31 August 2007

Preliminary Final Report

Environmental Clean Technologies (ASX:ESI) provides its Preliminary Final Report for the year ended 30 June 2007.

Enquiries can be directed to the Managing Director, Mr Con Galtos.

Con Galtos

Managing Director

Environmental Clean Technologies Limited

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Dear Shareholders,

Attached you will find the company's Preliminary Financial Statements for the year ended 30 June 2007. The primary focus of the Company is the reduction of carbon emissions and environmental damage, through investment and licensing of commercially practical and environmentally clean technologies and processes.

As you are aware, I was appointed to the position of Managing Director in May 2007. During the last few months a number of changes have taken place within our company and appropriate announcements were made through the ASX.

The 2007 Financial Year was one in which ECT undertook substantial expenditure to finalise development of the Coldry® process, continue research and development of the Matmor® process and move its head office to Melbourne concurrent with the upgrade of the Bacchus Marsh pilot plants.

ECT is a technology development company and it is very fortunate, in my opinion, to have two outstanding and unique technologies. Having focused solely on technological developments since re-listing, we have not yet achieved revenue, however, we expect our revenue flow to commence during the financial year 2007-8.

Our technologies consist of Coldry® and Matmor®.

Coldry®

The Company is justifiably proud of the Coldry® process which is the world's first economic method of dewatering brown coal (to an average of 12%), to create storable, stable, black coal substitute feedstock, with equal or better energy value. The high chemical reactivity of Coldry® pellets can also deliver higher oil yield per tonne of coal and enables the product to be the ideal front end feedstock solution for coal-to-oil technologies, eliminating the need for costly and energy intensive oil slurry drying.

In October 2006 the Victorian Government recognised the contribution that the Coldry® process would make to the sustainability of the coal industry and awarded ECT a grant of $238,000 from the Victorian Sustainability Fund. This supported the development of the Coldry® technology water recovery process, which is now achieving the recovery of one tonne of clean water and one tonne of dried pellets for every two tonnes of brown coal processed through Coldry®.

I am very pleased to report that the Coldry® technology has now been fully developed and proven by a six weeks production run on a 24/5 basis. This technology is now entering the scaling up process and it will be the first to be commercialised.

A number of major companies from different countries have shown interest in this technology as it is capable of offering immediate environmental and financial benefits.

Matmor®

The production of steel will be revolutionised immediately our Matmor® process becomes commercialised.

The new Matmor® plant has been completed and we are finalising the commissioning process. The Matmor® plant upgrade was delayed to enable the Company to give priority to Coldry® being a much easier process to scale up and commercialise.

Conventional steel making is traditionally a very expensive multi stage process. Our Matmor® process is a single stage highly economic process that has the potential to transform the steel making industry.

Administrative matters

As well as the transfer of the company's head office from Perth to Melbourne in May this year, the Company has:

1. Appointed RSM Bird Cameron Chartered Accountants of Melbourne as the new accountants
2. Welcomed Mr John Hutchinson to the Board
3. Appointed Ms Jan Macpherson as the Company Secretary
4. Finalised the Coldry® commercialisation process
5. Completed the development of the Matmor plant
6. Commenced the redevelopment of the company's web site to make it informative and user friendly. The new web site will be available within the next 10 working days
7. Raised $2.5M additional capital and commenced negotiations for an equity line of credit
8. Reviewed its accounting and corporate governance policies and procedures and is progressively implementing recommendations
9. Obtained an order from a highly respected Indian power generating and steel producing company for 20M tonnes of Coldry® pellets per year for twenty years
10. Approached the Victorian Government for a mining lease

The future for ECT looks very bright with its leading edge sustainable coal technology, revolutionary steel making process and excellent technical and management teams. We anticipate income flow through strategic alliances and take up of our technologies by local and global industry as the impetus for environmental sustainability increases in the coming year.

Best regards,

Con Galtos 31 August 2007

Managing Director

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited - ACN 009 120 405
(formally Environmental Solutions International Limited)

1 ***Details of the reporting period and the previous corresponding period.***

Reporting Period	Financial Year ending	**30 June 2007**
Previous Corresponding Period	Financial Year ending	**30 June 2006**

2 ***Results for announcement to the market***

2.1 ***The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.***

Revenue from ordinary activities	$'000	**306**
Previous corresponding period	$'000	**19**
Percentage change up or down from the previous corresponding period of revenue from ordinary activities	%	**1510.53%**

2.2 ***The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.***

Loss from ordinary activities after tax	$'000	**(3,312)**
Previous corresponding period	$'000	**(23,820)**
Percentage change up or down from the previous corresponding period of loss from ordinary activities after tax attributable to members.	%	**86.10%**

2.3 ***The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.***

Profit (loss) attributable to members	$'000	**(3,312)**
Previous corresponding period	$'000	**(23,820)**
Percentage change up or down from the previous corresponding period of net loss for the period attributable to members.	%	**86.10%**

2.4 ***The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.***

No dividends proposed relating to the reporting period

2.5 ***The record date for determining entitlements to the dividends (if any).***

Not applicable

2.6 **A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.**

Refer to separate media release lodged with this Appendix 4E.

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

3 ***A consolidated income statement together with notes to the statement, prepared in compliance with AASB 101.***

Income Statement
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	2006 $'000
Revenue from ordinary activities	1	**306**	19
Material and subcontractor expenses		**(938)**	-
Employee benefits expense		**(188)**	(75)
Depreciation and amortisation		**(1)**	(6)
Occupancy expense		**(151)**	(94)
Patent fees		**(57)**	(84)
Corporate costs		**(554)**	(144)
Consultancy fees		**(1,016)**	(1,106)
Travel and accommodation		**(107)**	(183)
Insurance expense		**(99)**	(16)
Impairment of intangibles assets		**-**	(22,015)
Other expenses from ordinary activities		**(507)**	(116)
Loss before Income Tax Expense	2	**(3,312)**	(23,820)
Income tax expense	3	**-**	-
Loss attributable to members of Environmental Clean Technologies Limited		**(3,312)**	**(23,820)**

The above consolidated income statement should be read in conjunction with the accompanying notes

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

4 ***A consolidated balance sheet together with notes to the statement. The balance sheet may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.***

Balance Sheet
As at 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000
Current Assets			
Cash and Cash Equivalents Assets	4	**45**	218
Trade and Other Receivables	5	**127**	141
Other	6	**-**	34
Total Current Assets		**172**	393
Non Current Assets			
Property Plant & Equipment	7	**644**	15
Total Non Current Assets		**644**	15
TOTAL ASSETS		**816**	408
Current Liabilities			
Trade and Other Payables	8	**870**	330
Borrowings	9	**778**	-
Total Current Liabilities		**1,648**	330
Non Current Liabilities			
Borrowings	10	**1,233**	-
Total Non Current Liabilities		**1,233**	-
TOTAL LIABILITIES		**2,881**	330
NET ASSETS		**(2,065)**	78
Equity			
Contributed Equity	11	**24,412**	23,992
Other reserves	12	**779**	30
Accumulated Losses	13	**(27,256)**	(23,944)
TOTAL EQUITY		**(2,065)**	78

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

5 a) ***A statement of changes in equity together with notes to the statement. The statement of changes in equity may be condensed but must comply with the disclosure requirements of AASB 101***

Statement of Changes in Equity
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	2006 $'000
Total equity at the beginning of the financial year		**78**	89
Issue of shares by APCS		**-**	1,229
Capital adjustment for reverse acquisition accounting		**-**	22,550
Fair value recognised of share options issued during the year		**-**	30
Equity component of convertible notes issued during the year		**767**	-
Issue of shares by the Group		**402**	-
Net income and expenses recognised directly in equity		**1,169**	23,809
Loss for the financial year		**(3,312)**	(23,820)
Total recognised income and expenses for the year		**(3,312)**	(23,820)
Total equity at the end of the financial year		**(2,065)**	78

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

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

5 ***A cash flow statement together with notes to the statement. The cash flow statement may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 Cash Flow Statements, or for foreign entities, the equivalent foreign accounting standard.***

Cash Flow Statement
For the year ended 30 June 2007

	Notes	Consolidated **2007** **$'000**	2006 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**130**	-
Grants received		**213**	
Payments to suppliers and employees (inclusive of GST)		**(2,990)**	(1,682)
		(2,647)	(1,682)
Interest received	1	**5**	3
Borrowing costs	2	**(83)**	-
Net cash outflow from operating activities	14	(2,725)	(1,679)
Cash flows from investing activities			
Payments for property plant and equipment		**(628)**	(21)
Net cash outflow from investing activities		(628)	(21)
Cash flows from financing activities			
Proceeds from the issuing of convertible notes		**2,000**	-
Loans received		**778**	-
Proceeds from the issuing of shares		**402**	1,870
Net cash inflow from financing activities		3,180	1,870
Net increase (decrease) in cash held		(173)	170
Cash at the beginning of the financial year		**218**	48
Cash at the end of the financial year	4	**45**	218

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

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

Notes to Sections 3, 4 & 5.

1. Revenue

	Notes	Consolidated 2007 $'000	2006 $'000
Revenue			
Grants received		**213**	-
Miscellaneous income		**50**	-
Rental revenue from subleases		**38**	16
		301	16
Other revenue			
Interest received		**5**	3
		5	3
		306	19

2. Operating loss

	Consolidated 2007 $'000	2006 $'000
Net losses and expenses		
Loss before income tax includes the following specific expenses:		
Impairment of intangible assets	**-**	(22,015)
Depreciation		
Plant and equipment	**(1)**	(6)
Borrowing costs		
Interest and finance charges paid/payable	**(78)**	-
Rental expense relating to operating leases		
Minimum lease payments	**(108)**	(53)

Notes to Sections 3, 4 & 5.

3. Income tax

	Consolidated	
	2007	2006
	$'000	$'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Operating loss before income tax expense	**(3,312)**	**(23,820)**
Tax at the Australian tax rate of 30% (2006: 30%)	**(994)**	**(7,146)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Impairment of intangible assets	**-**	6,604
Tax benefit not recognised	**994**	542
Income tax expense	**-**	-

4. Current assets - Cash assets

	Consolidated	
	2007	2006
	$'000	$'000
Cash at bank and on hand	**45**	**218**

5. Current assets - Trade and other receivables

	Consolidated	
	2007	2006
	$'000	$'000
Trade debtors	**14**	31
Goods and services tax (GST) recoverable	**113**	110
	127	141

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

Notes to Sections 3, 4 & 5.

6. Current assets - Other

	Consolidated	
	2007	2006
	$'000	$'000
Deposits paid	**-**	32
Sundry Debtors	**-**	2
	-	34

7. Non-current assets - Property, plant and equipment

	Consolidated	
	2007	2006
	$'000	$'000
Plant and equipment		
At cost	**651**	21
Less: Accumulated depreciation	**(7)**	(6)
	644	15

8. Current liabilities - Payables

	Consolidated	
	2007	2006
	$'000	$'000
Trade payables	**696**	308
Other payables	**174**	22
	870	330

Notes to Sections 3, 4 & 5.

9. Current liabilities - Borrowings

	Consolidated 2007 $'000	Consolidated 2006 $'000
Unsecured		
Loan	778	-
	778	-

10. Borrowings

	Consolidated 2007 $'000	Consolidated 2006 $'000
Unsecured		
Convertible notes	**1,233**	-

11. Contributed equity

	Consolidated 2007 $'000	Consolidated 2006 $'000
Balance at the beginning of the year	**23,992**	213
Issue of shares by APCS	**-**	1,229
Capital adjustment for reverse acquisition accounting	**-**	22,550
Issue of shares by the Group	**402**	-
Transfer of fair value of options exercised from Options reserve	**18**	-
Balance at the end of the financial year	**24,412**	23,992

12. Other reserves

	Consolidated 2007 $'000	Consolidated 2006 $'000
Share option reserve		
Balance at the beginning of the year	**30**	-
Fair value of options issued during the year	**-**	30
Transfer of fair value of options exercised to contributed equity	**(18)**	-
Balance at the end of the financial year	**12**	30
Convertible note equity reserve		
Balance at the beginning of the year	**-**	-
Equity component of convertible notes issues	**767**	-
Balance at the end of the financial year	**767**	-
Total other reserves	**779**	**30**

Notes to Sections 3, 4 & 5.

13. Accumulated losses

	Consolidated	
	2007	2006
	$'000	$'000
Accumulated losses at the beginning of the financial year	**(23,944)**	(124)
Net loss attributable to members of the Group	**(3,312)**	(23,820)
Accumulated losses at the end of the financial year	**(27,256)**	(23,944)

14. Reconciliation of operating loss after income tax to net cash inflow from operating activities

	Consolidated	
	2007	2006
	$'000	$'000
Operating loss after income tax	**(3,312)**	(23,820)
Depreciation and amortisation	**1**	6
Impairment of intangible assets		22,015
Issue of share options	**-**	30
Change in operating assets and liabilities		
Trade debtors and receivables	**47**	(129)
Trade creditors and accruals	**539**	219
Net cash outflow from operating activities	**(2,725)**	(1,679)

Notes to Sections 3, 4 & 5.

15. Segment reporting

The company operates within one business segment, being the research and development of dewatering and related technology, and in one geographic segment being Australia.

16. Contingent Asset

Environmental CleanTechnologies Limited has completed and lodged with its 2006 income tax return a research and development tax concession schedule. The total claim (including the concession) is $1,138,368 and the company has chosen to claim a refundable tax offset of $341,510 instead of deduction. The amount of $341,510 is yet to be refunded, and is subject to approval by the Australian Taxation Office.

17. Prior period adjustment

In accordance with AASB 136 “Impairment of Assets” the financial report for the year ended 30 June 2007 recognises an error to the 30 June 2006 balance sheet comparative. The carrying value of intangibles of $16,387,629 and the associated deferred tax liability $4,916,289 as at 30 June 2006 have subsequently been found to be impaired as at 30 June 2006.
In accordance with AASB 108 “Accounting Policies, Changes in Accounting Estimates and Errors”, the consolidated entity has corrected the prior period error retrospectively by restating the balance sheet and comparatives amounts for the prior year. The effect of this error at 30 June 2006 is a write down of intangible assets by $16,387,629, deferred tax liabilities by $4,916,289 and an increase in retained losses by $11,471,629.

18. Events Subsequent to Balance Date

In August 2007 the consolidated equity raised capital of $2.5 million by way of equity issue. The directors believe this will give the Group sufficient resources to meet it's liabilities when they become due and payable for the twelve months following this report, notwithstanding the negative net asset position of $2,065,000 at 30 June 2007.

6 ***Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.***

No payments made

7 ***Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.***

No plans approved

8 ***A statement of retained earnings showing movements.***

See Statement of Changes in Equity

9 ***Net tangible assets per security with the comparative figure for the previous corresponding period.***

Reporting Period	Cents	**-0.79**
Previous Corresponding Period	Cents	**0.03**

10 ***Details of entities over which control has been gained or lost during the period.***

10.1 ***Name of the entity.***

Not applicable

10.2 ***The date of the gain or loss of control.***

Not applicable

10.3 ***Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.***

Not applicable

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited
(formally Environmental Solutions International Limited)

11 ***Details of associates and joint venture entities including the following.***

11.1 ***Name of the associate or joint venture entity.***

Not applicable

11.2 ***Details of the reporting entity's percentage holding in each of these entities.***

Not applicable

11.3 ***Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.***

Reporting Period	$'000	**N/A**
Previous Corresponding Period	$'000	**N/A**

12 ***Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.***

Refer to explanatory notes below

13 ***For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).***

Not applicable

14 ***A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.***

14.1 ***The earnings per security and the nature of any dilution aspects.***

	Consolidated	
	2007	2006
	Cents	Cents
Basic earnings per share	**(1.32)**	(17.57)
Diluted earnings per share	**N/a**	N/a
Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	**250,971,575**	135,541,938
Diluted Earnings per share		
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**(i)**	(i)

(i) Not materially different to basic earnings per share

14.2 ***Returns to shareholders including distributions and buy backs.***

None made

14.3 ***Significant features of operating performance.***

Refer to section 2.6

14.4 ***The results of segments that are significant to an understanding of the business as a whole.***

The consolidated entity operated solely within the research and development of dewatering and related technology industry in Australia during the year.

14.5 ***A discussion of trends in performance.***

Refer to section 2.6

Appendix 4E

Preliminary final report

Environmental Clean Technologies Limited

(formally Environmental Solutions International Limited)

14.6 ***Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.***

Refer to section 2.6

15 ***A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed***

This report is based on accounts that are in the process of being audited

16 ***If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.***

No change anticipated from the results reported

17 ***If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.***

No dispute or qualification known at the date of lodgement of this report.

(Director)

Print Name

Date