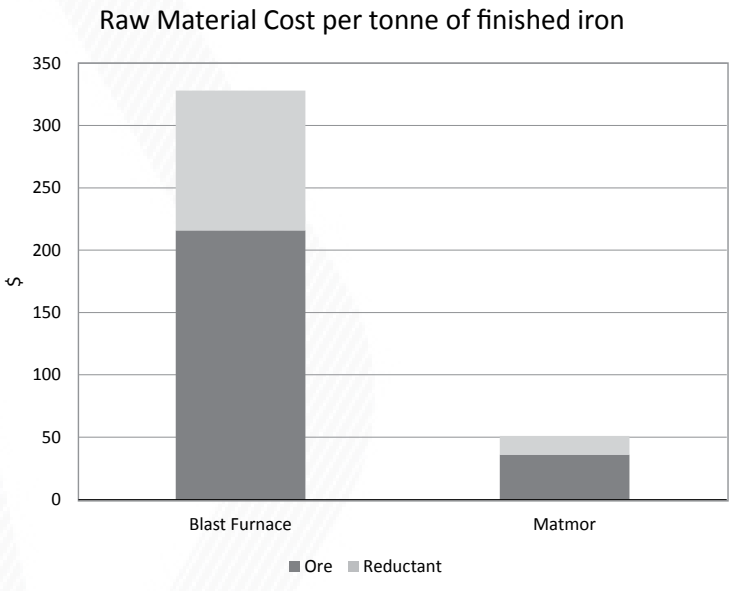
Matmor provides opportunity to significantly broaden the raw materials available for basic iron making, and deliver a substantial reduction in the cost of raw materials.

Additionally, since it does not require the use of coking coal (or coke), the requirement to have solid supply chain security on this difficult to obtain raw material is avoided. Candidate lignites are more widely available, and significantly lower in cost.

The chart on the right compares the projected raw input cost difference to produce 1 tonne of crude steel via Blast Furnace operations versus Matmor.

Use of high grade iron ore would increase the cost basis should sufficient millscale or other suitable iron waste streams be unavailable.

In summary, the main drivers for Matmor technology advancement are lower raw material cost, and more importantly, decoupling iron making from coking coal supply.



ECT and a Carbon Constrained Economy

There is no such thing as ‘clean’ coal, however there is ‘cleaner’ coal and the Coldry process is an appropriate, cost effective and immediately deployable energy solution that is synergistic with the demands of a carbon constrained economy.

This is because lignite treated via the patented Coldry drying process is transformed into a ‘black coal equivalent’ (BCE) feedstock. This means CO_2 emissions from the resulting product fall in line with black coal, which substantially reduces the environmental impact of traditional, as-mined lignite.

While we acknowledge the Coldry process is not a zero-emission solution for power generation, it is a viable, cost effective energy technology with proven capability to reduce CO_2 emissions by 30% to 50%, at a cost per tonne estimated to be substantially lower than other lignite-focused emission reduction solutions, including carbon capture and storage (CCS).

By applying Coldry technology to Gippsland lignite, the net energy content of the mined lignite is increased by up to 285%. This alone results in substantial efficiency gains and CO_2 reductions. The improved energy value of Coldry pellets is greater than the energy required to make them.

In addition, the Coldry process uses free, low-grade waste heat from a co-located power station to facilitate the drying process and minimise energy input. Coldry pellets can be used in local black coal fired power stations and transported to black coal fired power plants.

Ultimately, if a coal drying technology is being considered for adoption in a CO_2 priced market, then its exposure from process emissions needs to be understood.

Depending on the the mode of operation, ECT has calculated net savings of between 3-6 t of CO_2/t of CO_2 associated with electricity consumed by Coldry production. This provides a net beneficial CO_2 footprint compared to business-as-usual, which is burning wet coal in an inefficient lignite power plant.

Corporate Governance Statement

The Environmental Clean Technologies Limited (ECT) Board is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company's 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' ("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 report. Further information regarding our corporate governance and Board practices can be found at the Company's website, www.ectltd.com.au.

The Board of ECT 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 (Chief Executive) 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 accounts the Managing Director provides a management representation letter to the Board for the financial statements 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 in accordance with the Constitution. All Directors are subject to re-election by rotation within three years, other than the Managing Director.

The Annual General meetings are held in Melbourne. Shareholders have the opportunity to express their views, ask questions about Company business and vote on other items of business for resolution by shareholders at the Annual General Meeting. It is proposed to hold the 2013 Annual General Meeting in November 2013 on a date to be announced. The time and venue will be advised with the Notice of Annual General Meeting. At the 2013 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 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 at www.ectltd.com.au.

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

Composition of the Board

The 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, albeit the Company will continue to appoint an additional Non-executive Director to round out the mix of expertise of the Directors.

Post the report date, the Company appointed Mr Glenn Fozard and Mr Lloyd Thomson as Non-executive Directors.

As at 30 June 2013 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 four committees. All of the current Directors are members of each committee other than the Remuneration and Nominations Committee, which comprised two Non-executive Directors, and the Audit and Risk Committee that comprises the Non-executive Directors and the Managing Director. It is planned that, with recent Board changes, the membership and charter of each of the Board committees will be reviewed and updated. 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. There is no CFO but an internal accountant who, with the assistance of the Managing Director, is responsible for the preparation of financial reporting packages for the Board. External accounting firm, RSM Bird Cameron is called upon to provide services as and when required. The committee meets with the Company's auditors, BDO East Coast Partnership, who attend 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 within the Group;
- Reviewing the quality of the external audit function; and
- Establishing and maintaining a risk identification process, effective risk management and reporting.

Remuneration, Nomination & Governance[1] Committee

The Remuneration and Nomination Committee was chaired by Iain McEwin and is now chaired by Glenn Fozard with independent director Stephen Carter serving as the other member. This committee has the responsibility of advising the full 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.

Strategic Planning Committee

The Strategic Planning Committee was chaired by Mike Davies (now retired) with all the other directors serving as members. The committee structure is under review with a new chair to be appointed. This committee has the responsibility for the development and maintenance of the Company's strategic plan. As noted earlier, this and other Board Committees membership and charter are being reviewed and, as necessary, updated.

Capital Management Committee

The Capital Management Committee is chaired by Stephen Carter with all the other directors serving as members. The Committee was formed to consider various funding options available to the Company to finance the development and commercialisation of the Coldry and Matmor technologies and meet ongoing working capital requirements.

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

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 at www.ectltd.com.au.

The Directors note the new ASX Corporate Governance Council Recommendation for companies is 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.

1 Governance was added to the committee after 30 August 2013.

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.
- 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 at www.ectltd.com.au.

Directors' Report

The Directors submit their report on the consolidated entity consisting of Environmental Clean Technologies Limited (the Company) and the entities it controlled for the year ended 30 June 2013. Environmental Clean Technologies Limited and its controlled entities together are referred to as Environmental Clean Technologies or the consolidated entity or ECT in this Financial Report.

Directors

Unless indicated otherwise, the following persons were Directors of Environmental Clean Technologies Limited during the whole or part of the financial year and until the date of this report, unless noted otherwise:

- Mr Ashley Moore – BEng(Chem), MIEAust, CPEng, MAICD; Chief Operating Officer, Executive Director, appointed Managing Director from 20 March 2013
- Mr Stephen Carter – MBA, Dip Co. Dir., Dip App. Sc. FAICD
- Mr Iain McEwin
- Mr Glenn Fozard – BBus (Int. Trade), BA (Psych); appointed 17 July 2013
- Mr Lloyd Thomson – FCPA; appointed 22 August 2013
- Mr Michael Davies – Diploma Civil Engineering, Graduate of Macquarie University Advanced Management Program; Executive Chairman, retired from Executive Service in March 2013, and retired from the Board 20 August 2013

Post the report date, the Director's have decided to rotate the chairman's role on a meeting-to-meeting basis.

Company Secretary

- Mr Adam Giles – Appointed 4 December 2012
- Mr John Osborne – BSc, FRMIT (Management), DipAppCorpGov, ACIS, FFTA; Retired 4 December 2012

Principal Activities

Coldry Process

The Coldry process is ECT's first technology proven to be commercially viable as an economic method of drying lignite 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. The process entails the following steps:

- Screening and adding a small quantity of water to the raw coal
- Attritioning and extrusion of a plasticised coal paste mixture
- Warm air toughening of the extruded mixture on a conditioning conveyer prior to packed bed dryer entry
- Removal of coal moisture in a packed bed dryer (with optional collection capability)
- Stockpiling of high energy Coldry pellets ready for use or transport

The pellets can then be used in electricity generation in black or lignite power stations and coal conversion applications. Existing lignite power stations that consume Coldry pellets can immediately gain benefits without the need for significant modifications to plant infrastructure including:

- Emissions savings
- Reduced ash costs
- Access to increased water supply and drought mitigation
- Improved thermal efficiency

These factors also drive the business case for deployment of super critical black coal technologies with their ensuing efficiency and financial benefits, on lignite mines. New power stations can also be built with confidence

that they can secure supply of a ‘Black Coal Equivalent’ based on abundant, under exploited, lignite reserves that perform extremely well with next generation gasification technologies. The high chemical reactivity of Coldry pellets delivers higher yield per tonne of coal and enables the products to be used as an ideal front-end feedstock solution for coal-to-oil technologies, eliminating the need for costly and energy intensive drying.

The Coldry process delivers a ‘Gateway technology’ that enables an ideal front-end feedstock solution for numerous new technology applications.

Matmor Process

Matmor is a clean, low-emission, one-step process for producing high-grade primary iron using lignite 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 lignite 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 lignite (lignite) with iron ore or other ferrous metal bearing media to form a paste that is dewatered using the Coldry process. The pellets are then fed into a simple low cost, low emission patented Matmor retort where the remaining moisture is removed, the coal volatiles are driven off and the iron oxides are reduced to metal. The advantages of the Matmor process over existing steel making processes are:

- Replacement of expensive metallurgical coal with low cost, abundant lignite
- Replacement of expensive high grade Iron Ore (60%+Fe) with lower grade Iron Ore
- Capital equipment is estimated at 50% less than traditional blast furnaces
- Process requires significantly less heat / energy
- Able to recover baghouse dust, millscale and other waste materials
- Can be adapted to recover other metals e.g. Nickel, Titanium, Chromium

Intellectual Property

In June 2009, the Company purchased the Coldry intellectual property from the Calleja Group after approval from the members at a General Meeting on 4 March 2009. The Calleja Group remains the owner of the Matmor technology but ECT has an exclusive right with the Calleja Group, under a Participation Agreement, through its subsidiary Asia Pacific Coal and Steel Pty Ltd to licence the Matmor technology and ultimately purchase that intellectual property as well.

The Coldry process is covered by patents, or pending patents in all major markets with significant lignite deposits.

The sole remaining patent of interest for Coldry yet to be granted is India. This is progressing through the Indian national system.

Significant Changes in the State of Affairs and Key Events During the Year

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

- On 19 July 2012 the Company advised that the 'Monash Capital transaction' approved under resolution 4 at the General Meeting on 27 April 2012 experienced delays. In the event of delays beyond 26 July 2012, Monash Capital Group Pty Ltd (Monash Capital) proposed a contingency program comprising the issuance of up to 300,000,000 Fully Paid Ordinary Shares (ESI) at $0.02, with 300,000,000 Options (ESIO).
- The Company advised interim-funding measures, in the form of a "FAST Finance" loan through Greenard Willing would be provided through a $1 million advance against the expected R&D tax concession that was due in October-November 2012.
- On 26 July 2012 the Company advised that it received $500,000 in part satisfaction of the $4 million placement as approved at the General Meeting on 27 April 2012. The Company received correspondence from Monash Capital advising that the balance of the payment would take the form of the contingency offer from Monash Capital in the form of a Converting Loan totalling $6 million instead of $4 million, effectively achieving a 50% premium over the terms previously approved.
- On 6 August 2012 the Company advised that it would apply for part of a $90 million government-funding package, The Advanced Lignite Demonstration Program (ALDP), which was designed to accelerate the development and commercialisation of new lignite upgrading technologies in the Latrobe Valley.
- On 8 October 2012 the Company advised that it received a notification that its European Patent application had been issued as a formal patent, no. 1680637. The Company also advised that it had accepted a "FAST Finance" loan through Greenard Willing, against $1 million from the R&D tax concession that was due in October – November 2012. As a result of the extensive work completed on the Design for Tender, the R&D tax concession was lodged with a value of $1.3 million. The Company also advised that it had exercised the option to "top up" the "FAST Finance" by receiving an additional $300,000 of funding.
- On 9 November 2012 the Company advised of the receipt of the cash rebate for its Research and Development expenditures through the Australian Taxation Office. Funds totalling $1.293 million were received as per the R&D Rebate rebate for the Design for Tender (DFT) work plans, aimed at developing a detailed design for the Coldry technology at commercial scale.
- On 9 November 2012 the Company advised that it had received the official certificate for its Canadian Coldry Patent No 2540285.
- On 21 November 2012 the Company advised that it had executed an agreement in favour of its engineering development partner Arup for the placement of a Strategic Deliverable Bond for up to $2,500,000 in order to deliver the balance of the DFT program and other pre-construction engineering works associated with the development of the Coldry technology. The Company also advised that it submitted a detailed Expression of Interest (EOI) in accordance with the program requirements of the Advanced Lignite Demonstration Program (ALDP).
- On 28 November 2012 the Company advised that K-Coal Co., Ltd (K-Coal) signed a Letter of Intent (LOI) to provide 5% equity in the Coldry Commercial Demonstration Plant (CDP) and that the LOI obliges equity participation in subsequent Commercial Scale Plant (CSP) subject to certain conditions.
- On 4 December 2012 the Company advised the appointment of Adam Giles as Company Secretary of the Company and its subsidiaries, which followed the resignation of John Osborne as Company Secretary of the ECT group of companies.
- On 13 December 2012 the Company advised that its EOI for the ALDP had been shortlisted and that it was invited to submit a response to the Request for Proposal (RFP).
- On 4 February 2013 the Company advised that it had finalised a "FAST Finance" loan of $1,700,000 and placement of $506,515 managed through Greenard Willing and Platinum Road. The FAST Finance loan was an advance against the expected R&D tax concession due in October-November 2013. The Company had previously established a $1,300,000 FAST Finance loan facility (announcements 19 July and 8 October 2012). This loan was satisfied via a combination of cash repayment, issuance of ECT securities and some loans being rolled forward into the new $1.7m loan.
- On 18 February 2013 the Company advised that the DFT scope associated with the CSP had been strategically realigned to the ALDP objectives to deliver a design for the CDP. Initial cost estimation had commenced internally in collaboration with Arup and construction partner McConnell Dowell. This initial estimation activity was part of an iterative process aimed at providing increasing levels of accuracy and to highlight further value engineering and design improvement opportunities.

- On 1 March 2013 the Company advised that Resolution 6 of the 2012 AGM, relating to investment in the Company by Monash Capital Group, expired at close of business on 28 February 2013 without the execution by Monash.
- On 20 March 2013 the Company advised that the submission for the ALDP was lodged on 19 March 2013 at 2pm. Following the short-listing of the EOI on 13 December 2012, the Company in conjunction with key partners Arup and McConnell Dowell have developed a comprehensive submission in support of the application for funding. The Company also advised that effective April 2013, Mr Michael Davies ceased to be the Managing Director and Executive Chairman and would continue as Chairman. The Board announced the appointment of Mr Ashley Moore as Managing Director.

Review of Operations

The consolidated results for the financial year were:

Consolidated results	2013 $	2012 $
Revenue	1,314,914	686,266
Loss before income tax	(5,444,185)	(5,549,700)
Net loss attributable to the members of Environmental Clean Technologies Ltd	(5,444,185)	(5,549,700)
Basic loss per share (cents)	(0.33)	(0.43)
Diluted loss per share (cents)	(0.33)	(0.43)

Operational Highlights

- Engineering expense was $1.138m higher versus 2012 due to the engineering works running through the full 2013 fiscal year compared to only part of the prior year
- R&D Rebate was $0.656m greater than 2012 due to the higher spend on qualifying R&D activity
- Corporate and employee costs were $0.685m lower in 2013 due to lower consultant costs and decreased employee and travel expense

Coldry

The Design for Tender program, which began in November 2011, proceeded through its various stages in this fiscal year (2012/13). Key milestones included:

- Pilot plant operational validation and data gathering
- Options development focusing on cost and efficiency in terms of Capex and Opex
- Detailed modelling of the process to refine the energy-mass balance
- Iterative design work culminating in significant capital estimate reductions e.g. a ‘back-to-back’ modular design delivering significant cost savings
- Optimisation – value engineering and refinement of the operational parameters delivering refined operational cost estimates
- Detailed design – across the spectrum of engineering documentation and drawings necessary to build the plant, providing the detail required for each plant area to be ‘Construction Ready’
- Cost estimation – iterative cost estimates and tendering of key components to deliver a robust capital estimate

In the completion of these activities, the Company progressively refined the operating scope for the Arup design activities. While the work originally commenced as a general design effort targeting a 2mtpa Coldry commercial plant, it was pragmatically focussed on the core needs to demonstrate first, followed by commercial scale. The Commercial Demonstration Plant thus became the centre of the program, with a progressive increase in the level of detail to provide increased levels of certainty of success at the critical Demonstration stage.

Thus, the completion of the “Design for Tender” stage was announced on 18 February 2013, with the more recent announcement of “Construction Ready” design status on 20 August 2013.

Additionally, it must be noted that while the announcement of the combined Victorian State and Federal Government Advanced Lignite Demonstration Program (ALDP) did not change the underlying activities in progress, it did lend a certain structure and sequence to ensure maximum value could be leveraged from the on-going Arup design works to ECT's applications under the program.

On 3 August 2012, the combined Victorian State and Federal Governments formally launched the ALDP. On 6 August 2012, ECT announced it intended to submit an application. On 21 November 2012, the Company announced it had submitted the formal Expression of Interest (EOI) as required under the program guidelines. Following on from that, the Company advised that it had been successfully shortlisted through the EOI process, and had been invited to provide a response to the more detailed Request for Proposal (RFP). On 20 March 2013, the Company advised that it had submitted its RFP response in accordance with the program guidelines. Since that time, the Company has cooperated with the Department managing the ALDP and has engaged in multiple discussions regarding the submission. The evaluation process continues, with the program outcomes yet to be advised to participants.

As the Arup design built progressive levels of detail of the Coldry process – in terms of equipment definition, as well as in terms of process operating conditions and the resulting cost and complexity implications, ECT was progressively better able to substantively engage with prospective future customers for the Coldry technology.

Matmor

As reported last year, running in parallel with our Coldry testing of Indian coals, we have run a series of assessments of Matmor's effectiveness while utilising Indian lignites, and in some cases, Indian iron ore and iron bearing waste streams. These have been, in every instance, successful. Commercial discussions relating to next steps continue.

ECT has continued to evaluate other coals in the Matmor process, but more importantly, has continued to explore the basic footprint of Matmor with respect to non-ferrous metals.

While in this last year we have paused our significant commercialisation development of the Matmor technology pending Coldry advancement, we have continued to build our basic understanding of those elements that can be recovered via the Matmor process. We continue to uncover further value opportunities, though at this stage only at bench scale.

Coal Asset Development

Following your company's securing of rights to coal contained within EL5119, development work to delineate the resource has not yet begun. The formal agreements for Native Title arrangements were completed late this financial year, and initial planning for development works have commenced.

Dividends

No dividends were paid or recommended by the Directors.

Matters subsequent to the end of the financial year

There have been a number of significant events occurring after the reporting date also shown in Note 26.

- On 5 July 2013 the Company advised that Coldry engineering work would advance to 'Construction-Ready' phase. To support the advancement of the engineering works, the Company and Arup agreed to extend the maximum amount of the Strategic Deliverable Bond by another $1.4 million. The Company also announced that it participated in the early assessment stages of the advanced R&D program announced by India's Neyveli Lignite Corporation. The Company successfully passed through the Expression of Interest stage and submitted a more detailed proposal for NLC's lignite-drying project.
- On 17 July 2013 the Company advised the appointment of Mr Glenn Fozard to the Board as a Non-Executive Director.
- On 29 July 2013 the Company advised that Directors elected to forego the share-based component of their remuneration for the 2012/13 financial year.
- On 20 August 2013 the Company advised that engineering firm Arup had completed the design and engineering for its Coldry demonstration plant to 'Construction Ready' status. The Company also announced the retirement of Mr Michael Davies, having led the completion of this significant outcome for ECT's shareholders.
- On 22 August 2013 the Company advised the appointment of Mr Lloyd Thomson to the Board as a Non-Executive Director.
- On 23 August 2013 the Company held an Extra Ordinary General Meeting (EGM). The meeting considered and passed the following resolutions:
  - Ratification of prior issue of securiteis
  - Approval of new share issue
  - Approval of Non-Executive Director Remuneration Policy
  - Election of Mr. Glenn Fozard

Likely Developments and Expected Results of Operations

Coldry

Delivery of the Coldry Commercial Demonstration Plant (CDP) is your Company's number one objective.

To that end, we are developing parallel pathways to deliver the CDP:

- Victoria: to be located within the Loy Yang precinct, and integrated into the Loy Yang power station
- India: potentially at Neyveli

Of importance in delivering an accelerated and more substantial Victorian project is the Advanced Lignite Demonstration Program, though this is – as of this date – still within the selection phase of its deliberations.

Matmor

The Company is focused on advancing Coldry as our 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
- Pilot Plant construction and operations

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

Information on Directors

Details of the Directors' qualifications and experience are set out as follows:

Mr Ashley Moore BEng(Chem), MIEAust, CPEng, MAICD

Managing Director

Ashley is a Chartered Professional Engineer, with extensive experience in all facets of manufacturing, plant operations, supply chain management, sales and marketing and major project delivery from more than 25 years in the industry. Ashley joined ECT 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 earlier this year following the retirement of Mr Davies from that role.

Mr Moore is not and has not been a director of any other publicly listed company in the past three years. He is currently a member of the Strategic Planning Committee, Capital Management Committee and Audit and Risk Committee.

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

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.

Mr Carter is not and has not been a director of any other publicly listed company in the past three years. He was appointed as Director of the Company in May 2009 and is currently the Chairman of the Capital Management Committee and Audit and Risk Committee and a member of the Remuneration and Nomination Committee and Strategic Planning Committee.

Mr Iain McEwin
Non-executive Director

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 ECT.

Mr McEwin is not and has not been a director of any other publicly listed company in the past three years. He was appointed a Director of the Company in July 2011 and is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee, Strategic Planning Committee and Capital Management Committee.

Mr Glenn Fozard BBus (Int. Trade), BA (Psych)

Non-executive Director, Appointed 17 July 2013

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 ECT with valuable guidance in the technology development, risk management and capital raising areas.

Mr Fozard is not and has not been a director of any other publicly listed company in the past three years. He was appointed a Director of the Company in July 2013.

Mr Lloyd Thomson FCPA

Non-executive Director, Appointed 22 August 2013

Lloyd has extensive business management experience, with comprehensive knowledge of finance & capital markets, as well as new business development and risk management. He is the Company's largest single shareholder.

Mr Thomson is not and has not been a director of any other publicly listed company in the past three years. He was appointed a Director of the Company in August 2013.

Mr Michael Davies, Dip Civil (Eng), Grad Macquarie University Adv Mgt Program
Managing Director, Chairman, Retired 20 August 2013

Mike is an experienced senior manager having spent fourteen years in General Manager and CEO/Managing Director roles. Mike's career included time with Caterpillar Inc., Caterpillar dealers including Hastings Deering Limited, Gough Group (New Zealand) Limited and Joy Mining Machinery Australia Limited before commencing his consulting business.

Mr Davies is not and has not been a director of any publicly listed company in the past three years. He was appointed a Director of the Company in July 2011 and became Managing Director and Executive Chairman in August 2011. He retired from his Managing Director role in March 2013, and from the Board in August 2013. He was the Chairman of the Strategic Planning Committee and a member of the Audit and Risk Committee and Capital Management Committee until his retirement from the Board.

Company Secretary

Mr Adam Giles appointed 4 December 2012

Adam is the Company's longest serving employee, and also holds the position of Operations Manager. With twenty years experience in business across public and private sectors, his management and new technology commercialisation experience is a strong fit with ECT. He has held no directorships of publicly listed companies at any time during the past three years.

Mr John Osborne BSc, FRMIT (Management), DipAppCorpGov, ACIS
Resigned 4 December 2012

Mr Osborne provided company secretarial services to the company on a part time basis through his consultancy company KLVR Pty Ltd. Mr Osborne has over 35 years of financial, commercial and company secretarial experience with listed companies and in consulting roles. He has held no directorships of publicly listed companies at any time during the past three years.

Meetings of Directors

During the year ended 30 June 2013, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the Directors who held office in the year are as follows:

	Board Meetings		*Audit and Risk Committee*		*Remuneration and Nomination Committee*	
	No. eligible to attend	*No. Attended*	*No. eligible to attend*	*No. Attended*	*No. eligible to attend*	*No. Attended*
Michael Davies (retired 20 August 2013)	14	14	2	2	-	-
Stephen Carter	14	14	2	2	3	3
Iain McEwin	14	14	2	2	3	3
Ashley Moore	14	14	-	-	-	-

	Capital Management Committee		*Strategic Planning Committee*	
	No. eligible to attend	*No. eligible to attend*	*No. eligible to attend*	*No. Attended*
Michael Davies (retired 20 August 2013)	4	4	5	5
Stephen Carter	4	4	5	5
Iain McEwin	4	4	5	5
Ashley Moore	4	4	5	5

Remuneration Report (Audited)

Principles used to determine the nature and amount of remuneration

The Board through the Remuneration and Nomination 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 incentive based upon achievement of pre-determined performance criteria. At the 2012 Annual General Meeting the Shareholders provided approval for an Executive and Director Incentive Plan to facilitate the provision of equity based remuneration to key management personnel and Directors. The approval of this plan expires 13 November 2014. In respect of the fiscal year ended 30 June 2013, the Directors elected not to take their entitlement under this plan.

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

Service Agreements

No directors were appointed on service agreements during the year in their capacity as directors. Each director has a written agreement governing his service as a director of the Company and separate agreements, where appropriate, for the discharge of executive responsibilities or the provision of other services. There are no termination benefits payable to directors or executives.

Mr Stephen Carter is engaged, via his company Carter Jacobs and Associates Pty Ltd, to provide specific services in respect of capital raising activities for the Company at a daily charge-out rate is $1,500 plus GST.

The Company engaged Mr John Osborne to support the Company's secretarial functions. The agreement with the Company was with KLVR Pty Ltd, the entity through which Mr Osborne provided consultancy services. This arrangement has concluded.

Senior Executive Pay

The Remuneration and Nominations Committee of the Board is responsible for determining remuneration and nomination policies in respect of key management personnel. 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.

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.

The following Executives have specific contract terms:

- Mr Davies was engaged as Managing Director and Executive Chairman of the Company as an employee of the Company, discharging the duties of Managing Director and Executive Chairman and his remuneration was $22,500 per month plus $12,500 of shares per quarter to be issued quarterly. The shares, issue of which was approved by shareholders at the AGM in 2012, were to be allotted within the first week following the end of each quarter and priced at the VWAP for the last 5 trading days of each quarter. Mr Davies relinquished these shares as announced to the ASX on 29 July 2013. Mr Davies provided notice to the company of his resignation as Managing Director, and served his notice period prior to his retirement from the Board in August 2013.
- Mr Moore is an employee of the Company and has served as COO, and now Managing Director. As COO, he had a remuneration of $201,600 per annum plus superannuation. Upon taking the Managing Director role, his remuneration increased to $250,000, inclusive of superannuation. There were no other benefits or any further emolument for acting as an Executive Director in the year ended 30 June 2013. Mr Moore is eligible to participate in the Executive and Director Incentive Scheme that grants bonuses to key management personnel on the basis of achievement against performance benchmarks agreed by the Board. The bonuses are granted annually and are in the form of cash and / or shares to eligible employees. No bonuses were achieved in the fiscal year ending 30 June 2013. Mr Moore's employment may be terminated by either party providing 3 (employee) or 6 (company) months written notice of termination.

Other than the above, or as disclosed elsewhere in the remuneration report, no executives are subject to specific contract arrangements.

At the 2012 Annual General Meeting approval was provided for the Company's Executive and Director Incentive Plan (the Plan). This enables the Company to grant bonuses in cash or securities on an annual basis to key management personnel to reward performance against benchmarks agreed by the Board. Shareholders approval of the Plan means that any securities so issued will not be 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 2013.

Non-executive Director Remuneration

Effective 1 July 2012 the base fee payable to Non-executive Directors for discharging their duties as Directors was $75,000 per annum each, being $50,000 in cash and $25,000 in shares, for which shareholders provided approval at the 2012 Annual General Meeting. Shares to the value of $6,250 were to be issued to each Non-executive Director in respect of each Relevant Quarter. Directors Carter and McEwin relinquished their right to be issued shares as announced to the ASX on 29 July 2013.

With recent changes in Board structure and numbers, Director remuneration has been adjusted as follows:

Board Position	**Remuneration**
Non-Executive Director	$50,000 pa base
Chairman	$15,000 pa additional
Audit and Risk Committee Chair	$5,000 pa additional
Nomination and Governance Committee Chair	$5,000 pa additional

Details of remuneration

Details of the remuneration of the directors and the key management personnel of ECT and the Environmental Clean Technologies Ltd Group are set out in the following tables.

The key management personnel of both ECT and the Environmental Clean Technologies Limited Group for the 2013 financial year were:

- Mr Ashley Moore – Managing Director (appointed Managing Director 20 March 2013)
- Mr Stephen Carter – Non-executive Director
- Mr Iain McEwin – Non-executive Director
- Mr Michael Davies – Managing Director and Executive Chairman (retired as Managing Director 20 March 2013, retired from the Board 20 August 2013)
- Mr Adam Giles – Company Secretary (appointed 4 December 2012)
- Mr John Osborne – Company Secretary (resigned 4 December 2012)

In the 30 June 2013 financial year, the directors consider that there are only three individuals who meet the definition of executive. All directors and executives are employed by the parent entity and are all key management personnel.

2012-13	Short-term benefits			Post-employment benefits		
	Cash salary and Directors fees	Consulting fees	Non-monetary benefits	Super-annuation	Termination benefit	Total
Directors	**$**	**$**	**$**	**$**	**$**	**$**
S Carter	50,000	154,000	-	-	-	204,000
I McEwin	50,000	-	-	-	-	50,000
Executives						
M Davies	283,286	-	-	13,725	-	297,011
A Moore	206,922	-	-	16,632	-	223,554
J Osborne	-	43,288	-	-	-	43,288
A Giles	139,100	-	-	12,519	-	151,619
Total	**729,308**	**197,288**	**-**	**42,876**	**-**	**969,472**

2011-12	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash Salary, and Directors fees	Consulting fees	Non-monetary benefits	Super-annuation	Termination benefit	Shares/ Options	Total
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
J Hutchinson (resigned 5/7/11)	3,517	-	-	-	-	-	3,517
D Woodall (resigned 8/7/11)	1,142	-	-	-	-	-	1,142
D Brockenshire (resigned 4/7/11)	428	-	-	-	-	-	428
S Carter	47,162	163,000	-	-	-	-	210,162
I McEwin	44,999	41,250	-	-	-	-	86,249
Executives							
K Galtos (resigned 15/8/11)	58,230	-	-	3,944	137,557*	35,000	234,731
M Davies	6,430	351,856	-	-	-	-	358,286
A Moore	191,891	-	-	17,270	-	-	209,161
J Osborne	-	88,204	-	-	-	-	88,204
Total	**353,799**	**644,310**	**-**	**21,214**	**137,557**	**35,000**	**1,191,880**

*Termination benefit consists of a cash payment of $137,557 and shares to the value of $35,000 issued to the former chief executive officer Mr Kosmas Galtos under a deed of settlement made in August 2011.

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

	Fixed Remuneration		At Risk – Short Term Incentives		At Risk – Long Term Incentives	
	2013	2012	2013	2012	2013	2012
Directors	$	$	$	$	$	$
S Carter	100%	100%	- %	- %	- %	- %
I McEwin	100%	100%	- %	- %	- %	- %
Executives						
A Moore	100%	100%	- %	- %	- %	- %
M Davies (resigned)	100%	100%	- %	- %	- %	- %
J Osborne (resigned)	100%	100%	- %	- %	- %	- %
A Giles	100%	-	- %	- %	- %	- %
J Hutchinson	-	100%	- %	- %	- %	- %
D Woodall	-	100%	- %	- %	- %	- %
D Brockenshire	-	100%	- %	- %	- %	- %
K Galtos	-	100%	- %	- %	- %	- %

Share-based Compensation

In the financial year ended 30 June 2013 there were no issues of shares or options in the company provided as remuneration to any director or executive or former director or executive of Environmental Clean Technologies Limited.

Mike Davies, Stephen Carter and Iain McEwin elected to forego their share-based remuneration entitlement for the financial year ended 30 June 2013.

In the year ended 30 June 2012 the Company issued to Mr Kosmas Galtos, the Chief Executive who resigned in August 2011, 3.5 million new fully paid ordinary shares in February 2012 as part of the Company's agreement with Mr Galtos following his resignation. The fair value of these shares was determined by reference to the share price at the time of agreement. The approval in April 2011 to issue Mr Galtos with 823,045 new fully paid ordinary shares was deferred at the request of Mr Galtos and remained unissued at 30 June 2011 and the issue did not proceed as part of the Company's agreement with Mr Galtos following his resignation. The Board did not grant any Long Term Incentive rights to any executive in the 2012 financial year.

Consolidated entity performance and link to remuneration

The factors that are considered to affect total shareholders return are summarised below:

	2009 $	2010 $	2011 $	2012 $	2013 $
Share price at financial year end ($)	0.068	0.032	0.010	0.019	0.007
Basic earnings per share (cents per share)	(0.14)	(0.54)	(0.38)	(0.43)	(0.33)

The earnings of the consolidated entity for the five years to 30 June 2013 are summarised below:

	2009 $	2010 $	2011 $	2012 $	2013 $
Sales Revenue	273,811	884,085	274,987	686,266	1,314,914
EBITDA	(2,842,959)	(2,764,054)	(2,502,282)	(4,910,789)	(4,938,052)
EBIT	(2,985,153)	(3,358,560)	(3,073,761)	(5,491,142)	(5,477,784)
Loss after income tax	(3,358,932)	(3,728,403)	(3,121,709)	(5,549,700)	(5,444,185)

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.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of Environmental Clean Technologies Limited, at each Annual General Meeting one-third (or a number nearest one-third, rounded up) of the number of Directors (excluding any other Director appointed by the Directors either to fill a casual vacancy or as an addition to the existing Directors) must retire by rotation; and

- any other Director who has held office for three years or more since last being elected; and
- any other Director appointed to fill a casual vacancy or as an addition to the existing Directors.

Accordingly, at the 2012 Annual General Meeting Stephen Carter and Ashley Moore retired as directors by rotation and, being eligible, offered themselves for re-election and were re-elected. Most recently at an EGM held on 23 August 2013, Glenn Fozard was elected a director of the company.

The aggregate non-executive director remuneration is determined by a general meeting. The most recent determination was at the Annual General Meeting 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. Mr Carter, in addition to discharging his responsibilities as non-executive director is also engaged by the Company to provide special services on a consultancy basis, primarily in the area of Capital raising management.

Voting and Comments Made at the Company's 2012 Annual General Meeting (AGM)

At the 2012 AGM, 59% of the proxy votes were recorded against the adoption of the Remuneration Report. The vote by show of hands did not reverse this, constituting a 'first strike' under section 250R of the Corporations Act.

Subsequent feedback from shareholders highlighted dissatisfaction with respect to fees paid to Directors for 'other' services. The Company's response has been to introduce additional governance and oversight policy, as well as additional transparency measures. Shareholders provided their support for these changes via approval of Resolution 3 at the Company's EGM held on 23 August 2013.

(End of Audited Remuneration Report)

Share Options and Share Holdings

At the date of this report (30 August 2013), the following options to acquire Ordinary shares of the company were on issue:

	Number	Exercise Price	Expiry Date	Number Vested	Number Unvested
Unlisted ordinary options	20,000,000	$0.05	14/12/2014	20,000,000	-
Listed options (ESIO)	871,885,303	$0.02	16/01/2014	871,885,303	-
	891,885,303			891,885,303	-

For more information on the share and options holdings of Directors refer to note 22.

Insurance and Indemnities of Officers and Directors

The Company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as a director, officer or auditor, including costs and expenses in successfully defending legal proceedings. Directors and Officers Liability Insurance premiums paid during the year ended 30 June 2013 amount to $22,970 (2012: 22,513) (ex GST).

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 Commercial Demonstration plant, this status will change. Appropriate planning is in place to manage this transition.

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

No non-audit services were provided by BDO East Coast Partnership or related practices during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

Signed at Melbourne this 30 August 2013 in accordance with a resolution of the directors.

Ashley Moore
Managing Director

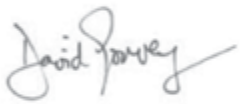
Auditor's independence declaration

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

As lead auditor of Environmental Clean Technologies Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.



David Garvey

Partner

BDO East Coast Partnership

Melbourne, 30 August 2013

Annual financial statements

Contents

These financial statements include the consolidated financial statements for the consolidated entity consisting of Environmental Clean Technologies Limited (ECT) and its subsidiaries. The financial statements are presented in Australian dollars, which is ECT's functional and presentational currency.

ECT 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 Street

Melbourne Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Review of Operations section on page 27 and Principal Activities section on page 24, both of which are not part of these financial statements.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Revenue from continuing operations	4		
Interest		22,831	28,686
Research and Development Tax Refunds		1,292,083	654,085
Gain on sale of furniture and fittings		-	3,000
Other Income		-	495
		1,314,914	686,266
Expenses			
Corporate Costs		(295,732)	(509,131)
Depreciation and Amortisation		(539,732)	(580,353)
Employee Benefits Expense		(1,411,267)	(1,756,332)
Finance and Borrowing Costs		(878,203)	(346,983)
Legal Costs		(101,838)	(416,823)
Sales and Marketing		(302,466)	(263,190)
Occupancy Expense		(125,164)	(133,662)
Design for Tender		(2,682,344)	(1,544,190)
Engineering Costs		(281,158)	(527,062)
Travel and Accommodation		(138,541)	(264,320)
Movement of earn out provision		72,403	165,159
Other Expenses		(75,057)	(59,079)
Loss before income tax	5	**(5,444,185)**	**(5,549,700)**
Income tax expense	6	-	-
Loss after Income tax attributable to the owners of Environmental Clean Technologies Limited		**(5,444,185)**	**(5,549,700)**
Other Comprehensive Income		-	-
Total Comprehensive Loss attributable to the owners of Environmental Clean Technologies Limited		**(5,444,185)**	**(5,549,700)**

	Notes	2013 Cents	2012 Cents
Loss per share (EPS) from continuing operations attributable to the owners of Environmental Clean Technologies Limited			
Basic loss per share	18	(0.33)	(0.43)
Diluted loss per share	18	(0.33)	(0.43)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2013

		CONSOLIDATED	
		2013	2012
	Notes	$	$
CURRENT ASSETS			
Cash and Cash Equivalents	7	627,115	285,872
Trade and Other Receivables	8	131,459	109,590
Other Current Assets	9	118,002	130,764
Total Current Assets		876,576	526,226
NON-CURRENT ASSETS			
Investments accounted for using the equity method	10	2	2
Property, Plant and Equipment	11	120,328	177,425
Intangible Assets	12	7,680,000	8,160,000
Total Non-Current Assets		7,800,330	8,337,427
Total Assets		**8,676,906**	**8,863,653**
CURRENT LIABILITIES			
Trade and Other Payables	14	1,044,425	1,024,153
Other Financial Liabilities	16	2,754,612	-
Employee Benefits	15	62,602	72,902
Total Current Liabilities		3,861,639	1,097,055
NON-CURRENT LIABILITIES			
Other Financial Liabilities	16	417,058	489,461
Employee Benefits	15	14,730	7,882
Total Non-Current Liabilities		431,788	497,343
Total Liabilities		**4,293,427**	**1,594,398**
NET ASSETS		**4,383,479**	**7,269,255**
EQUITY			
Contributed Equity	17	52,076,821	49,518,412
Accumulated losses	18	(47,693,342)	(42,249,157)
TOTAL EQUITY		**4,383,479**	**7,269,255**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2011	**44,989,191**	**221,033**	**(36,957,591)**	**8,252,633**
Loss after income tax expense for the year	-	-	(5,549,700)	(5,549,700)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(5,549,700)**	**(5,549,700)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	4,529,221	-	-	4,529,221
Equity component of convertible notes issued	-	37,101	-	37,101
Transfer (from)/to reserves	-	(258,134)	258,134	-
Balance at 30 June 2012	**49,518,412**	**-**	**(42,249,157)**	**7,269,255**
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 loss for the year	**-**	**-**	**(5,444,185)**	**(5,444,185)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,558,409	-	-	2,558,409
Balance 30 June 2013	**52,076,821**	**-**	**(47,693,342)**	**4,383,479**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Research and Development Tax Refunds		1,292,083	654,085
Payments to trade creditors, other creditors and employees (inclusive of goods and services tax)		(5,216,866)	(4,972,258)
Interest received		22,831	28,686
Net cash used in operating activities	24	**(3,901,952)**	**(4,289,487)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	3,000
Payments for property, plant and equipment		(2,635)	(7,777)
Net cash used in investing activities		**(2,635)**	**(4,777)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares for cash		223,227	3,909,483
Arup Bond Received		2,300,000	-
Receipt Fast Finance Funding		1,911,955	-
Fast Finance Funding Repaid		(189,352)	-
Net cash from financing activities		**4,245,830**	**3,909,483**
Net increase/(decrease) in cash and cash equivalents held		341,243	(384,781)
Cash and cash equivalents at the beginning of the financial year		285,872	670,653
CASH AND CASH EQUIVALANTS AT THE END OF THE FINANCIAL YEAR	7	**627,115**	**285,872**

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

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are those of the consolidated entity consisting of Environmental Clean Technologies Limited and its controlled entities. Separate financial statements for Environmental Clean Technologies Ltd as an individual entity are no longer presented as a consequences of a change to the Corporation Act 2001, however limited financial information for Environmental Clean Technologies Limited as an individual entity is included in note 27.

These accounts were approved by the board of directors on 30 August 2013 and therefore only include information up until this date.

(a) Basis of preparation

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

All new, revised or amending Accounting Standards and Interpretations that are mandatory for the year ended 30 June 2013 have been adopted. There were no significant changes to the company's accounting policies.

Compliance with IFRSs

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

Historical cost convention

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

Critical accounting estimates

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

(b) Going concern

For the year ended 30 June 2013 the consolidated entity had an operating loss before tax of $5,444,185, negative cash flow from operating activities of $3,901,952, and net current liabilities of $2,985,063. Furthermore, the consolidated entity does not have a source of revenue and is reliant on equity capital or loans from third parties to meet their operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

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

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

i. On 23 August 2013, ECT Shareholders approved all prior issued shares, as well as the issuance and conversion of shares covered by the Arup Strategic Deliverable Bond. This provides the company with the ability to call upon up to 25% of its issued share capital. Consequently, the Company intends to undertake additional capital raisings to ensure sufficient funds are available to deliver on Company objectives as required.

ii. Included in trade and other payables at 30 June 2013 are amounts owing to Arup Pty Ltd totaling approximately $750,000, with payment of these liabilities to be funded from the Arup Strategic Deliverable Bond. Considering activity and invoicing subsequent to the report date, approximately $500,000 headroom exists with the Bond to support the Company's internal commercialisation activities and to support working capital requirements.

iii. The Company expects to receive additional funding of in excess of $1 million from R&D tax refunds during the 30 June 2014 financial year. The Directors are of the opinion that further funding from additional FAST finance loans could be obtained by Company and drawn down against current and planned expenditure.

iv. The Company continues to receive assurances and written guidance from Monash Capital Group Pty Ltd that they are making progress on their capital raising with respect to the planned $6 million equity placement.

v. As at 30 June 2013 the Company has on issue 871,885,303 listed options (ESIO) that can be converted by option holders to ordinary shares in the company at an exercise price of two cents per share on or before 14 January 2014. In the event that the share price is sufficient to encourage holders to convert and should all options be converted into shares, the Company would raise $17.4 million.

The cash flow forecasts prepared by management demonstrate that it has sufficient cash flows to meet its commitments over the next twelve months, subject to the above.

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

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Environmental Clean Technologies Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Environmental Clean Technologies Limited and its subsidiaries together are referred to in these financial statements as the group or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

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

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

The acquisition of Asia Pacific Coal & Steel Pty Limited ("APCS") on 25 May 2006 was treated as a reverse acquisition in accordance with AASB 3 – Business Combinations whereby APCS is considered the accounting acquirer on the basis that APCS is the controlling entity in the transaction. As a result, APCS is the continuing entity for consolidated accounting purposes and the legal parent Environmental Clean Technologies Ltd is the accounting subsidiary.

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

(d) Segment Reporting

The consolidated entity has applied *AASB 8 Operating Segments*, which requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity the chief operating decision maker is the Board of Directors.

(e) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

Interest Revenue

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

(g) Income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if there are offsetting deferred tax liabilities or it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Environmental Clean Technologies Limited and its wholly owned Australian controlled entities have formed a tax consolidated group under the tax consolidation regime.

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

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

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

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

Research and Development Tax Refund

A refund of eligible research and development expenditure is claimed under the Research and Development Tax Refund scheme.

(h) Leases

Operating lease payments are charged as an expense in the period in which they are incurred.

(i) 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 Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(j) Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable but at least on an annual basis. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

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

(l) Trade and other receivables

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

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

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

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

Depreciation is calculated on a straight-line basis for all plant and equipment, with the exception of plant under construction, net of their residual values, over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis. The useful lives of each item of property, plant and equipment is as follows:

Plant and Equipment	15 years
Furniture and Fittings	10 years
Office Equipment	3 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(n) Intangible Assets

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

Amortisation is calculated using the straight-line method, over the estimated useful lives of 20 years. The method and useful lives of finite life intangible assets are renewed annually.

(o) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided 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 45 days of recognition.

(p) Interest Bearing Liabilities

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

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

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

(q) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred except where they are incurred in the construction of a qualifying asset in which case the finance costs are capitalised as part of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale.

(r) Provisions

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

(s) Employee benefits

Short-term obligations

Liabilities for salaries and wages, including non-monetary benefits, and annual leave expected to be settled within 12 months of the end of reporting period are recognised in respect of employees' services up to the end of reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

Superannuation

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

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

(t) Earnings Per Share

Basic Earnings per Share

Basics 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 then 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.

(u) Contributed equity

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

(v) Goods and Services Tax (GST)

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

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

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

(w) New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group does not anticipate early adoption of any of the reporting requirements stated below and does not expect these requirements to have any material effect on the Groups financial statements.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9,2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to 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. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. 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. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 *Consolidated Financial Statements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) 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 (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have 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. The adoption of this standard from 1 July 2013 is not likely to have a significant impact on the company.

AASB 11 *Joint Ventures*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures 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 will use equity accounting. Joint operations, where the parties to the agreements have the rights to

the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 127 ***Separate Financial Statements (Revised)***

AASB 128 ***Investments in Associates and Joint Ventures (Reissued)***

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 ***Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)***

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate 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 amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to have a material impact on the consolidated entity.

AASB 2011-4 ***Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement***

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 ***Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards***

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-2 ***Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities***

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures 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 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 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. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend 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. The adoption of these amendments will not have a material impact on the consolidated entity.

AASB 12 *Disclosure of Interests in Other Entities*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. 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'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 *Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) Income taxes

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

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

(ii) Life of Intangible asset

The group estimates the effective life of patents and intellectual property to be 20 years and amortises these asset 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,

(iii) Estimated impairment of non-current assets

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

(i) Fair value estimate of debt and equity portions of Convertible notes

AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" requires that convertible notes require separate accounting of the fair value of the debt and equity portions of the financial instruments. The fair value of the debt portion of the financial instrument is calculated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar pure debt financial instruments. The Group has therefore been required to make assumptions regarding the relevant current market interest rate that is available to the Group.

ii) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible 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 to sell value-in-use calculations, which incorporate a number of key estimates and assumptions.

iii) 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. In determining the present value of the liability, estimates of expected timing and quantities of production are taken into consideration.

3. Segment Information

Business and Geographical Segments

The Group has adopted AASB 8 Operating Segments whereby segment information is presented using a "management approach", i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The company operates predominantly in the environmental and energy industry, and a single geographic segment being Australia. The board of directors assess the operating performance of the group based on management reports that are prepared on this basis. At regular intervals, the board is provided management information at a group level for the group's cash position, the carrying values of intangible assets and a group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

4. Revenue and Other Income

	CONSOLIDATED	
	2013	2012
	$	$
Interest Received	22,831	28,686
Research and Development Tax Refund	1,292,083	654,085
Net gain on sale of furniture and fittings	-	3,000
Other Income	-	495
	1,314,914	**686,266**

5. Expenses

	CONSOLIDATED	
	2013	2012
	$	$
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation	59,732	100,353
Amortisation	480,000	480,000
Finance and Borrowing Costs:		
Interest, Finance and Related Charges	566,142	60,635
Finance Costs on Convertible Note	-	202,281
Unwinding of Discount on Convertible Note	-	84,067
Finance Costs – Arup Strategic Deliverable Bond	312,061	-
	878,203	346,983
Design for Tender	2,682,344	1,544,190
Engineering Costs	281,158	527,062
Superannuation Expense	79,487	67,777
Rental Expense Relating to Operating Leases:		
Minimum Lease Payments	55,059	46,440

6. Income Tax Expense

	CONSOLIDATED	
	2013	2012
	$	$
(a) Income Tax Expense		
Current tax	-	-
Deferred tax	-	-
	-	-
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	144,000	144,000
Decrease in deferred tax liabilities	(144,000)	(144,000)
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(5,444,185)**	**(5,549,700)**
Tax at the Australian tax rate of 30% (2012 – 30%)	(1,633,256)	(1,664,910)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Finance Costs	80,866	85,904
Amortisation	144,000	144,000
Research and Development	(387,625)	(188,150)
Share Based Payments	-	10,500
Other	795	(1,232)
Deferred tax asset movement not recognised	1,795,220	1,613,888
Income tax expense	-	-
(c) Gross deferred tax asset balance not recognised – potential benefit at 30% attributable to tax losses	4,242,795	2,180,477
Consists of:		
Gross deferred tax assets attributable to:		
Tax losses at 30%	5,583,197	4,733,578
Temporary differences	963,598	(105,101)
Less offset against deferred tax liability	(2,304,000)	(2,448,000)
Deferred tax asset	4,242,795	2,180,477

Further details on deferred tax assets and deferred tax liabilities are provided at note 13.

7. Current Assets – Cash and Cash Equivalents

	CONSOLIDATED	
	2013	2012
	$	$
Cash at bank and on hand	627,115	285,872

8. Current Assets – Trade and Other Receivables

	CONSOLIDATED	
	2013	2012
	$	$
Goods and services tax (GST) receivable *	131,459	109,590

* Receivables are not past due and are not impaired

9. Current Assets – Other

	CONSOLIDATED	
	2013	2012
	$	$
Deposits Paid	13,146	24,561
Other Debtors	1,714	1,714
Prepayments	86,087	87,434
Loan – Coldry East Kalimantan	17,055	17,055
	118,002	130,764

10. Non-Current Assets – Investments accounted for using the equity method

	CONSOLIDATED	
	2013	2012
	$	$
Shares in Victoria Coldry Pty Ltd (50% interest)	1	1
Shares in Coldry East Kalimantan Pty Ltd (50% interest)	1	1
	2	2

11. Non-Current Assets - Property, Plant and Equipment

	CONSOLIDATED	
	2013	2012
	$	$
Plant and Equipment – at cost	765,251	765,251
Less: Accumulated depreciation	(654,677)	(601,681)
	110,574	163,570
Furniture and Fixtures – at cost	5,971	4,335
Less: Accumulated depreciation	(3,470)	(2,312)
	2,501	2,023
Office Equipment – at cost	56,236	55,237
Less: Accumulated depreciation	(48,983)	(43,405)
	7,253	11,832
Total property, plant and equipment	120,328	177,425

2013	**Total**	**P&E**	**F&F**	**OE**
	$	**$**	**$**	**$**
CONSOLIDATED				
Balance as at 1 July 2012	177,425	163,570	2,023	11,832
Additions	2,635	-	1,636	999
Disposals	-	-	-	-
Depreciation expense	(59,732)	(52,996)	(1,158)	(5,578)
Balance as at 30 June 2013	120,328	110,574	2,501	7,253

2012	**Total**	**P&E**	**F&F**	**OE**
	$	**$**	**$**	**$**
CONSOLIDATED				
Balance as at 1 July 2011	270,001	242,360	9,376	18,265
Additions	7,777	-	-	7,777
Disposals	-	-	-	-
Depreciation expense	(100,353)	(78,790)	(7,353)	(14,210)
Balance as at 30 June 2012	177,425	163,570	2,023	11,832

12. Non-Current Assets - Intangibles

	CONSOLIDATED	
	2013	2012
	$	$
Patents/Intellectual property – at cost	9,600,000	9,600,000
Less: Accumulated amortisation	(1,920,000)	(1,440,000)
	7,680,000	8,160,000
Reconciliation of Intangible Asset:		
Balance at the beginning of year	8,160,000	8,640,000
Amortisation expense	(480,000)	(480,000)
Balance at the end of year	7,680,000	8,160,000

13. Deferred Tax

	CONSOLIDATED	
	2013	2012
	$	$
Deferred Tax Asset	2,304,000	2,448,000
Deferred Tax Liability	(2,304,000)	(2,448,000)
	-	-

The consolidated entity has recognised a deferred tax liability of $2,304,000 (2012: 2,448,000) as a result of the recognition of the Coldry Patents/Intellectual Property upon consolidation of the Coldry Unit Trust, amortised over its useful life of 20 years. The parent company has sufficient losses available to recognise a deferred tax asset to offset the tax liability recognised on consolidation. A deferred tax asset of $2,304,000 (2012: $2,448,000) has been recognised in the company accounts and offset against the deferred tax liability in the consolidated accounts.

14. Current Liabilities – Trade and Other Payables

	CONSOLIDATED	
	2013	2012
	$	$
Trade Payables	882,145	377,652
Other Payables	162,280	646,501
	1,044,425	1,024,153

Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 25.

15. Current and Non-Current Liabilities – Employee Benefits

	CONSOLIDATED	
	2013	2012
Current:	$	$
Employee Provisions	62,602	72,902
	62,602	72,902

	CONSOLIDATED	
	2013	2012
Non-Current:	$	$
Employee Provisions	14,730	7,882
	14,730	7,882

16. Other Financial Liabilities

Current

	CONSOLIDATED	
	2013	**2012**
	$	**$**
Fast Finance (i)	1,587,945	-
Arup Strategic-Deliverable Bond (ii)	1,166,667	-
	2,754,612	-

Non-current

Earn Out Creditor	417,058	489,461
Total Non-current Liabilities	**417,058**	**489,461**

(i) The key terms of the Fast Finance loan are as follows:

a. Term – 12 months

b. Repayment – Cash in full from the R&D Tax Rebate refund

c. Interest rate – 15% payable upfront

d. Distribution fee – 5%

(ii) The key terms of the Arup Strategic Deliverable Bond are as follows:

a. Amount - $3,900,000

b. Term – 12 months

c. Interest rate – 0%

d. Convertibility – 90% of the lowest daily VWAP of the preceding 5 days trade

17. Contributed Equity

Balance at beginning of financial year	49,518,412	44,989,191
Issue of shares	2,558,409	4,529,221
Balance at end of financial year	52,076,821	49,518,412

Reconciliation of share movements	**No of shares**	**$**
Balance at 30 June 2012	**1,571,593,752**	**49,518,412**
Placements	252,724,379	2,558,409
Balance at 30 June 2013	**1,824,318,131**	**52,076,821**

Date	Details	Shares Issued	Balance	Consideration
1-Jul-12	Opening Balance		1,571,593,752	$49,518,412
26-Jul-12	Monash placement	37,500,000	1,609,093,752	$500,000
09-Oct-12	FAST Financing interest and fees	2,625,000	1,611,718,752	$31,500
21-Nov-12	Fees payable on Arup Bond	5,555,556	1,617,274,308	$75,000
06-Feb-13	Conversion of Fast Finance Loan	29,198,543	1,646,472,851	$264,539
06-Feb-13	Placement	12,911,362	1,659,384,213	$125,000
06-Feb-13	FAST Financing interest and fees	13,796,909	1,673,181,122	$116,977
19-Feb-13	Arup Bond (1st conversion)	83,453,878	1,756,635,000	$750,000
22-May-13	Arup Bond (2nd conversion)	19,072,018	1,775,707,018	$150,000
07-Jun-13	Arup Bond (3rd conversion)	27,777,778	1,803,484,796	$200,000
26-Jun-13	Arup Bond (4th conversion)	20,833,335	1,824,318,131	$150,000
	Adjustment for Arup Bond Finance Cost	-	-	$195,393
30-Jun-13	Closing Balance		1,824,318,131	$52,076,821

These ordinary shares give the holder voting rights in the company and entitle the holder to dividend distributions in proportion to the number of and amounts paid on the shares held.

Share Options

At 30 June 2013 the following options to acquire Ordinary shares of the company were on issue:

	Number	Exercise Price	Expiry Date	Number Vested	Number Unvested
Unlisted ordinary options	20,000,000	$0.05	14/12/2014	20,000,000	-
ESIO	871,885,303	$0.02	16/01/2014	871,885,303	-

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

18. Reserves and Accumulated Losses

CONSOLIDATED

	2013 $	2012 $
Reserves		
Share option reserve	-	-
Convertible notes reserve	-	-
Total reserves	-	-

Movements in reserves were:

	CONSOLIDATED 2013 $	2012 $
Share option reserve		
Opening balance	-	9,375
Fair value of options issued during the year	-	-
Transfer of fair value of options expired to accumulated losses	-	(9,375)
Closing balance	-	-

	CONSOLIDATED 2013 $	2012 $
Convertible note equity reserve		
Opening balance	-	211,658
Equity component of convertible notes issue	-	37,101
Transfer of reserve to accumulated losses	-	(248,759)
Closing balance	-	-

	CONSOLIDATED 2013 $	2012 $
Accumulated Losses		
Opening balance	(42,249,157)	(36,957,591)
Loss after income tax expense for the year	(5,444,185)	(5,549,700)
Transfer from reserves	-	258,134
Closing balance	(47,693,342)	(42,249,157)

Earnings per Share:	2013 $	2012 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary owners of the Company used in calculating basic and diluted loss per share	(5,444,185)	(5,549,700)

	2013 Number	2012 Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share	1,668,061,771	1,263,826,451

At 30 June 2013 there were 891,885,303 (2012: 851,760,303) share options that could be potentially dilutive in

the future if the company was not in a loss-making position. Of these options, 871,885,303 are listed and are exercisable at 2.0c per option and 20,000,000 are unlisted and are exercisable at 5.0c per option.

Since 1 July 2013, 245,985,495 new shares and nil listed options (ESIO) have been issued.

19. Controlled Entities

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	Country of Incorporation	Equity Holding	
		2013	2012
		%	%
Parent entity			
Environmental Clean Technologies Limited	Australia		
Controlled entities			
Asia Pacific Coal and Steel Pty Ltd	Australia	100%	100%
Enermode Pty Ltd	Australia	100%	100%
Maddingley Coldry Unit Trust	Australia	100%	100%
ECT Coldry Pty Ltd	Australia	100%	100%
ACN 109 941 175 Pty Ltd (Maddingley Coldry Pty Ltd)	Australia	100%	100%
ECT Fuels Pty Ltd	Australia	100%	100%
ECT China Ltd	Hong Kong	100%	100%
Coldry Demonstration Plant Pty Ltd	Australia	100%	-
Coldry Master License Pty Ltd	Australia	100%	-

20. Commitments and Contingencies

Participant's agreement with Maddingley Associates

(a) Capital Commitment

On 29 July 2005 Asia Pacific Coal and Steel Limited ("APCS") signed a participant's agreement with Maddingley Associates with the objective for APCS to licence and commercialise the Coldry and Matmor technology owned by Maddingley Associates.

This agreement was then subject to a deed of variation following the acquisition of 100% of the equity of APCS by Environmental Clean Technologies Limited on 25 May 2006.

As part of the participant's agreement and deed of variation, APCS and ECT have committed to complete agreed milestones along an agreed critical path. A Deed of Variation was entered into on 30 June 2009 to extend the milestones for the development and construction of the first Matmor plant to 31 December 2014 and not 31 December 2011 as per the original milestones. The commitments and date of achievement of the milestones are as follows:

- Commence construction of the 6000 tonne per annum Matmor Steel Plant by 31 December 2012.
- Complete construction of the Matmor Steel Plant by 31 December 2014.

(b) Contingent liability

The Maddingley agreement and subsequent deeds of variation state that should the agreement be terminated by any reason other than breach or default on the part of Maddingley Associates, then APCS will grant to Maddingley 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;
- 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 the group fails to meet the obligations and Maddingley exercise the option to purchase the Coldry Pilot Plant upgrades for $1. At 30 June 2013 the upgrades had a net book value of $110,574 (2012: $163,570).

(c) Contingent Commitment to issue equity

As announced to the ASX on 23 May 2012, ECT acquired an interest to Coal exploration licence EL5119. As part of the arrangements, an issue of 3,000,000 shares to the intermediary, Podium International Pty Ltd was agreed, contingent upon the formal issuance of the Exploration licence and a suitable sub-licence being provided to the Company. These milestones were completed in June 2013, though the shares were not formally issued until after the reporting period had ended. These shares have since been issued, as reported to the ASX on 17 July 2013.

21. Remuneration of Auditors

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

	CONSOLIDATED	
	2013	2012
	$	$
Audit or review of the financial statements	67,145	62,341
Other Services	-	-
	67,145	62,341

22. Key Management Personnel Disclosures

Directors

The following persons were directors of the Company during the financial year:Michael Davies – Executive Chairman / Managing Director (Resigned 20 August 2013)

- Stephen Carter – Non-Executive Director
- Iain McEwin – Non-executive Director
- Ashley Moore – Chief Operating Officer / Managing Director

Other key management personnel

In addition, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

John Osborne – Company Secretary (Resigned 04 December 2012)

Adam Giles – Company Secretary (Appointed 04 December 2012)

Key management personnel compensation

	CONSOLIDATED	
	2013	2012
	$	$
Short-term employee benefits	926,596	998,109
Post-employment benefits	42,876	21,214
Share-based payments	-	35,000
Termination Benefits	-	137,557
	969,472	1,191,880

Further information on key management personnel can be found in the Remuneration Report within the Director's Report.

Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report within the Director's Report.

(ii) Option holdings

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

2013	Balance at start of the year	Granted as compensation	Other changes	Balance at end of the year	Vested and exercisable	Unvested
I McEwin	38,412,637	-	-	38,412,637	38,412,637	-
A Moore	583,335	-	-	583,335	583,335	-
A Giles (appointed 4 December 2012)	3,896,977	-	-	3,896,977	3,896,977	-

2012	Balance at start of the year	Granted	Other	Balance at end of the year	Vested and exercisable	Unvested
I McEwin (appointed – 11 July 2011)	22,790,920[1]	-	15,621,717[2]	38,412,637	38,412,637	-
A Moore (appointed – 17 July 2011	-[1]	-	583,335[2]	583,335	583,335	-
D Brockenshire (Resigned – 4 July 2011)	550,000	-	(550,000[3])	-	-	-
J Hutchinson (Resigned – 5 July 2011)	550,000	-	(550,000[3])	-	-	-
K Galtos (Resigned – 15 August 2011)	3,191,176	-	(3,191,176)[4]	-	-	-

Notes:

1. Holdings (Indirect and direct) as at date of appointment as a Director on 11 July 2011.
2. Options acquired as part of subscription for new shares in the 2011 Rights Issue.
3. Holdings (Indirect and direct) as at date of resignation.
4. Options lapsed upon resignation.

(iii) Directors and Executives equity holding:

The number of shares in the parent entity held during the financial year by each Director and other Key Management personnel of the group, including personally related parties, are set out below:

2013	Balance at the start of year	Other	Balance at the end of the year
I McEwin	53,108,581	-	53,108,581
A Moore	2,916,668	-	2,916,668
A Giles	13,138,609[1]	-	13,138,609

2012	Balance at the start of year	Other	Balance at the end of the year
I McEwin (appointed – 11 July 2011)	21,865,148[1]	31,243,433[2]	53,108,581
A Moore (appointed – 17 July 2011	1,750,000[1]	1,166,668[2]	2,916,668
D Brockenshire (Resigned – 4 July, 2011)	935,000	935,000[3]	-
J Hutchinson (Resigned – 5 July, 2011)	2,119,519	2,119,519[3]	-
K Galtos (Resigned – 15 August 2011)	2,110,294	2,110,294[3]	-

Notes:

1. Holdings (indirect and direct) as at date of appointment as Director/Secretary.
2. Shares acquired as part of subscription for new shares in the 2011 Rights Issue.
3. Holdings (indirect and direct) as at date of resignation.

23. Related party transactions

(a) Parent entities

The legal and ultimate parent entity within the Group is Environmental Clean Technologies Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the Remuneration Report in the Director's Report.

24. Notes to the Statement of Cash Flows

CONSOLIDATED

	2013 $	2012 $
Reconciliation of loss after income tax to net cash flows from operations		
Loss after income tax expense for the year	(5,444,185)	(5,549,700)
Adjustments for:		
Depreciation and amortisation	539,732	580,353
Unwinding of earn out creditor	(72,403)	(165,159)
Finance costs on convertible note	-	202,281
Unwinding of discount on convertible note	-	84,067
Arup Bond transaction costs	312,061	-
Expense settled by share issue	-	77,000
Net gain on disposal of furniture and fittings	-	(3,000)
Changes in assets and liabilities:		
Decrease in trade and other debtors	(9,107)	(86,339)
Increase/(decrease) in trade and other payables	775,402	570,314
(Decrease)/increase in employee benefits	(3,452)	696
Net cash outflow from operating activities	(3,901,952)	(4,289,487)

25. Financial Instruments

Financial risk management objectives

The Group's operations expose it to various financial risks including market, credit and liquidity risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Board and Managing Director on a regular basis by reviewing current and potential sources of funding, cash flow and operating/capital expenditure forecasts, to manage credit, liquidity and cash flow risk.

(a) Market risk

Foreign exchange risk

The Group's operations are currently solely within Australia, and therefore are not exposed to any foreign exchange risk.

Interest rate risk

The Group currently has minimal exposure to interest rate risk.

As at the end of reporting period, the Group had no variable rate borrowings.

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

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as exposures to customers, including outstanding receivables. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets. The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group aims at maintaining flexibility in funding by keeping committed funding options available to meet the Group's needs.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2013	*Weighted average interest rate*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	%	$	$	$	$	$
Trade and other payables	-	1,044,425	-	-	-	1,044,425
Fast Finance	15	-	1,700,000	-	-	1,700,000
Earn Out Creditor	-	-	-	3,000,000	-	3,000,000

30 June 2012	*Weighted average interest rate*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*5 + Years*	*Total*
	%	$	$	$	$	$
Trade and other payables	-	1,024,153	-	-	-	1,024,153
Earn Out Creditor	-	-	-	3,000,000	-	3,000,000

(d) Fair value estimation

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 Group for similar financial instruments.

26. Events after the reporting period

- On 5 July 2013 the Company advised that Coldry engineering work would advance to 'construction-ready' phase. To support the advancement of the engineering works, the Company and Arup agreed to extend the maximum amount of the Strategic Deliverable Bond by another $1.4 million. The Company also announced that it participated in the early assessment stages of the advanced R&D program announced by India's Neyveli Lignite Corporation. The Company successfully passed through the Expression of Interest stage and submitted a more detailed proposal for NLC's lignite-drying project.
- On 17 July 2013 the Company advised the appointment of Mr Glenn Fozard to the Board as a Non-Executive Director.
- On 29 July 2013 the Company advised that Directors elected to forego the share-based remuneration component of for the 2012/13 financial year.
- On 20 August 2013 the Company advised that engineering firm Arup had completed the design and engineering for its Coldry demonstration plant to 'construction ready' status. The Company also announced the retirement of Mr Michael Davies, having led the completion of this significant outcome for ECT's shareholders.
- On 22 August 2013 the Company advised the appointment of Mr Lloyd Thomson to the Board as a Non-Executive Director.
- On 23 August 2013 the Company held an Extra Ordinary General Meeting (EGM). The meeting considered and passed the following resolutions:
  - Ratification of prior issue of securiteis
  - Approval of new share issue
  - Approval of Non-Executive Director Remuneration Policy
  - Election of Mr. Glenn Fozard

It is ECT's intention to have its 2013 Annual General Meeting during November 2013 at a time and venue to be advised.

27. Parent Entity Information

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

		2013 $	2012 $
a)	Financial Information		
	Loss from ordinary activities after tax	(4,964,184)	(5,069,700)
	Total Comprehensive Income	(4,964,184)	(5,069,700)
	Current Assets	844,661	526,226
	Non Current Assets	9,752,244	9,777,426
	Total Assets	**10,596,905**	**10,303,652**
	Current Liabilities	3,861,639	1,104,938
	Non Current Liabilities	431,788	489,461
	Total Liabilities	**4,293,427**	**1,594,399**
	Net Assets	**6,303,478**	**8,709,253**
	Issued Capital	55,368,747	52,810,338
	Accumulated Losses	(49,065,269)	(44,101,085)
	Total Equity	**6,303,478**	**8,709,253**

b) Guarantees

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

c) Other Commitments

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

As announced to the ASX on 23 May 2012, ECT acquired an interest to Coal exploration licence EL5119. As part of the arrangements, an issue of shares to the intermediary, Podium International Pty Ltd was agreed, contingent upon the formal issuance of the Exploration licence and a suitable sub-licence being provided to the Company. These milestones were completed in June 2013, though the shares were not formally issued until after the reporting period had ended. These shares have since been issued, as reported to the ASX on 17 July 2013.

d) Contingent Liabilities

Environmental Clean Technologies Limited has no contingent liabilities.

28. Commitments

	CONSOLIDATED	
	2013 $	2012 $
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	38,889	42,375
One to five years	38,889	42,375
More than five years	-	-
	77,778	84,750

Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 39 to 69 are in accordance with the *Corporations Act 2001,* including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

   iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1(a) to the financial statements; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors.

Ashley Moore
Managing Director

Melbourne

Date: 30 August 2013

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 2013, 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(a), 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 2013 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(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which indicates that for the year ended 30 June 2013 the consolidated entity had an operating loss before tax of $5,444,185, negative cash flow from operating activities of $3,901,952, and net current liabilities of $2,985,063. 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(b), 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 16 to 20 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

David Garvey
Partner

Melbourne, 30 August 2013

Corporate Directory

Directors	Stephen Carter Iain McEwin Ashley Moore Glenn Fozard (appointed 17 July 2013) Lloyd Thomson (appointed 22 August 2013)
Secretary	Adam Giles (appointed 4 December 2012)
Principal registered office in Australia	Suite 712 530 Little Collins Street Melbourne Victoria 3000
Share registers	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia 6153
Auditors	BDO East Coast Partnership Level 14 140 William Street Melbourne Victoria 3000
Accountants	RSM Bird Cameron Level 8, Rialto 525 Collins Street Melbourne Victoria 3000
Solicitors	Norton Rose Fulbright RACV Tower, 485 Bourke St Melbourne Victoria 3000
Exchange listings	Environmental Clean Technologies Limited's shares are listed on the Australian Securities Exchange. www.asx.com.au (ESI)
Website	www.ectltd.com.au

Shareholder Information

The shareholder information set out below was applicable as at 18 October 2013.

A. Distribution of Securities

	Ordinary Shares (ESI)	Listed Options (ESIO)
1-1000	266	33
1,001 - 5,000	160	45
5,001 - 10,000	134	37
10,001 - 100,000	1,367	258
100,001 and above	1,647	440
	3,574	813

B. Equity Security Holders

Twenty largest quoted equity security holders

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

Ordinary Share (ESI)	Number Held	Percentage of issued securities
LJ & K THOMSON PL	86,970,000	4.20%
MARBRIJEN PL	45,202,506	2.18%
MCEWIN IAIN R + CHURCH D	36,441,914	1.76%
SEGAL DANNY + JENNIFER R	34,000,000	1.64%
L J THOMSON PL	30,500,000	1.47%
P S PROPS PL	29,013,980	1.40%
MOSCA EMILIO + ANNA	25,050,000	1.21%
CHALLENGE ROOFING PL	23,090,002	1.12%
ZAKELJ RAFAEL JASON	20,500,000	0.99%
M WHITNEY PL	17,160,000	0.83%
BARAKAT JOSEPH + MARIE	17,109,647	0.83%
SUPERIOR COATINGS AUST PL	16,666,667	0.81%
HANLEY FAM PL	16,302,038	0.79%
MCDOUGALL G + ELMES G F	16,000,000	0.77%
JBD INDUSTRIAL PARK PL	15,800,000	0.76%
JBD INDUSTRIAL PARK PL	15,800,000	0.76%
JBD INDUSTRIAL PARK PL	15,800,000	0.76%
BENCO NOM PL	15,000,000	0.72%
PROKSA PETER ANDREW	15,000,000	0.72%
GILBERT BARRY J + R J	14,157,145	0.68%
Top 20 Ordinary Shareholders Total	505,563,899	24.40%
Total Ordinary Shares as at 18 October 2013	2,070,303,626	

There are 1,443 shareholders with shareholdings that are unmarketable parcels (33,155,182 shares).

Shareholder Information (cont.)

Twenty largest quoted equity security holders

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

Listed Options exercisable at 2.0c on or before 16 January 2014 (ESIO)	Number Held	Percentage of issued securities
PROKSA PETER ANDREW	59,000,000	6.77%
JBD INDUSTRIAL PARK PL	36,666,667	4.21%
JBD INDUSTRIAL PARK PL	36,666,667	4.21%
JBD INDUSTRIAL PARK PL	36,666,666	4.21%
MILTS GREGORY	35,105,606	4.03%
LJ & K THOMSON PL	28,999,998	3.33%
SUPERIOR COATINGS AUST PL	27,737,874	3.18%
CORBEAUX INV PL	22,109,000	2.54%
THOMSON LILY YUCHUN	20,000,000	2.29%
MOSCA EMILIO + ANNA	17,500,001	2.01%
LARRY HANLEY PL	15,362,392	1.76%
BEALE PHILLIP	12,419,187	1.42%
CHALLENGE ROOFING PL	12,163,002	1.40%
FAGAN DAVID PAUL + B J	10,694,444	1.23%
MCEWIN IAIN R + CHURCH D	10,674,763	1.22%
BASHAM JUSTIN P + D R	10,107,776	1.16%
JAMES DARYL W + C A	9,805,626	1.12%
SPELTA GARY JOHN + N	9,345,335	1.07%
CORBEAUX INV PL	7,785,000	0.89%
B & R SUPER PL	7,700,000	0.88%
Top 20 Ordinary Shareholders Total	426,510,004	48.93%
Total Listed Options as at 18 October 2013	871,885,303	

There are 485 optionholders with holdings that are unmarketable parcels (32,904,003 options).