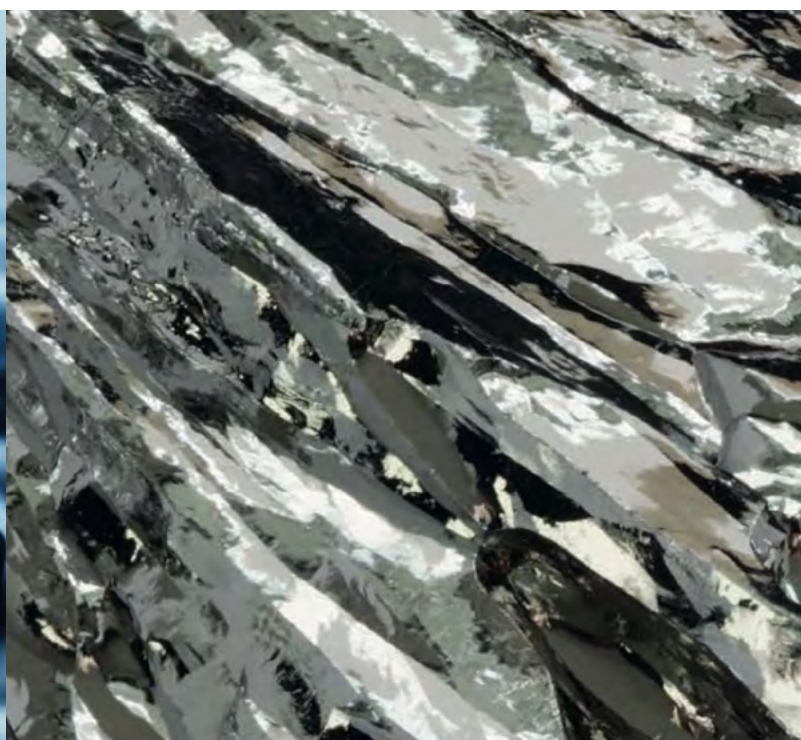


2015 ANNUAL REPORT



a brave new world in  
environmental innovation



Through the development of Syerston, Clean TeQ has the opportunity to become the leading, and lowest cost, supplier of scandium to the global transportation industry. A bulk sample of Syerston ore was taken during the year for processing to produce Scandium Oxide.



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## Our Vision

Clean TeQ is a world leader in environmental innovation. Our vision is to create a globally significant business which is focused on providing clean solutions to a range of industries using our proprietary Clean-iX® continuous ion exchange technology. We are focused on the markets and ventures where our unique technology is best placed to unlock significant long term value for shareholders – metals recovery and industrial water purification.



Clean TeQ constructed a demonstration scale plant to recover Scandium Oxide from Syerston ore utilising our proprietary Resin In Pulp® continuous ion exchange technology in order to prove the viability of the process and to produce samples for customer validation.



# Opportunities

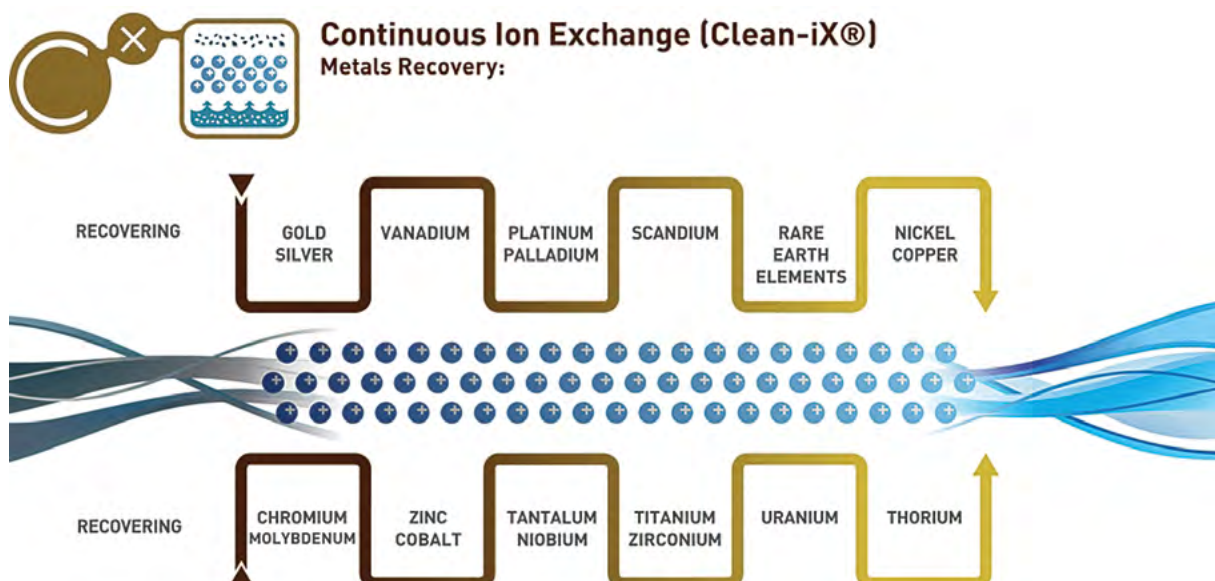
- ✔ The acquisition of the Syerston Project allows Clean TeQ's Metals Division to capture all of the value that can be unlocked by the application of our Clean-iX® continuous ion exchange technology.
- ✔ Through the development of Syerston, Clean TeQ has the opportunity to become the leading, and lowest cost, supplier of scandium to the global transportation industry.
- ✔ A range of additional opportunities in the field of metals recovery are being pursued in Australia and offshore.
- ✔ For our Water Division, the large Chinese industrial market and process waters from the mining industry remain as key opportunities.
- ✔ Clean TeQ is committed to the formal establishment of a joint venture with Shanghai Investigation, Design and Research Institute Co. Ltd. (SIDRI) majority-owned by China Three Gorges Corporation, the state-owned Chinese power company responsible for construction of the Three Gorges Dam Project (the world largest hydroelectric power plant) and one of the world's largest energy companies.



# Metals Recovery

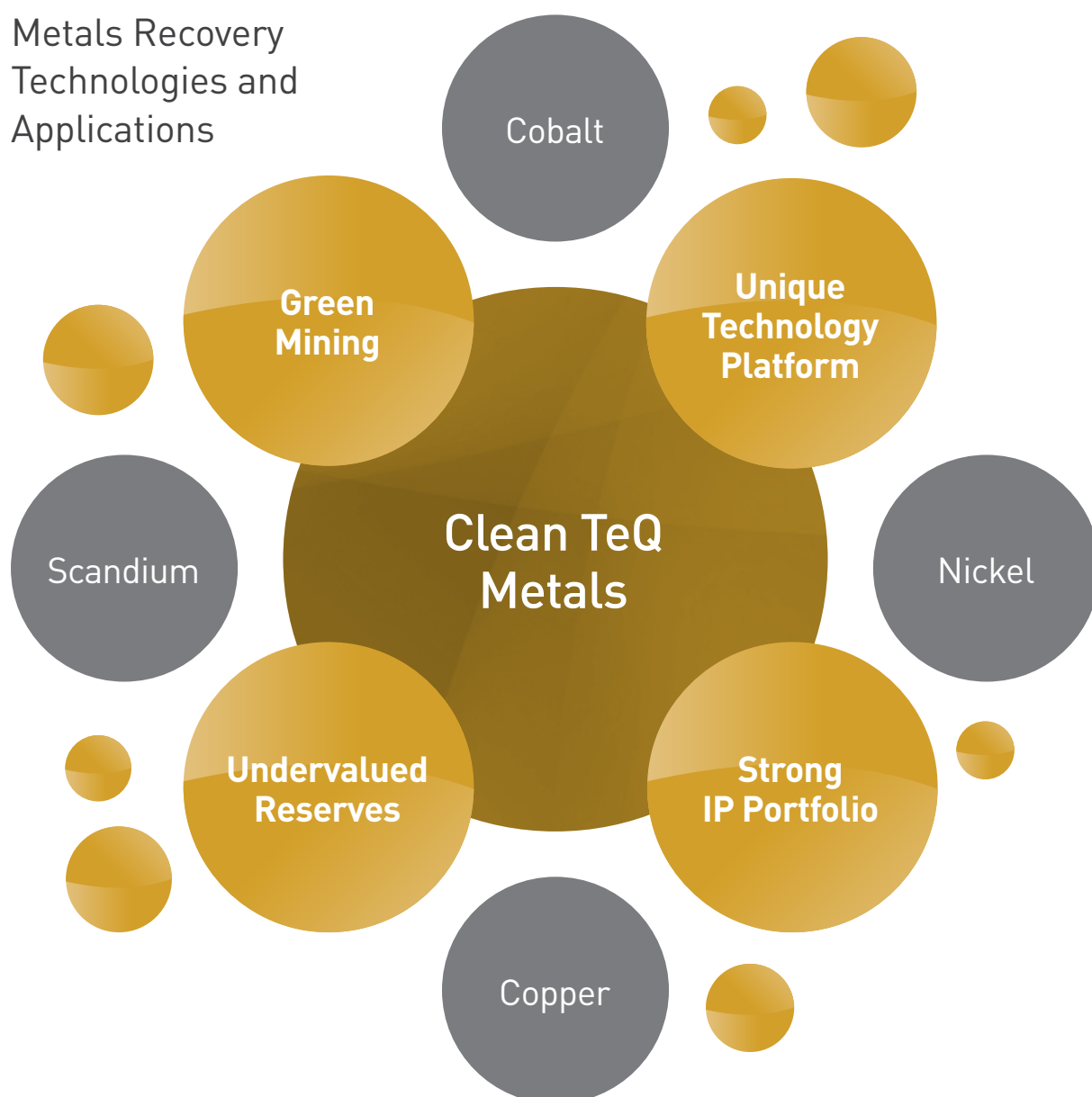
Our Clean-iX® Continuous Ion Exchange technology is an innovative process for the extraction and purification of a range of valuable metals from slurries and solutions that are not amenable to conventional separation.

- Business strategy aimed at ownership, not service delivery
- Focused on markets where extraction and purification technology provides a competitive advantage
- Opportunities for economic processing of low grade metal ores
- Successfully demonstrated the extraction of scandium from primary ore, refinery waste streams and base metals from mine locations
- Promising opportunities identified in Australia and offshore
- Strong intellectual property portfolio





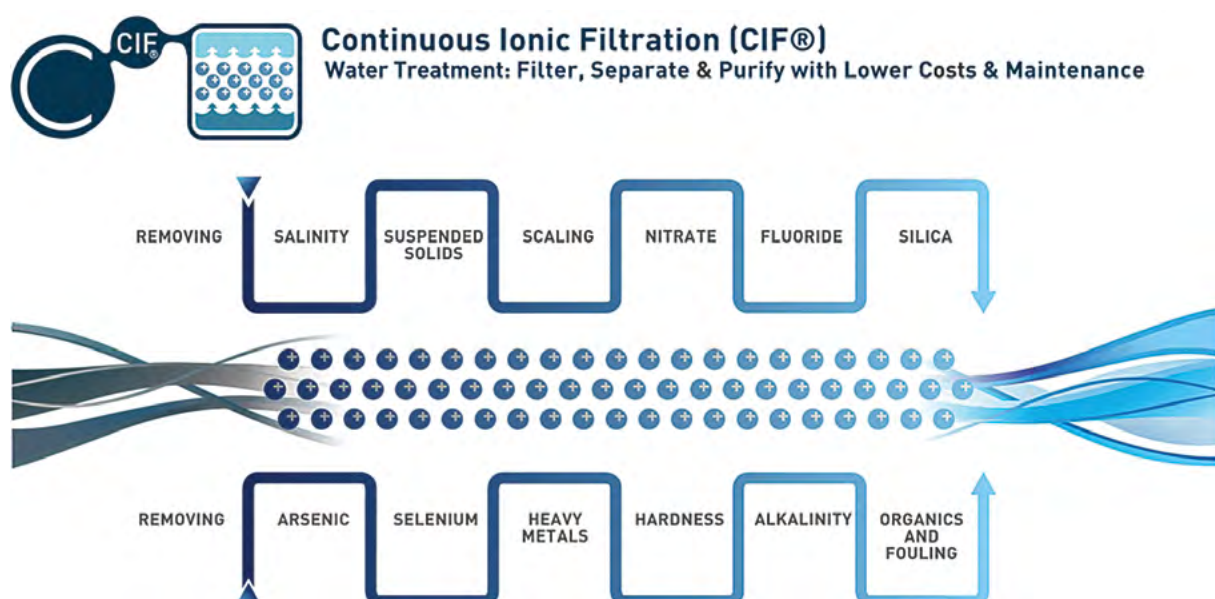
## Metals Recovery Technologies and Applications



# Water Purification

Our Continuous Ionic Filtration & Exchange (CIF®) and Macroporous Polymer Adsorption (MPA®) resin technology provides cost effective solutions to the mining, oil and gas and municipal industries for the treatment of waste waters.

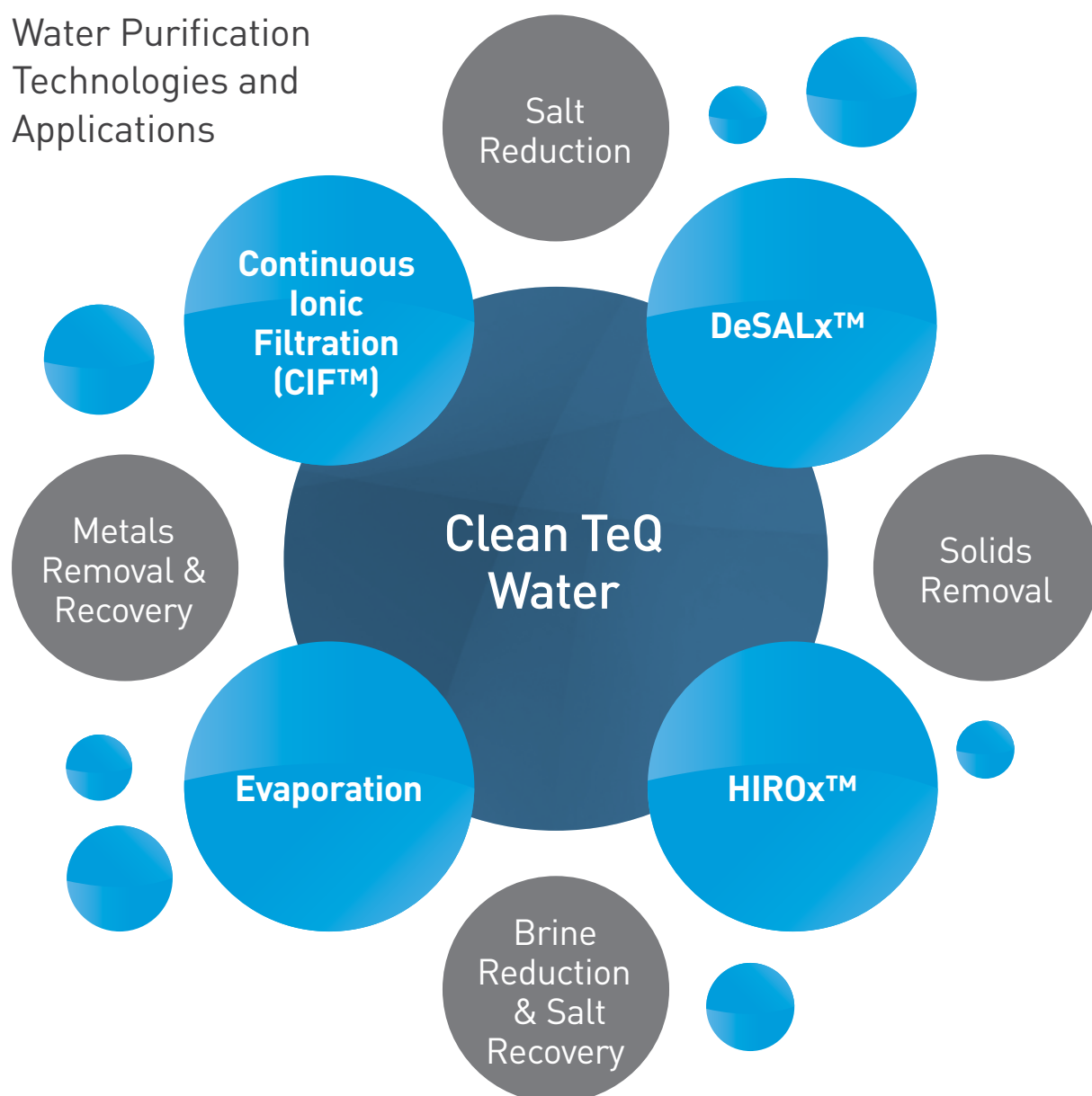
- Targeting filtration, separation and purification of industrial waters and wastewaters where conventional technologies struggle – complicated and complex waters are our strength
- Suite of products developed around Continuous Ion Exchange for water and wastewater recycling
- Now focused on securing large opportunities to treat process waters from the mining sectors – focus on Australia, Africa and South America
- Major opportunities in China being pursued in conjunction with strong local partner SIDRI – targeting waste water and industrial pollution







## Water Purification Technologies and Applications



# 2015 Year in Review

Clean TeQ's Continuous Ion Exchange technology has been developed as a means to employ ion exchange in a cost effective manner for the recovery of metals and for the treatment of industrial waste water.

- Acquisition of the Syerston Scandium Project – the world's largest and highest grade known scandium resource.
- Completion of the Syerston scoping study demonstrating strong project economics.
- Collaboration agreements signed with both Airbus AP Works and KBM Affilips to develop the scandium market for aerospace and other industrial sectors.
- Scandium recovery pilot plant trial in Japan confirmed Clean TeQ's ion-exchange extraction processes' ability to recover low concentrations of scandium from intermediate process streams.
- Heads of Agreement with SIDRI for the deployment of the company's proprietary water treatment technologies in China.
- Comprehensive test work programme undertaken which successfully demonstrated the viability of Clean TeQ's process to treat a complex industrial wastewater stream from an industrial plant in China – an important first step towards the establishment of the China joint venture with SIDRI.
- Divestment of Air Purification Division for cash proceeds of \$1.7 million to focus exclusively on Clean TeQ's proprietary continuous ion exchange technology.
- \$9.1 million in new equity issued during the year, including the conversion of convertible notes, with an additional \$8.9 million raised in August 2015.
- Balance sheet significantly strengthened with early conversion of \$4.1 million of convertible notes and repayment of the Nippon Gas debt.
- As at 31 August 2015 the Company had approximately \$9.5 million in cash and no debt other than the \$3 million of zero coupon promissory notes payable to Ivanhoe Mines Ltd in relation to the acquisition of Syerston.



# Chairman and CEO's Report



## DEAR SHAREHOLDERS,

Over the past year Clean TeQ has made excellent progress towards the successful commercialisation of our world-class continuous ion exchange technology platform. The company continues to focus on the industries and ventures where our technology is best placed to unlock significant value for shareholders – metals recovery and industrial water purification.

The strategic decision to focus on metals recovery and water purification resulted in the disposal of Clean TeQ's Air Purification business during the year. The transaction consideration of \$1.7 million cash represented good value for Clean TeQ shareholders and also provides the following additional benefits:

- Achieves a non-dilutive means of generating a significant amount of free cash to be reinvested in the company's Metals and Water divisions;
- Focuses Clean TeQ's strategic growth exclusively on the company's proprietary continuous ion exchange technology;
- Provides the company with the opportunity to reduce overhead and administrative costs; and,
- Simplifies Clean TeQ's organisational, management and financial structure.

## METALS DIVISION

The acquisition of the Syerston Project provides the company with the opportunity to deploy our technology and capture all of the value from the development of a strategically important asset. Through Syerston, we are embarking on a journey which we believe will result in Clean TeQ becoming the leading, and lowest cost, supplier of scandium to the global transportation industry.

Economic factors are driving the aerospace industry to develop lighter materials, without sacrificing strength, durability and reliability. Regulated emissions targets are also driving the global auto manufacturing industry down the path of developing new and innovative lightweight materials.

Scandium is, pound for pound, the most effective alloying agent for aluminium. It provides unique benefits unobtainable by conventional alloys, including:

- **Grain Refinement** – by changing the granular structure of aluminium in Al-Sc alloys, scandium provides significant additional strength with very little relative increase in weight.
- **Weldability** – Al-Sc alloys are able to be welded with no loss in strength, offering the aerospace industry the opportunity to use conventional welding techniques, providing significant savings in assembly time and aircraft weight.
- **Hardening and superplasticity** – the alloys are significantly harder but can still be subject to high stresses in order to form complex shapes without loss of strength.
- **Corrosion resistance and conductivity** – superior corrosion resistance as well as thermal conductivity.

Widely acknowledged as having exceptional performance characteristics in aerospace materials, Al-Sc alloys are already used for limited applications in aircraft manufacturing. Relative scarcity and price volatility have limited the wider use of these alloys in industrial applications for many decades. Through the development of the world's first primary scandium mine, Clean TeQ intends to address both these issues.

## Chairman and CEO's Report CONTINUED

Primary mine production will allow Clean TeQ to deliver large, scalable volumes of scandium to meet the emerging and growing demands of the global transportation sector. Syerston is development ready, with key permits and critical water rights already in place, and is located in a jurisdiction with low sovereign risk, giving investors and off-takers confidence that scandium will be supplied cheaply and reliably.

Through the deployment of our continuous ion exchange technology, Clean TeQ intends to build a substantial metals business, focussed on metals and projects which are critical components of the next generation of materials and technologies needed to sustainably maintain and improve global living standards.

### WATER DIVISION

Clean TeQ's continuous ion exchange technology provides significant cost and operational benefits in treating industrial waste waters. The Water Division is primarily focused on the large Chinese industrial market where rapid growth over recent decades has outpaced the effective implementation of environmental protection legislation. The challenge to bring China's industry up to world class environmental standards cannot be over-estimated, and the Chinese are actively pursuing new and innovative technologies to address the broad range of environmental challenges that nation is facing.

During the year Clean TeQ signed a ground-breaking Heads of Agreement with Shanghai Investigation, Design and Research Institute Co. Ltd (SIDRI) in China to establish a local joint venture to pursue opportunities in China by deploying Clean TeQ's unique water treatment technology. SIDRI is majority-owned by China Three Gorges Corporation, the state-owned Chinese power company responsible for construction of the Three Gorges Dam Project (the world largest hydroelectric power plant) and one of the world's largest energy companies.

A comprehensive test work programme was undertaken during the year which successfully demonstrated the technical viability of the Clean TeQ process to treat a complex industrial wastewater stream from an industrial plant in China. The success of the test work programme was an important first step towards the establishment of the China venture with SIDRI. Clean TeQ is continuing to progress the formal establishment of the joint venture with SIDRI. Once this relationship is formalised with this strong local partner we anticipate that a number of value accretive industrial projects will be pursued over the next twelve months.

I would like to conclude by thanking our shareholders for their support and continued belief in our management team's ability to deliver on our vision of creating a world class, environmentally focused technology company. I would also like to thank my colleagues on the board and, in particular, our dedicated staff for their commitment and contribution towards achieving our common goal.

Yours faithfully

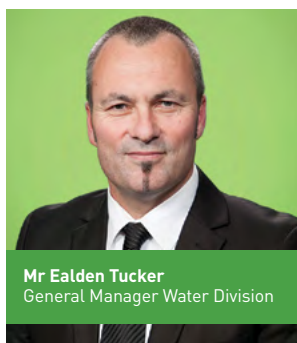
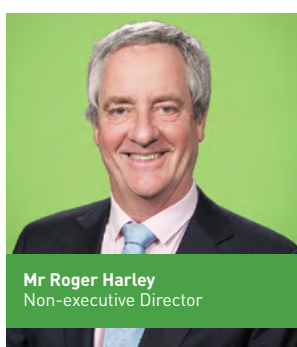


**Sam Riggall**  
Chairman and CEO



# Board and Management

The Clean TeQ team comprises a group of professionals with a diverse skill base and great depth of experience in technical and commercial disciplines.



\* Appointed 17 September 2015



During the year Clean TeQ completed a drill program at Syerston which confirmed the extension of the high grade scandium zones identified in a 2014 drill program and historical drilling completed during the initial assessment of the deposit in the 1990's.





# Financial Report

FOR THE YEAR ENDED 30 JUNE 2015

Clean TeQ Holdings Limited and its controlled entities  
ABN 34 127 457 916

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# DIRECTORS' REPORT

**The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'Parent Entity', 'the Company' or 'Clean TeQ') and the entities it controlled, and interests in associates for the year ended 30 June 2015, and the auditor's report thereon.**

## DIRECTORS

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

- Sam Riggall (Chairman and Executive Director)
- Peter Voigt (Executive Director)
- Roger Harley (Independent Non-Executive Director)
- Ian Knight (Independent Non-Executive Director)

## PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the Consolidated Entity consisted of:

- Provision of industrial air purification and odour elimination solutions ('Air Purification Division')
- The continued development and use of the Clean-iX® and proprietary CIF™ technologies in conjunction with other technologies, which can be used for the purification and recycling of waste water and for desalination of brackish water to produce high quality industrial water ('Water Division'); and,
- The continued development and use of the Clean-iX® technology which can be used to extract a range of resources in the mining industry including base metals, precious metals and radioactive elements ('Metals Division').

During the financial year the Consolidated Entity divested its Air Purification Division to allow the Consolidated Entity to focus exclusively on the Water and Metals Divisions which are both primarily driven by the Consolidated Entity's proprietary continuous ion exchange technology.

There have been no other significant changes in the nature of the Consolidated Entity's activities during the financial year.

## DIVIDENDS

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

## REVIEW OF OPERATIONS

The loss for the Consolidated Entity after providing for income tax amounted to \$8,225,000 (30 June 2014: loss after tax of \$4,910,000).

During the financial year the Consolidated Entity's revenues increased to \$7,725,000 (2014: \$6,108,000) due to generally higher levels of project activity in the Consolidated Entity's Air Purification Division. During the financial year the Consolidated Entity recorded losses from continuing operations of \$9,155,000 after tax compared to a \$6,193,000 loss incurred in the prior year.

The Air Purification Division revenue increased from \$4,754,000 to \$6,935,000, reflecting the effect of the successful delivery of a number of projects awarded late in the 2014 financial year as well as a number of new contracts which were awarded during the current financial year.

The overall net profit for the Air Purification Division is lower than the prior year. The variation is mainly due to changes in the accounting and reporting processes within the Consolidated Entity, whereby the Air Purification Division, which carried on its activities within a separate company within the group, was charged overhead and management costs which were previously borne by the Consolidated Entity's corporate department.

The revenue in the Water and Metals Divisions remained low but the key emphasis for these divisions continued to be technology development and pursuit of revenue-generating opportunities. These Divisions are anticipated to produce substantial revenues in the future.

In the Water Division, the focus was on developing commercial opportunities for the Consolidated Entity's technology to treat waste waters, with increased emphasis on opportunities in the large Chinese market via the Consolidated Entity's proposed joint venture with Shanghai Investigation, Design & Research Institute Co. Ltd ('SIDRI'), an affiliate of China Three Gorges Corporation.

During the financial year a comprehensive test work programme was undertaken which successfully demonstrated the technical viability of the Consolidated Entity's process to treat a complex industrial wastewater stream from an industrial plant in China. The success of the test work programme was an important first step towards the establishment of the China joint venture with SIDRI.

The Metals Division continued its development work on the extraction and purification of a range of metals with a focus on scandium, both from titanium dioxide process streams and from primary mining activities at the Consolidated Entity's Syerston Scandium Project.

During the financial year a scandium recovery pilot plant was delivered to Ishihara Sangyo Kaisha, Ltd's facility in Japan for completion of a scandium recovery pilot trial. The piloting work confirmed the Consolidated Entity's ion-exchange extraction processes' ability to recover low concentrations of scandium from intermediate process streams.

The Consolidated Entity also continued to progress the development of the Syerston Scandium Project in NSW that was acquired on 31 March 2015. In May 2015 the Consolidated Entity completed a scoping study for the Syerston Project which confirmed strong economics for the proposed project development. The scoping study was based on a flow sheet processing 64,000tpa of feed from Syerston's near-surface resource. The proposed processing plant consists of a high pressure acid leach circuit followed by the Consolidated Entity's Resin-In-Pulp continuous ion exchange technology for scandium recovery, followed by purification.

High level results of the study include:

- Based on a long term scandium oxide ('Sc2O3') (99.9% purity) price of USD\$1,500/kg Sc2O3, the project delivers a post-tax NPV of AUD\$279M (8% discount rate) and a 53% post-tax IRR;
- Average feed grade of 510g/t Sc (inclusive of pit selection, dilution and mining factors) with Scandium recovery of 85% to achieve average production of 42.5t per annum 99.9% Sc2O3 over an initial 20 year mine life, with additional resources available for decades of additional production;
- A capital cost of AUD\$78.4 million (USD\$61.1 million) which includes a 20% contingency on direct costs; and
- Average operating cash cost of AUD\$571/kg Sc2O3 (US\$446/kg Sc2O3) over an initial 20 year mine life.

The current global supply of scandium oxide is approximately 10-15tpa, with prices ranging from USD\$2,000-3,000/kg Sc2O3. In order to facilitate wider-scale adoption in key emerging markets (such as high performance aluminium alloys), the Consolidated Entity has used a long term scandium oxide price of USD\$1,500/kg Sc2O3 in its project valuation, which is at a significant discount to the current market price.

The Consolidated Entity has signed collaboration agreements with both Airbus and KBM Affilips to develop the scandium market for aerospace and other industrial sectors. The agreements provide a framework under which the Consolidated Entity will work with the downstream scandium supply chain to determine potential demand and the ability of the Syerston Project to meet that demand at the required price and quality specifications.

The continuing development of the Consolidated Entity's technologies resulted in \$666,000 of expenditure being capitalised into intangible assets during the financial year ended 30 June 2015. This expenditure, along with the net cash outflows from operating activities of \$3,284,000 was financed largely by share issues totalling \$3,793,000 after issue costs.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In August 2014, the Consolidated Entity and Nippon Gas Co Limited ('NGC') agreed to modify the payment terms for the Consolidated Entity to purchase NGC's 50% share of the Associated Water Joint Venture and NGC's 85% share of Clean World Japan. The original payment terms of \$1,000,000 payable in August 2014 and \$1,000,000 in May 2015 were modified to an initial \$100,000 payment by the Consolidated Entity in August 2014 with a further \$2,300,000 payment (including interest) in September 2015.

On 18 September 2014 the Company announced the issue of 18,685,714 fully paid ordinary shares at \$0.07 (7 cents) per share via a private placement. The issue raised a total of \$1,308,000 before costs of issue.

In October 2014 the Consolidated Entity announced the merger of the air treatment business carried on by its subsidiary Clean TeQ Air Pty Ltd ('Air') and the Australian air treatment business of Aromatrix Technologies by way of any acquisition by Air of the Aromatrix air business. The acquisition was completed on 1 December 2014 (refer to Note 40 for details).



# DIRECTORS' REPORT

CONTINUED

On 20 October 2014 the Consolidated Entity announced that it had signed a Heads of Agreement with SIDRI for the deployment of the Consolidated Entity's proprietary water treatment technologies in China. The Heads of Agreement provides for a stepwise approach to a collaborative partnership in China. It provides for the establishment of a joint venture which will be established by the Consolidated Entity and SIDRI on the completion of a commercial trial demonstrating the technical and commercial viability of the Consolidated Entity's ion exchange technologies.

During the financial year a comprehensive test work programme was undertaken which successfully demonstrated the technical viability of the Consolidated Entity's process to treat a complex industrial wastewater stream from an industrial plant in China. The success of the test work programme was an important first step towards the establishment of the China joint venture. Negotiations with SIDRI on the formation of the joint venture are well advanced but a successful outcome is ultimately dependent on securing an initial commercial project for the technology in China.

Following successful technology demonstration, discussions are also well advanced with the first potential commercial customer in relation to the proposed installation of a 1,500m<sup>3</sup> per day toll treatment wastewater facility at an industrial plant in China. However, the outcome of those discussions, and whether the contract will ultimately be secured, is still uncertain.

The Consolidated Entity's Chief Executive Officer, Mr Cory Williams, resigned on 18 November 2014. The Consolidated Entity's Chairman, Mr Sam Riggall, agreed to accept the role of Interim Chief Executive Officer.

On 12 December 2014 the Company announced the issue of 37,500,000 fully paid ordinary shares at a price \$0.06 (6 cents) per share via a private placement to professional and sophisticated investors. The issue raised a total of \$2,250,000 before costs of the issue.

Effective 31 March 2015, the Consolidated Entity completed the acquisition of the Syerston Project in central New South Wales from a wholly owned subsidiary of Ivanhoe Mines Ltd.

The acquired assets include:

- 100% title to the Syerston exploration licence and the six mining lease applications underlying the project;

- All environmental approvals and development consents previously obtained by the Syerston Project Entity;
- Freehold land comprising 2,884 hectares in total, underlying the mineral title; and
- An existing bore field and water rights.

The consideration for the acquisition comprised:

- 7,373,053 Clean TeQ fully paid ordinary shares;
- \$100,000 cash, which was reduced to \$31,667 at completion after netting off the value of assets and liabilities assumed by the Consolidated Entity as part of the transaction;
- Deferred consideration via issue of a promissory note with a face value of \$3,000,000, payable in three years' time and carrying a zero coupon; and,
- A 2.5% gross revenue royalty payable to Ivanhoe Mines.

In May 2015 the Company issued 7,449,143 shares to NGC at approximately 14.1 cents per share in settlement of \$1,050,000 of principal and accrued interest owing to NGC, reducing the amount payable in September 2015 to \$1,171,000 (including interest).

In accordance with the terms of the Convertible Notes held by Robert Friedland, and as result of the share issue to NGC, the Company also issued 1,246,537 shares to Robert Friedland at approximately 14.1 cents per share for total cash consideration of approximately \$176,000.

In May 2015, the Company also issued 44,678,581 shares to Robert Friedland and 6,253,304 shares to Sam Riggall upon the early conversion of their convertible notes with face values of \$3,572,000 and \$500,000 respectively. The convertible notes were convertible into fully paid ordinary shares of the Company at a price of 7.9958 cents per share. The original conversion price of 10 cents was adjusted in accordance with the terms of the convertible note agreements to reflect the value impact on the convertible notes from share issues undertaken since the date of issue.

Effective 30 June 2015 the Consolidated Entity divested its 59% shareholding in Clean TeQ Aromatrix Pty Ltd to Australia Sunshine Holdings Limited for cash proceeds of \$1,681,500. The divestment allows the Consolidated Entity to focus exclusively on the Consolidated Entity's Water and Metals Divisions which are both primarily driven by the Consolidated Entity's proprietary continuous ion exchange technology.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Effective 1 July 2015 Sam Riggall, Executive Chairman and Interim Chief Executive Officer, was appointed Chairman and Chief Executive Officer.

In early July 2015 the Consolidated Entity received a further \$455,000 cash rebate from the Australian Tax Office for eligible research and development expenditure in the 2014 financial year. The Company anticipates that a significant proportion of the 2015 and 2016 financial years' expenditure, including a large proportion of Syerston testwork and feasibility studies, will also be eligible for the refundable tax offset.

On 27 July 2015 the Company launched a non-renounceable one for ten entitlement offer at a price of \$0.18 (18 cents) per share ('Entitlement Offer') to raise \$6,638,000 before costs of the Entitlement Offer. The Entitlement Offer is fully underwritten by BW Equities Pty Ltd.

Apart from the matters referred to above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Entity will continue to pursue its objectives of advancing the development of its suite of applications for the treatment of water for use by the water and resource sectors. This will include further commercial development of the applications that are both currently in use and in development and advancing the market penetration strategies to enable the Consolidated Entity to fully exploit the potential of its products in the Metals and Water Divisions.

The Consolidated Entity intends to fund its development through operational revenues from contracts entered into, and through securing additional contracts throughout the year. The Consolidated Entity will consider both debt and equity funding should the need arise, and has already commenced the process of raising equity funding by launching an entitlement offer that is expected to raise \$6,638,000 before costs.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

## ENVIRONMENTAL REGULATION

The Consolidated Entity has an interest in the exploration license disclosed in note 18. The authorities responsible for the granting of these licences require the tenement holder to comply with the terms and conditions of the licence and all directions given to it by those authorities. The terms and conditions of any exploration licence typically include certain environmental conditions, covering such matters as Aboriginal cultural heritage, threatened species, habitat, heritage items, trees and vegetation, roads and tracks, groundwater, streams and watercourses, erosion and sediment controls, preventing and monitoring pollution, refuse, chemicals, fuels and waste materials, transmission lines and pipelines, drilling, rehabilitation of the land, environmental reporting, and site security. There have been no known breaches of the Consolidated Entity's licence conditions or any other environmental regulation during the financial year or up until the date of this report.

# DIRECTORS' REPORT

CONTINUED

## INFORMATION ON DIRECTORS

<b>Mr Sam Riggall</b>	Chairman & Chief Executive Officer
<b>Qualifications</b>	LLB (Hons), B.Com., MBA
<b>Experience and expertise</b>	Mr Riggall is a graduate in law and commerce from Melbourne University and has an MBA from Melbourne Business School. He was previously Executive Vice President of Business Development and Strategic Planning at Ivanhoe Mines Ltd. Prior to that Mr Riggall worked in a variety of roles in Rio Tinto for over a decade covering project generation and evaluation, business development and capital market transactions. Mr Riggall was appointed to the Clean TeQ Board and to the position of Chairman on 4 June 2013, and is a member of the Audit Committee, the Nomination and Remuneration Committee, and the Market Disclosure Committee. Mr Riggall was appointed Executive Chairman and Chief Executive Officer effective 1 July 2015.
<b>Other current directorships</b>	Syrah Resources Limited
<b>Former directorships (last 3 years)</b>	Nil
<b>Special responsibilities</b>	Mr Riggall is a member of the Audit Committee, the Nomination and Remuneration Committee and of the Market Disclosure Committee.
<b>Interests in shares</b>	6,253,304 fully paid ordinary shares
<b>Interests in options</b>	8,000,000 unlisted options exercisable at \$0.1619 (16.19 cents) per option
<b>Interests in rights</b>	Nil
<b>Mr Peter Voigt</b>	Executive Director
<b>Qualifications</b>	Mr Voigt has a Bachelor and Masters of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology.
<b>Experience and expertise</b>	Mr Voigt established Clean TeQ in 1990 and as Executive Director is currently involved in the delivery of strategic initiatives in water and resource recovery sectors. Mr Voigt became a Director of the Company in 2007 and held the positions of Chief Technology Officer from 2007 to 2009 and Chief Executive Officer from 2010 to 2013. Mr Voigt is a biochemist, with extensive experience in technology development, commercialisation, partnering and licencing globally. Prior to founding Clean TeQ, Mr Voigt held a number of technical management positions with major food companies and universities.
<b>Other current directorships</b>	Nil
<b>Former directorships (last 3 years)</b>	Nil
<b>Special responsibilities</b>	Nil
<b>Interests in shares</b>	27,614,683 fully paid ordinary shares
<b>Interests in options</b>	1,000,000 unlisted options exercisable at \$0.1935 (19.35 cents) per option



<b>Mr Roger Harley</b>	<b>Independent Non-Executive Director</b>
<b>Qualifications</b>	Mr Harley has a science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.
<b>Experience and expertise</b>	Mr Harley is a founder and principal of independent corporate advisory firm, Fawkner Capital. Previously he worked for 11 years for Deutsche Bank, and held positions including Director of Corporate Finance and Director of Equity Capital Markets. His current roles also include Director of People and Parks Foundation and Trustee of the Alfred Deakin Lecture Trust. Mr Harley has had various appointments by the Commonwealth Government that related to the oversight of innovation and venture capital programs and policies. These include membership of the Pooled Development Funds Registration Board, the Industry Research and Development Board and Innovation Australia. His previous board positions include Director of Medibank Private. He was appointed a Director of Clean TeQ on 1 June 2010.
<b>Other current directorships</b>	Nil
<b>Former directorships (last 3 years)</b>	Nil
<b>Special responsibilities</b>	Mr Harley is a member of the Audit Committee and Chair of the Nomination and Remuneration Committee and Market Disclosure Committee.
<b>Interests in shares</b>	1,754,220 fully paid ordinary shares
<b>Interests in options</b>	500,000 unlisted options exercisable at \$0.1935 (19.35 cents) per option
<b>Mr Ian Knight</b>	<b>Independent Non-Executive Director</b>
<b>Qualifications</b>	FCA, CPA
<b>Experience and expertise</b>	Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, a member of the Australian Society of Certified Practicing Accountants, an Associate Fellow of the Australian Institute of Management and a member of the Institute of Company Directors. His experience includes presenting and working with boards of public, private and private equity ownership, State and Federal Governments and has extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives. Mr Knight was also formerly a Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity for KPMG Corporate Finance. Currently he is Managing Director of nem Corporate Pty Ltd and a partner of nem Australasia Pty Ltd. He was appointed a director of Clean TeQ on 8 July 2013.
<b>Other current directorships</b>	Nil
<b>Former directorships (last 3 years)</b>	Nil
<b>Special responsibilities</b>	Chair of the Audit Committee and member of the Nomination and Remuneration Committee.
<b>Interests in shares</b>	200,000 fully paid ordinary shares
<b>Interests in options</b>	Nil

## DIRECTORS' REPORT

CONTINUED

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

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

### COMPANY SECRETARY

Ms Melanie Leydin was appointed to the position of Company Secretary on 7 July 2011. Ms Leydin is a Chartered Accountant and principal of Leydin Freyer, a chartered accounting firm specializing in accounting and company secretarial services. Ms Leydin has over 20 years' experience in the accounting profession and is company secretary for a number of junior mining, bioscience, biotechnology and IT entities listed on ASX.

### MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Sam Riggall	11	11	2	2	2	2
Peter Voigt	11	11	-	-	-	-
Roger Harley	10	11	2	2	2	2
Ian Knight	11	11	2	2	2	2

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

No meetings of the Market Disclosure Committee were held during the year.

### REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Consolidated Entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations. Remuneration is referred to as compensation throughout the Remuneration Report.

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information
- F. Additional disclosures relating to key management personnel

## A. Principles used to determine the nature and amount of remuneration (audited)

The Board of Directors is responsible for approving the compensation arrangements for the Directors and senior executives following recommendations received from the Remuneration and Nomination Committee. The Board, in conjunction with the Remuneration and Nomination Committee, assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity. Key management personnel as identified for the purposes of this report by the criteria set out are as follows:

- Sam Riggall - Chairman and Chief Executive Officer
- Cory Williams - Chief Executive Officer (resigned 18 November 2014)
- Peter Voigt - Executive Director
- Roger Harley - Independent Non-Executive Director
- Ian Knight - Independent Non-Executive Director
- Tony Panther - Chief Financial Officer (resigned 31 January 2015)
- Ben Stockdale - Chief Financial Officer (appointed 15 January 2015)

There were no other employees in the Consolidated Entity that met the definition of executive or key management personnel in accordance with the Corporations Act 2001 or Australian Accounting Standards.

Compensation levels for key management personnel and the Company Secretary are competitively set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination and Remuneration Committee has access to independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the compensation strategy. Independent advice was not sought during the 2015 or 2014 financial years.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and create the broader outcome of creating value for shareholders.

The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the Consolidated Entity's performance including:
  - (i) the Consolidated Entity's earnings;
  - (ii) the growth in share price and delivering constant returns on shareholder wealth; and
  - (iii) the amount of incentives within each key management person's compensation.

The directors' and executives' remuneration and incentive policies and practices are performance based and aligned to the Consolidated Entity's vision, values and overall business objectives. They are designed to motivate key management personnel to pursue the Consolidated Entity's long term growth and success. Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

In addition to their salaries, the Consolidated Entity also provides non-cash benefits to its key management personnel, and contributes to post-employment superannuation plans on their behalf.

### Fixed remuneration

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the Consolidated Entity. An executive's compensation is also reviewed on promotion.

### Performance-linked remuneration

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive ('STI') is an "at risk" bonus provided in the form of cash and bonus shares, while the long-term incentive ('LTI') is provided as options and performance rights over ordinary shares of the Company under the rules of the Employee Share Option Plan. The plans provide for Board discretion on the provision of bonuses and options.



# DIRECTORS' REPORT

CONTINUED

During the current year the Board exercised its discretion and authorised the issue of options to selected key management personnel but did not award bonuses. Refer to section E of this remuneration report for an analysis of the Consolidated Entity's recent performance and link to overall remuneration.

## Short-term incentive bonus

Each year the Nomination and Remuneration Committee sets the key performance indicators ('KPI's') for the key management personnel. The KPI's generally include measures relating to the Consolidated Entity, the relevant segment and the individual, and include financial, staff management, safety, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the Consolidated Entity and to its strategy and performance.

The financial performance objectives include performance compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year, the Nomination and Remuneration Committee assesses the actual performance of the Consolidated Entity, the relevant segment and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum bonus amount is awarded at the Board's discretion and depending on results. No bonus is awarded where performance falls below the minimum. There were no bonuses or incentives paid during the 2015 and 2014 financial years.

## Long-term incentive

Options are issued under the Employee Share Option Plan which provides for employees to receive, for no consideration, options over ordinary shares at specified exercise prices as determined by the Board. The ability to exercise the options is conditional upon each employee serving minimum service periods and other applicable performance hurdles determined by the Board from time to time.

The Employee Share Option Plan ('the Plan') which was adopted on 24 September 2007 states that the total number of options on issue must not exceed 10% of the total number of issued shares in the Company. The Nomination and Remuneration Committee, in conjunction with the Board, determines the number of

options and the terms and conditions associated with those options that are to be issued to employees each year. The criteria used to assess the number of options issued include Consolidated Entity performance, individual performance and an industry analysis of best practice. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective means of measuring performance against expected performance.

The Company has adopted an Employee Tax Exempt Share Plan ('the Share Plan') which allows eligible employees of the Consolidated Entity the opportunity to become shareholders of the Company without having to pay any amount for the acquisition of the shares. Each eligible employee is entitled to acquire the equivalent of \$1,000 of shares per annum at zero cost. These shares are required to be held in escrow for a three year period or until such time as eligible employees terminate their employment with the Consolidated Entity. Shares were issued to eligible employees during the year ended 30 June 2015 pursuant to the Share Plan, although none were issued to key management personnel.

## Short-term and long-term incentive structure

The Nomination and Remuneration Committee considers that the above performance-linked compensation structure will generate the desired outcome in respect of attracting and retaining high calibre employees.

In the current year the Consolidated Entity has not achieved its forecast earnings targets, with most segments not meeting budgeted results. The level of performance achieved during the current year has resulted in the minimum short-term incentives not being achieved, which has led to no short term incentives being paid to the key management personnel.

## Non-Executive Directors

The Company Constitution provides for Non-Executive Directors to be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of \$500,000 per annum or such other maximum amount determined from time to time by the Company in a general meeting. The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine. Non-Executive Directors fees are set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies.

Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board and Committee activities.

A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Consolidated Entity. No retirement benefits are to be paid to Non-Executive Directors. The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

#### Other benefits

Key management personnel can receive non-cash benefits as part of their base compensation as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles and toll road payments. The Company pays fringe benefits tax on these benefits.

#### Voting and comments made at the Company's 20 November 2014 Annual General Meeting ('AGM')

The Company received 92.4% of 'for' votes in relation to its remuneration report for the year ended 30 June 2014. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### B. Details of remuneration (audited)

Details of the nature and amount of each major element of remuneration of the key management personnel of the Consolidated Entity are set out in the following tables.

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
NON-EXECUTIVE DIRECTORS							
Roger Harley	45,872	-	-	4,358	-	-	50,230
Ian Knight	50,000	-	-	-	-	-	50,000
EXECUTIVE DIRECTORS							
Sam Riggall****	137,300	-	7,065	13,044	-	544,072	701,481
Peter Voigt	200,001	-	15,000	19,000	3,342	-	237,343
OTHER KEY MANAGEMENT PERSONNEL							
Cory Williams*	371,476	-	-	23,415	-	-	394,891
Tony Panther**	125,867	-	10,650	10,018	-	-	146,535
Ben Stockdale***	104,167	-	-	9,896	1,694	134,899	250,656
	1,034,683	-	32,715	79,731	5,036	678,971	1,831,136

\* Cory Williams resigned as Chief Executive Officer on 18 November 2014. His cash salary and fees includes a termination payment of \$250,000.

\*\* Tony Panther resigned as Chief Financial Officer on 31 January 2015. His cash salary and fees includes a termination payment of \$14,583.

\*\*\* Ben Stockdale was appointed as Chief Financial Officer on 15 January 2015.

\*\*\*\* Sam Riggall was appointed to the position of Interim CEO on 18 November 2014.

# DIRECTORS' REPORT

CONTINUED

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
NON-EXECUTIVE DIRECTORS							
Sam Riggall	127,300	-	10,000	12,700	-	-	150,000
Roger Harley	45,872	-	-	4,243	-	-	50,115
Ian Knight*	50,000	-	-	-	-	-	50,000
EXECUTIVE DIRECTORS							
Peter Voigt****	187,000	-	13,000	18,500	3,666	-	222,166
Greg Toll**	81,333	-	8,250	8,286	-	-	97,869
OTHER KEY MANAGEMENT PERSONNEL							
Cory Williams***	229,552	-	-	21,234	4,570	156,952	412,308
Tony Panther	165,657	-	9,343	16,188	3,185	-	194,373
Melanie Leydin	96,000	-	-	-	-	-	96,000
	982,714	-	40,593	81,151	11,421	156,952	1,272,831

\* Ian Knight was appointed as director 17 July 2013.

\*\* Greg Toll retired as a Director on 21 November 2013. His cash salary and fees includes a contractual termination payment of \$50,000.

\*\*\* Cory Williams was appointed as Chief Executive Officer on 29 November 2013. From 1 July 2013 to 29 November 2013 he held the position of Chief Operating Officer. Share based payments are options granted under the employee share scheme and represented 38% of his total remuneration. See section D.

\*\*\*\* Peter Voigt was the Chief Executive Officer from 1 July 2013 to 29 November 2013.

## C. Service agreements (audited)

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

<b>Peter Voigt</b>	Executive Director
<b>Agreement commenced</b>	1 March 2015
<b>Term of agreement</b>	No fixed term
<b>Details</b>	Remuneration is set at a base salary of \$200,000 per annum plus superannuation of \$19,000 based on duties as executive director. The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Voigt can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.



<b>Ben Stockdale</b>	Chief Financial Officer
<b>Agreement commenced</b>	15 January 2015
<b>Term of agreement</b>	No fixed term
<b>Details</b>	Remuneration set at base salary of \$250,000 per annum plus superannuation based on duties as Chief Financial Officer. The Company may terminate the agreement upon six months' notice or payment in lieu of notice. Mr Stockdale can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

The service contracts outline the components of compensation paid to the key management personnel. The service contracts of the key management personnel prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

## D. Share-based compensation (audited)

### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

### Options

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

<b>Grantee/ Number of options/ Grant date</b>	<b>Vesting date and exercisable date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Fair value per option at grant date</b>
Sam Riggall 4,000,000 options 25 February 2015	1 July 2015	25 February 2018	\$0.1619	\$0.068
Sam Riggall 4,000,000 options 25 February 2015	25 February 2015	25 February 2018	\$0.1619	\$0.068
Ben Stockdale 2,000,000 options 1 March 2015	1 March 2015	1 March 2018	\$0.1495	\$0.067

Options granted carry no dividend or voting rights.

# DIRECTORS' REPORT

CONTINUED

The number of options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Number of options granted during the year		Number of options vested during the year	
	2015	2014	2015	2014
Cory Williams	-	4,000,000	-	-
Sam Riggall	8,000,000	-	4,000,000	-
Ben Stockdale	2,000,000	-	2,000,000	-

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

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Cory Williams	-	-	156,952	-%
Sam Riggall	544,072	-	-	63%
Ben Stockdale	134,899	-	-	54%

\* Options vested in prior years and expired in the current year are disclosed in note 46 to the financial statements.

## Equity Instruments

During the course of the 2008 financial year the Company introduced a share option plan for employees and Directors of Clean TeQ ("the Plan"). All options refer to options over ordinary shares of Clean TeQ Holdings Limited, which are exercisable on a one-for-one basis under the Plan. The broad details of the Plan are set out below:

- (a) Under the Plan, eligible persons will be offered, and if accepted, granted, options entitling the holder to subscribe for Shares. The options may be subject to vesting and exercise restrictions which will be determined by the Board at the time of issue. If a person no longer qualifies for the Plan, they will have three months to exercise any options which are capable of being exercised (except in limited circumstances).
- (b) It is intended that the exercise price will generally be at or in excess of the prevailing volume weighted average sale price of Shares traded on ASX in the period immediately prior to the date of offer of the options.
- (c) The Board has at its discretion the ability to waive any conditions under certain limited circumstances and/or to allow options to be exercised and Shares acquired or transferred for monetary consideration equivalent to their value. The options are not otherwise transferable once granted.
- (d) The determination of eligibility to participate is at the absolute discretion of the Board. The Board may also determine at its absolute discretion the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. While not limiting the Board's discretion, the performance criteria are generally focused on the key financial and other performance measures set by the Company.

## E. Additional information (audited)

In considering the Consolidated Entity's performance and benefits for shareholder wealth, the current Nomination and Remuneration Committee have regard to the following profit or loss after tax in the current and previous four financial years, along with the share price and movement in the share price.

The earnings of the Consolidated Entity for the five years to 30 June 2015 are summarised below:

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Profit/(loss) after income tax	(5,274)	(1,248)	(4,631)	(4,910)	(8,225)

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

	2011	2012	2013	2014	2015
Share price at financial year end (\$)	0.04	0.13	0.10	0.05	0.23
Movement in share price (\$)	(0.24)	0.09	(0.03)	(0.05)	0.18

Net profit after income tax is considered as one of the financial performance targets in setting the short-term incentives. Dividends and changes in share price are included in the total shareholder return calculation, which is one of the performance criteria assessed for the long-term incentives. The other performance criteria assessed for the long term incentives is growth in earnings per share, which again takes into account the Consolidated Entity's net profit after income tax.

## F. Key management personnel transactions (audited)

### Movement in shares held

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

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at end of the year
Peter Voigt	25,948,016	-	1,666,667	-	27,614,683
Roger Harley	1,754,220	-	-	-	1,754,220
Ian Knight	200,000	-	-	-	200,000
Sam Riggall	-	-	6,253,304	-	6,253,304
Ben Stockdale*	-	-	50,000	-	50,000
	27,902,236	-	7,969,971	-	35,872,207

\* Ben Stockdale was appointed as Chief Financial Officer during the year.

### Movement in options held

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

Options over ordinary shares	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Peter Voigt	1,000,000	-	-	-	1,000,000
Sam Riggall	-	8,000,000	-	-	8,000,000
Cory Williams*	4,000,000	-	-	(4,000,000)	-
Ben Stockdale	-	2,000,000	-	-	2,000,000
	5,000,000	10,000,000	-	(4,000,000)	11,000,000

\* Cory Williams resigned as Chief Executive Officer during the year. His options have lapsed in accordance with the Employee Option Plan rules.



# DIRECTORS' REPORT

CONTINUED

## Other transactions with key management personnel

Details of other transactions with key management personnel are set out in notes 34 and 38.

**This concludes the remuneration report, which has been audited.**

## SHARES UNDER OPTION

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

Grant date	Expiry Date	Exercise price	Number under option
1 July 2010	1 July 2015	\$0.34	10,000
30 June 2011	30 June 2016	\$0.40	500,000
15 November 2012	30 November 2015	\$0.19	1,500,000
19 December 2014	19 June 2017	\$0.12	2,000,000
19 December 2014	19 June 2017	\$0.15	2,000,000
25 February 2015	25 February 2018	\$0.16	8,000,000
1 March 2015	1 March 2018	\$0.15	6,000,000
			20,010,000

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

For details of options issued to directors and executives as remuneration refer to the remuneration report.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Clean TeQ Holdings Limited issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

## INDEMNITY AND INSURANCE OF OFFICERS

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The invoice from the Company's insurers did not specify the amount of the premium paid for insurance against an officer's liability for legal costs.

## INDEMNITY AND INSURANCE OF AUDITOR

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

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 35 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF KPMG

Ian Knight, appointed as a Non-Executive Director on 17 July 2013, was previously a Partner of KPMG and Head of Private Equity for KPMG Corporate Finance, until June 2012.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30 and forms part of the directors' report for the financial year ended 30 June 2015.

## AUDITOR

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



**Sam Riggall**  
Chairman & Chief Executive Officer

25 August 2015  
Melbourne

## AUDITOR'S INDEPENDENCE DECLARATION



### *Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Clean TeQ Holding Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Dana Bentley', written over a horizontal line.

Dana Bentley  
Partner

Melbourne

25<sup>th</sup> August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>REVENUE</b>	5	790	1,354
Share of losses of joint ventures accounted for using the equity method	6	-	(291)
Other Income	7	-	407
<b>EXPENSES</b>			
Inventory write downs	13	(85)	(361)
Changes in finished goods		-	-
Raw materials and other direct costs	8	(561)	(517)
Employee benefits expenses	8	(2,609)	(3,422)
Impairment of licence intangible asset	18	(2,751)	-
Depreciation and amortisation expenses	8	(1,199)	(705)
Legal and professional expenses		(623)	(610)
Occupancy expenses		(278)	(303)
Marketing expenses		(396)	(402)
Other expenses		(728)	(880)
Finance costs		(715)	(463)
<b>Loss before income tax benefit from continuing operations</b>		(9,155)	(6,193)
Income tax benefit	9	-	-
Loss after income tax benefit from continuing operations		(9,155)	(6,193)
Profit after income tax expense from discontinued operations	10	930	1,283
<b>Loss after income tax benefit/(expense) for the year attributable to the owners of Clean TeQ Holdings Limited</b>		(8,225)	(4,910)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	-
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Clean TeQ Holdings Limited</b>		(8,225)	(4,910)
Total comprehensive income for the year is attributable to:			
Continuing operations		(9,155)	(6,193)
Discontinued operations:			
Non-controlling interests		159	-
Owners of the company		771	1,283
		(8,225)	(4,910)

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

	Note	Consolidated	
		2015 Cents	2014 Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of CleanTeQ Holdings Limited</b>			
Basic earnings per share	45	(3.20)	(3.72)
Diluted earnings per share	45	(3.20)	(3.72)
<b>Earnings per share for profit from discontinued operations attributable to the owners of CleanTeQ Holdings Limited</b>			
Basic earnings per share	45	0.33	0.77
Diluted earnings per share	45	0.33	0.77
<b>Earnings per share for loss attributable to the owners of CleanTeQ Holdings Limited</b>			
Basic earnings per share	45	(2.87)	(2.95)
Diluted earnings per share	45	(2.87)	(2.95)

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	3,313	2,540
Trade and other receivables	12	523	788
Inventories	13	96	939
Income tax receivable	14	963	463
Other financial assets	15	25	27
Total current assets		4,920	4,757
<b>NON-CURRENT ASSETS</b>			
Other financial assets	16	328	280
Property, plant and equipment	17	2,589	851
Intangibles	18	11,900	13,511
Exploration and evaluation assets	19	246	-
Total non-current assets		15,063	14,642
<b>Total assets</b>		<b>19,983</b>	<b>19,399</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	1,778	2,886
Borrowings	21	-	22
Employee benefits	22	276	339
Deferred revenue	23	46	339
Total current liabilities		2,100	3,586
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue	23	590	637
Borrowings	24	-	4,080
Notes payable	25	2,490	-
Employee benefits	27	33	16
Total non-current liabilities		3,113	4,733
<b>Total liabilities</b>		<b>5,213</b>	<b>8,319</b>
<b>Net assets</b>		<b>14,770</b>	<b>11,080</b>
<b>EQUITY</b>			
Issued capital	28	27,717	17,787
Reserves	29	1,063	198
Accumulated losses	30	(14,010)	(6,905)
<b>Total equity</b>		<b>14,770</b>	<b>11,080</b>

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



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2015

	Contributed Equity	Accumulated Losses	Reserves	Non Control Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>					
Balance at 1 July 2013	13,149	(2,045)	91	-	11,195
Loss after income tax benefit for the year	-	(4,910)	-	-	(4,910)
Total comprehensive income for the year	-	(4,910)	-	-	(4,910)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs (note 28)	4,622	-	-	-	4,622
Share-based payments (note 46)	16	-	157	-	173
Lapse of options	-	50	(50)	-	-
Total continuing transactions with owners of the Company	4,638	50	107	-	4,795
Balance at 30 June 2014	17,787	(6,905)	198	-	11,080
<b>CONSOLIDATED</b>					
Balance at 1 July 2014	17,787	(6,905)	198	-	11,080
Loss after income tax benefit for the year	-	(8,384)	-	159	(8,225)
Total comprehensive income for the year	-	(8,384)	-	159	(8,225)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs (note 28)	9,930	-	-	-	9,930
Share-based payments (note 46)	-	-	1,023	-	1,023
Lapse of options	-	-	(158)	-	(158)
Total contribution and distribution	9,930	-	865	-	10,795
Change in Ownership Interests:					
Change in controlling interest without a change in control (note 29)	-	-	1,120	-	1,120
Disposal of controlling interest in subsidiary (note 10)	-	1,120	(1,120)	-	-
Disposal of subsidiary with NCI	-	159	-	(159)	-
Total Changes in Ownership Interests	-	1,279	-	(159)	1,120
Total Transactions with Owners of the Company	9,930	1,279	865	(159)	11,915
Balance at 30 June 2015	27,717	(14,010)	1,063	-	14,770

All amounts are stated net of tax.

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

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		7,229	9,849
Payments to suppliers and employees (inclusive of GST)		(10,214)	(13,151)
Cash used in operating activities		(2,985)	(3,302)
Interest received		66	51
Interest and other finance costs paid		(365)	(443)
Research and development tax incentive received		-	503
Net cash used in operating activities	44	(3,284)	(3,191)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	17	(55)	(59)
Payments for exploration assets	19	(246)	-
Development expenditure	18	(1,178)	(1,028)
Proceeds from sale of business, net of cash disposed	10	1,922	-
Proceeds from sale of property, plant and equipment		-	10
Cash acquired from acquisition of subsidiaries	40	-	9
Net cash from/(used in) investing activities		443	(1,068)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of issuance costs		3,793	4,622
Proceeds from issue of convertible notes		-	2,231
Payment of hire purchases		(30)	(19)
Cash on deposit for security over bank guarantees		-	(17)
Repayment of borrowings		(149)	(1,099)
Net cash from financing activities		3,614	5,718
Net increase/(decrease) in cash and cash equivalents		773	1,459
Cash and cash equivalents at the beginning of the financial year		2,540	1,081
Cash and cash equivalents at the end of the financial year	11	3,313	2,540

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 1. GENERAL INFORMATION

The financial statements cover the Clean TeQ Holdings Limited group as a Consolidated Entity ('Consolidated Entity') consisting of Clean TeQ Holdings Limited ('Company') and its subsidiaries. The financial statements are presented in Australian dollars, which is Clean TeQ Holdings Limited's functional and presentation currency.

Clean TeQ Holdings Limited is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ferntree Business Park  
2 Acacia Place  
Notting Hill  
Victoria Australia 3168

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2015. The directors have the power to amend and reissue the financial statements.

### NOTE 2. 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.

#### (a) Change in accounting policies

Certain comparative amounts in the statement of profit or loss and other comprehensive income have been reclassified during the year as a result of discontinued operations during the year (see Note 10).

#### (b) Going concern

The Consolidated Entity reported a net loss after tax from continuing operations for the financial half year of \$9,155,000 (2014: \$6,193,000 loss). We note there were no significant revenues from continuing operations during the year. Operational revenues were more than offset by business development and corporate overhead costs. Working capital, being current assets less current liabilities, amounts to a \$2,820,000 surplus (30 June 2014: \$1,171,000

surplus), with cash reserves increasing from \$2,540,000 to \$3,313,000 during the period. Net cash outflows from operating activities were \$3,284,000 for the financial year (2014: net cash outflow of \$3,191,000).

During the financial year the following events have taken place to support the going concern basis of preparation for the Consolidated Entity:

- The Consolidated Entity has increased its cash on hand as at 30 June 2015 to \$3,313,000;
- During the financial year, the Consolidated Entity raised \$9,930,000 in equity capital after issue costs, inclusive of non-cash share issues, indicating strong support from investors to invest in the Consolidated Entity and its technologies;
- In early July 2015 the Consolidated Entity received a further \$455,000 cash rebate from the Australian Tax Office for eligible research and development expenditure in the 2014 financial year. The Company anticipates that a significant proportion of the forecast 2015 and 2016 financial years' development expenditure, including a large proportion of Syerston testwork and feasibility studies, will also be eligible for the refundable tax offset;
- On 27 July 2015 the Consolidated Entity launched a non-renounceable one for ten entitlement offer at a price of \$0.18 (18 cents) per share to raise \$6,638,000 before costs of the Entitlement Offer. The Entitlement Offer is fully underwritten by BV Equities Pty Ltd; and
- The forecast cash flows for the Consolidated Entity indicate a net positive cash position for at least the period of 12 months to 31 August 2016.

The Consolidated Entity expects that the relationship with its major investors will assist in widening the Consolidated Entity's opportunities for profitable commercialisation of its technologies in addition to assisting in securing further funding required.

As set out in the financial statements, during the financial year the Consolidated Entity made strong progress in respect of the commercialisation of its water and scandium recovery technologies including:

- The delivery of a scandium recovery pilot plant to Ishihara Sangyo Kaisha Ltd's facility in Japan for completion of a scandium recovery pilot trial. The piloting work confirmed the Consolidated Entity's ion-exchange extraction processes' ability to recover low concentrations of scandium from intermediate process streams.

- The signing of a heads of agreement with the Shanghai Investigation, Design and Research Institute Co. Ltd for the deployment of the Consolidated Entity's unique proprietary water treatment technologies in China;
- The acquisition of the Syerston Project and completion of a scoping study for the project which confirmed strong economics for the proposed project development; and
- The Consolidated Entity continues to negotiate with prospective customers and business partners with a view to securing profitable transactions based on the Consolidated Entity's technologies, which along with a continued strong focus on cost control, is expected to improve the Consolidated Entity's financial performance in future periods.

The directors are confident that the Consolidated Entity can continue to access debt and equity funding to meet short term working capital requirements, and has a history of securing such funding as required in the past to support their confidence.

On the basis that sufficient funding is expected to be raised to meet the Consolidated Entity's expenditure forecasts, the directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

While the directors are confident in the Consolidated Entity's ability to continue as a going concern, in the event the cashflow forecasts are adversely impacted and the agreements and commercial opportunities described above do not eventuate as planned, including continued access to equity funding which at the date of this report is uncertain, there is a material uncertainty as to whether the Consolidated Entity will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern, beyond the 12 months from the date the directors sign the annual report.

Consequently, material uncertainty exists as to whether the Consolidated Entity will continue as a going concern and it may therefore be required to realise assets at amounts different to their carrying amounts in the statement of financial position, extinguish liabilities at amounts different to those recorded in the statement of financial position and settle liabilities other than in the ordinary course of business.

### **(c) Basis of preparation**

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

### **Historical cost convention**

The financial statements have been prepared under the historical cost convention unless otherwise described in the accounting policies.

### **Critical accounting estimates**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### **(d) Parent Entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in note 39.

### **(e) Principles of consolidation**

The Consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Holdings Limited as at 30 June 2015 and the results of all subsidiaries for the year then ended. Clean TeQ Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Business combinations

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

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

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

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

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

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

the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date.

The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Consolidated Entity's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

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

### Loss of control

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

### **Associates**

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

The Consolidated financial statements include the Consolidated Entity's share of profit or loss and other comprehensive income of equity accounted interests, after adjustments to align the accounting policies with those of the Consolidated Entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Consolidated Entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Consolidated Entity has an obligation or has made payments on behalf of the investee.

### **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

### **(f) Operating segments**

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

### **(g) Revenue recognition**

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

### **Sale of goods and services**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be reliably measured, then the discount is recognised as a reduction of revenue as the sales are recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of units developed and built, transfer usually occurs when the product is received at the customer's site and or is commissioned ready for use.

### **Rendering of services**

Revenue from contracted services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the completion of key milestones in the contracts.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognised as they are incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

### Technology licensing income

Technology licensing income is recognised based on the substance of the contractual arrangements entered into. Upfront non-refundable fees for the right to utilise the technology, where the economic Entity has no ongoing contractual and performance obligations, are recognised fully in profit or loss at the time the contractual commitment is entered into. Technology licensing fees where the licensee has the right to use the technology over a specified period of time or on a refundable basis is recognised in profit or loss on a straight line basis over the agreed term of the Licence.

### Sales of non-current assets

Gains or losses on sale of non-current assets are included as income or expenses at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### Government grants

Government grants are recognised initially as deferred income at fair value and when there is reasonable assurance that they will be received and that the Consolidated Entity will comply with the conditions associated with the grant, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Consolidated Entity for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

### (h) Income tax

Tax expense comprises current and deferred tax.

Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Consolidated Entity makes this assessment at each reporting date. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable Entity or different taxable entities which intend to settle simultaneously.

Clean TeQ Holdings Limited (the 'head Entity') and its wholly-owned Australian subsidiaries have formed an income tax Consolidated group under the tax consolidation regime. The head Entity and each subsidiary in the tax Consolidated group continue to account for their own current and deferred tax amounts. The tax Consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax Consolidated group.

In addition to its own current and deferred tax amounts, the head Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax Consolidated group. Assets or liabilities arising under tax funding agreements with the tax Consolidated entities are recognised as amounts receivable from or payable to other entities in the tax Consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax Consolidated group member, resulting in neither a contribution by the head Entity to the subsidiaries nor a distribution by the subsidiaries to the head Entity.

#### **(i) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

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

#### **(j) Cash and cash equivalents**

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

#### **(k) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Work in progress is measured, for each project in progress, as the excess of revenue recognised for the project, based on the project's percentage of completion, over the revenue invoiced to date for that project. For projects where the revenue recognised for a project is less than the revenue invoiced to date for that project, the excess of revenue invoiced over revenue recognised is recorded as a current liability, presented as deferred revenue.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Entity. Ongoing repairs and maintenance are expensed as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated on to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. The estimated useful lives of property, plant

and equipment are as follows for the current and preceding financial year:

Plant and factory equipment	2.5 to 20 years (straight line and diminishing value)
Office furniture and equipment	2.5 to 20 years (straight line and diminishing value)
Capitalised leased equipment	3-7 years (diminishing value)
Motor vehicles	5-6 years (diminishing value)
Land	Indefinite

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### n) Other financial assets

Cash on deposit used as security for bank guarantees that matures within four and twelve months of each reporting period is disclosed as a current other financial asset. Those deposits that do not mature for in excess of twelve months are disclosed as non-current other financial assets.

### (o) Intangible assets

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

### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Consolidated Entity is able to use or sell the asset; the Consolidated Entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Otherwise they are recognised in the profit or loss as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being between 4 and 20 years dependent on the project.

### **Mineral Licence Rights**

Licence rights relating to mining tenements are amortised in the consolidated statement of profit or loss and comprehensive income over the life of the relevant area of interest from the commencement of commercial production. The mineral rights intangible asset is subject to impairment testing in accordance with the Consolidated Entity's accounting policy for impairment of non-financial assets as set out in note 3(p).

### **Patents and trademarks**

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being between 4 and 20 years.

### **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### **(p) Impairment of non-financial assets**

At each reporting date, the Consolidated Entity reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(q) Leases**

#### **Determining whether an arrangement contains a lease**

At inception of an arrangement, the Consolidated Entity determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Consolidated Entity separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Consolidated Entity concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Consolidated Entity's incremental borrowing rate.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Leased assets

Assets held by the Consolidated Entity under leases that transfer to the Consolidated Entity substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Consolidated Entity's statement of financial position.

### Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (r) Trade and other payables

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

### (s) Borrowings

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Compound financial instruments issued by the Consolidated Entity comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

### (t) Finance income and costs

The Consolidated Entity's finance income and finance costs include, as applicable:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the fair value loss on contingent consideration classified as a financial liability;
- impairment losses recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- the reclassification of net gains previously recognised in other comprehensive income.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant

period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Interest expense is recognised using the effective interest method.

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings;
- interest on hire purchases.

#### **(u) Employee benefits**

##### **Short-term employee benefits**

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

##### **Other long-term employee benefits**

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

##### **Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

##### **Defined contribution superannuation expense**

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

##### **Share-based payments**

Equity-settled and cash-settled share-based compensation benefits are provided to employees. There were no cash settled share-based payments during the year.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining grant date fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### (v) Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

### (w) Issued capital

#### Ordinary shares are classified as equity.

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

### (x) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Clean TeQ Holdings Limited 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.

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

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

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

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

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

**(z) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(aa) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual period beginning after 1 January 2014, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

**IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The adoption of these standards may have an impact on the consolidated entity's financial assets, and is not expected to have a significant impact on the Consolidated Entity's financial liabilities.

**(ab) Exploration Assets**

Exploration and evaluation expenditure incurred by the Consolidated Entity is recorded at cost as an asset for each area of interest, if:

- (i) The expenditure is expected to be recouped by successful development and or sale; or
- (ii) Significant evaluation and exploration work is continuing.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### Intangible assets

The recoverable value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any diminution in value through amortisation and impairment. The recoverable value of development intangible assets is based on discounted cash flows expected to be derived from the use and eventual sale of the assets.

At each reporting date the directors and management undertake an impairment review to determine their value in use as derived from the discounted cash flow modelling. The impairment review carried out as at 30 June 2015 did reveal some impairment. Based on the impairment review at 30 June 2015, the directors determined an impairment of the intangible assets of \$2,751,000 (2014: \$nil). Details of the review, and the assumptions and estimates used, are contained in note 18.

### Recovery of deferred tax assets

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

### Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each financial reporting date. Fair value is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## NOTE 4. OPERATING SEGMENTS

### Identification of reportable operating segments

The Consolidated Entity is organised into 3 operating segments: Air Purification, Water and Metals. These operating segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each segment internal reports are produced for review and use by the CEO, who is the Consolidated Entity's chief operating decision maker ('CODM'), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews gross profit for each operating division. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

### Types of products and services

The principal products and services of each of these operating segments are as follows:

#### Air Purification

The Company provides a full suite of air purification and odour elimination solutions to municipal and statutory authorities and industrial companies.

#### Water

The Company's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use. The Company is developing technologies for use in the purification and recycling of waste water and the desalination of brackish water.

#### Metals

The Clean-iX® technology is at the core of this segment and aims to provide cost effective extraction techniques for a range of resources, including base metals, precious metals and radioactive elements (such as uranium).

Information regarding the results of each reportable segment is included below. Performance is measured based on the net result before interest, depreciation and tax, as included in the internal management reports that are reviewed by the Consolidated Entity's CEO. Each segment's net result before interest, depreciation and tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. The information relating to the performance of the identified segments includes revenues and directly attributable costs and materials. The assets attributed to each division relates to revenue generating assets. All other assets and liabilities are not allocated to specific segments.

### Geographical segments

Geographically, the Consolidated Entity operates predominately in Australia.

### Major customers

Revenues from three major customers of the Air segment (discontinued operations) represents approximately \$3.4 million of the Consolidated Entity's total revenues.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

### NOTE 4. OPERATING SEGMENTS (CONTINUED)

Consolidated – 2015	Air Purification*	Metals**	Water	Intersegment eliminations/ unallocated***	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>					
Sales to external customers	6,935	241	-	-	7,176
Rental income	-	13	-	-	13
Interest income	-	-	-	90	90
Other revenue	-	-	49	397	446
<b>Total revenue</b>	6,935	254	49	487	7,725
<b>Reportable segment (loss)/ profit before interest, depreciation and tax</b>	738	(15)	(256)	(4,219)	(3,752)
Depreciation and amortisation	(25)	-	(200)	(999)	(1,224)
Impairment of assets	-	-	(2,751)	-	(2,751)
Finance costs	(24)	-	-	(715)	(739)
Share of losses from joint venture	-	-	-	-	-
Profit on sale of investment (note 10)	-	-	-	338	338
<b>Profit/(loss) before income tax expense</b>	689	(15)	(3,207)	(5,595)	(8,128)
Income tax expense	(97)	-	-	-	(97)
<b>Loss after income tax expense</b>					(8,225)
<b>ASSETS</b>					
Segment assets	-	9,138	5,691	5,154	19,983
<b>Total assets</b>					19,983
<i>Total assets includes:</i>					
Acquisition of non-current assets (including those acquired in a business combination)	-	3,529	-	-	3,529
<b>LIABILITIES</b>					
Segment liabilities	-	2,490	1,173	1,550	5,213
<b>Total liabilities</b>					5,213

\* The change in segment assets in the Air segment from the last reporting period is primarily attributable to the sale of the Air business as at 30 June 2015. Refer to note 10 – Discontinued Operations.

\*\* The change in segment assets for the Metals division is primarily attributable to the acquisition of the Syerston Project from Ivanhoe Mines Ltd that occurred on 31 March 2015.

\*\*\* The magnitude of the unallocated portion of the segment results is a result of the Consolidated Entity incurring a significant amount of expenses that cannot be directly attributable on a reasonable basis to any one segment.

Consolidated – 2014	Air Purification*	Metals	Water	Intersegment eliminations/ unallocated**	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>					
Sales to external customers	4,754	317	217	334	5,622
Interest income	-	-	-	51	51
Other revenue	-	-	48	387	435
<b>Total revenue</b>	4,754	317	265	772	6,108
<b>Reportable segment (loss)/ profit before interest, depreciation and tax</b>	1,283	96	192	(5,429)	(3,858)
Depreciation and amortisation	-	-	(63)	(642)	(705)
Finance costs	-	-	-	(463)	(463)
Share of losses from joint venture	-	-	(291)	-	(291)
Gain on revaluation of investment	-	-	407	-	407
<b>Profit/(loss) before income tax expense</b>	1,283	96	245	(6,534)	(4,910)
Income tax expense					-
<b>Loss after income tax expense</b>					(4,910)
<b>ASSETS</b>					
Segment assets	1,192	4,870	9,632	3,705	19,399
<b>Total assets</b>					19,399
<i>Total assets includes:</i>					
Acquisition of non-current assets (including those acquired in a business combination)	20	168	4,421	59	4,668
<b>LIABILITIES</b>					
Segment liabilities	386	264	2,753	4,916	8,319
<b>Total liabilities</b>					8,319

\* This business was sold on 30 June 2015. Refer to note 10 – Discontinued Operations.

\*\* The magnitude of the unallocated portion of the segment results is a result of the Consolidated Entity incurring a significant amount of expenses that cannot be directly attributable on a reasonable basis to any one segment.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 5. REVENUE

	Consolidated	
	2015 \$'000	2014 \$'000
SALES REVENUE		
Contract revenue	231	799
Government grants	35	399
Rental income	13	-
	279	1,198
OTHER REVENUE		
Interest	90	51
Other revenue	421	105
	511	156
<b>Revenue</b>	<b>790</b>	<b>1,354</b>

## NOTE 6. SHARE OF LOSSES OF JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2015 \$'000	2014 \$'000
Share of loss – joint ventures	-	(291)

## NOTE 7. OTHER INCOME

	Consolidated	
	2015 \$'000	2014 \$'000
Revaluation of investments	-	407

## NOTE 8. EXPENSES

	Consolidated	
	2015 \$'000	2014 \$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<b>COST OF SALES</b>		
Cost of sales	561	517
<b>DEPRECIATION</b>		
Motor vehicles under lease	12	14
Plant and factory equipment	324	46
Office equipment and furniture	37	46
<b>Total depreciation</b>	<b>373</b>	<b>106</b>
<b>AMORTISATION</b>		
Capitalised development costs	592	431
Other intangible assets	234	168
<b>Total amortisation</b>	<b>826</b>	<b>599</b>
<b>Total depreciation and amortisation</b>	<b>1,199</b>	<b>705</b>
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Wages and salaries	1,326	3,094
Employee entitlements expense including movements in provisions for employee entitlements	76	105
Superannuation	160	295
Equity settled share based payments	880	173
Other costs	654	384
Employee benefit expenses capitalised into development assets	(487)	(629)
<b>Total employee benefit expense</b>	<b>2,609</b>	<b>3,422</b>
<b>RENTAL EXPENSE RELATING TO OPERATING LEASES</b>		
Minimum lease payments	233	184



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 9. INCOME TAX BENEFIT

	Consolidated	
	2015 \$'000	2014 \$'000
<b>INCOME TAX BENEFIT:</b>		
Current tax	-	-
Deferred tax – origination and reversal of temporary differences	-	-
Aggregate income tax benefit	-	-
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 26)	-	-
<b>NUMERICAL RECONCILIATION OF INCOME TAX BENEFIT AND TAX AT THE STATUTORY RATE</b>		
Loss before income tax benefit from continuing operations	(9,155)	(6,193)
Profit before income tax (expense)/benefit from discontinued operations	1,027	1,283
	(8,128)	(4,910)
Tax at the statutory tax rate of 30%	(2,438)	(1,473)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	2	1
Share-based payments	264	52
Non-assessable gain on revaluation of investments	-	(122)
Change in recognised deductible temporary difference	103	682
Impairment of asset treated as non-deductible	825	-
Losses from joint venture	-	87
Tax losses (reinstated) / not brought to account	1,210	580
R&D claim adjustments	-	163
Non-deductible amortisation expense	34	30
<b>Income tax benefit</b>	-	-
<b>TAX LOSSES NOT RECOGNISED:</b>		
Unused tax losses for which no deferred tax asset has been recognised, including tax losses arising from a business combination*	38,422	6,737
Potential tax benefit @ 30%	11,527	2,021
Plus: Unrecognised benefit of carry forward non-refundable R&D tax offset for which no deferred tax asset has been recognised, arising from a business combination	589	589
Total potential tax benefit of carry forward tax losses and R&D tax offset for which no deferred tax asset has been recognised	12,116	2,610
Temporary differences not brought to account	903	903

\* This figure includes \$27,651,000 of carry forward tax losses on the acquisition of the Syerston Project from Ivanhoe Mines Ltd.

The above potential tax benefits for tax losses and R&D tax offset have not been recognised in the statement of financial position. The tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The R&D tax offset can only be utilised in the future if sufficient tax liabilities can be generated against which the carry forward R&D tax offset can be credited.

## NOTE 10. DISCONTINUED OPERATIONS

### Description

Effective 30 June 2015 the Consolidated Entity divested its remaining 59% shareholding in Clean TeQ Aromatrix Pty Ltd to Australia Sunshine Holdings Limited for cash proceeds of \$1,681,500. The divestment allows the Company to focus exclusively on the Company's Water and Metals businesses which are both primarily driven by the Company's proprietary continuous ion exchange technology.

In December 2014, the Consolidated Entity divested 41% of its shareholding in Clean TeQ Air Pty Ltd (the predecessor company to Clean TeQ Aromatrix Pty Ltd) to Aromatrix Technologies (Hong Kong) Ltd as a result of the Aromatrix business acquired (see note 40(ii)) and to entities associated with staff of Clean TeQ Air Pty Ltd. Cash proceeds of \$345,000 were received on this transaction. The Consolidated Entity recorded a gain on the divestment of \$1,120,000 directly in equity.

### Financial performance information

	Consolidated	
	2015 \$'000	2014 \$'000
Revenue from sale of goods	6,935	4,754
<b>Total revenue</b>	6,935	4,754
<b>EXPENSES</b>		
Inventory write downs	(1)	-
Raw materials and other direct costs	(4,188)	(3,471)
Employee benefits expenses	(1,242)	-
Depreciation and amortisation expenses	(25)	-
Legal and professional expenses	(126)	-
Occupancy expenses	(145)	-
Finance costs	(24)	-
Marketing expenses	(77)	-
Other expenses	(418)	-
<b>Total expenses before tax</b>	(6,246)	(3,471)
Income tax expense	(97)	-
Net profit after tax from discontinued operations	592	1,283
Gain on disposal after income tax expense	338	-
Profit after income tax from discontinued operations	930	1,283

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 10. DISCONTINUED OPERATIONS CONTINUED

### Effects of disposal on the financial position of the Consolidated Entity

	<b>Consolidated</b>
	<b>2015 \$'000</b>
Property, plant & equipment	(126)
Trade and other receivables	(1,990)
Inventories	(655)
Goodwill	(1,500)
Cash & cash equivalents disposed of	(105)
Trade and other payables	1,152
Deferred revenue	822
Employee entitlements	149
Income tax liability	97
Subtotal – (assets)/liabilities disposed of	2,156
Less: Non-controlling interests	884
Net (assets) and liabilities – total	1,272
Consideration received in cash – 59% residual interest	1,682
Cash & cash equivalents disposed of	(105)
Consideration received in cash for partial disposal – 8% interest	345
Total net cash inflow	1,922

## NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	<b>Consolidated</b>	
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Cash at bank	3,313	2,398
Cash on deposit	-	18
Cash on deposit used as security for bank guarantee and credit card facilities – uncommitted	-	124
	3,313	2,540

The effective interest rate on short-term bank deposits at 30 June 2015 was 1.90% (2014: 2.52%). These deposits have a maximum maturity of 90 days of year end. Any balances with maturities exceeding this have been disclosed as other financial assets. Refer to note 24 for details of the used and unused bank guarantee facility.

## NOTE 12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Trade receivables	36	613
Other receivables	487	175
	<b>523</b>	<b>788</b>

### Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$28,000 as at 30 June 2015 (\$258,000 as at 30 June 2014).

The Consolidated Entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
31 – 60 days	28	165
60 – 90 days	-	-
90 + days	-	93
	<b>28</b>	<b>258</b>

Normal trading terms are 30 days from month end. Amounts outstanding beyond normal trading terms do not have a history of default and thus management is of the view that no debtors are impaired at 30 June 2015 or 30 June 2014 and thus should not be provided for.

## NOTE 13. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2015 \$'000	2014 \$'000
Raw materials – at net realisable value	10	58
Work in progress – at cost	-	753
Finished goods – at cost	86	128
	<b>96</b>	<b>939</b>

Raw materials includes grape skin extract which was initially recognised at a cost of \$598,000 when first acquired pre-2007. At 30 June 2015 the carrying value of grape skin extract is \$10,000 (2014: \$10,000). During the year ending 30 June 2015, management wrote down the value of finished goods, by \$85,000 (2014: \$361,000).



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 14. CURRENT ASSETS – INCOME TAX RECEIVABLE

	Consolidated	
	2015 \$'000	2014 \$'000
Income tax receivable	963	463

Income tax receivable represents the refund due to the Consolidated Entity on capitalised expenditure during the current financial year as a result of research and development tax concessions.

## NOTE 15. CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2015 \$'000	2014 \$'000
Cash on deposit used as security for bank guarantees	25	27

## NOTE 16. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2015 \$'000	2014 \$'000
Cash on deposit used as security for bank guarantees	328	280

## NOTE 17. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2015 \$'000	2014 \$'000
Office furniture and equipment – at cost	156	194
Less: Accumulated depreciation	(100)	(100)
	56	94
Motor vehicles – at cost	86	154
Less: Accumulated depreciation	(60)	(89)
	26	65
Factory equipment – at cost	737	852
Less: Accumulated depreciation	(459)	(160)
	278	692
Land – at cost	2,229	-
	2,229	-
	<b>2,589</b>	<b>851</b>

The land was acquired from Ivanhoe Mines Ltd as part of the Consolidated Group's acquisition of the Syerston Project. The land was recorded at its deemed cost, being an approximate of its fair value as at that date as determined by management, with reference to an independent valuation performed in 2013.

The acquisition of the Syerston project has been recognised as an asset acquisition in accordance with Australian Accounting Standards.

## Reconciliations

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

	Factory Equipment	Land	Office Furniture & Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>					
Balance as at 1 July 2013	197	-	95	80	372
Additions	-	-	59	-	59
Additions through business combinations (note 40)	550	-	17	-	567
Disposals	-	-	(25)	-	(25)
Write off of assets	(10)	-	(6)	-	(16)
Depreciation expense	(45)	-	(46)	(15)	(106)
<b>Balance as at 30 June 2014</b>	<b>692</b>	<b>-</b>	<b>94</b>	<b>65</b>	<b>851</b>
Additions	31	2,229	1	-	2,261
Additions through business combinations (note 40)	-	-	-	-	-
Disposals (Refer to Note 10)	(97)	-	(2)	(27)	(126)
Write off of assets	-	-	-	-	-
Depreciation expense	(348)	-	(37)	(12)	(397)
<b>Balance as at 30 June 2015</b>	<b>278</b>	<b>2,229</b>	<b>56</b>	<b>26</b>	<b>2,589</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 18. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2015 \$'000	2014 \$'000
Development – at cost	18,606	18,596
Less: Accumulated depreciation	(8,570)	(8,637)
	10,033	9,959
Patents and trademarks – at cost	713	713
Less: Accumulated depreciation	(267)	(233)
	446	480
Licences – at cost	1,421	3,135
Less: Accumulated depreciation	-	(63)
	1,421	3,072
	<b>11,900</b>	<b>13,511</b>

### Reconciliation of carrying amount

Reconciliations of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Capitalised Development costs	Licence* Rights	Patents and Trademarks	Total
	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>				
Balance at 1 July 2013	9,362	192	514	10,068
Additions	1,028	-	-	1,028
Additions through business combinations (note 40)	-	3,014	-	3,014
Amortisation expense	(431)	(134)	(34)	(599)
<b>Balance at 30 June 2014</b>	<b>9,959</b>	<b>3,072</b>	<b>480</b>	<b>13,511</b>
Additions	666	1,300	-	1,966
Impairment charge	-	(2,751)	-	(2,751)
Amortisation expense	(592)	(200)	(34)	(826)
<b>Balance as at 30 June 2015</b>	<b>10,033</b>	<b>1,421</b>	<b>446</b>	<b>11,900</b>

\* The licence rights acquired in the year ending 30 June 2015 relate to mining tenements acquired from Ivanhoe Mines Ltd, as part of the Consolidated Group's acquisition of the Syerston Project. The tenements were recorded based on their deemed cost, being their estimated fair value calculated as at the date of acquisition of the assets (refer to note 17).

### Carrying values of Cash Generating Units (CGUs)

	Capitalised Development costs	Licence Rights	Patents and Trademarks	Total
	\$'000	\$'000	\$'000	\$'000
AS AT 30 JUNE 2014:				
Water	5,546	3,012	240	8,798
Resource recovery	4,299	61	240	4,600
Air	114	-	-	114
	<b>9,959</b>	<b>3,072</b>	<b>480</b>	<b>13,511</b>
AS AT 30 JUNE 2015:				
Water	5,205	121	223	5,549
Resource recovery	4,828	1,300	223	6,351
Air*	-	-	-	-
	<b>10,033</b>	<b>1,421</b>	<b>446</b>	<b>11,900</b>

\* The Air CGU was disposed of as At 30 June 2015. Refer to note 10 for further details.

### Amortisation

The amortisation of patents and trademarks, licence rights and development costs are allocated to expenses within the statement of profit or loss and other comprehensive income.

### Recoverability of development costs

The carrying amount of the Consolidated Entity's Development intangible assets that are yet to be commercialised is reviewed at each reporting date for potential impairment. Impairment is now assessed at a CGU level rather than based on individual intangible assets capitalised due to the Consolidated Entity's technologies being platform technologies where cash flows are inter-dependent. The review consists of a comparison of the carrying value with the expected recoverable amount of the Development intangible assets based on the estimated value in use, which is determined by discounted cash flow models, as set out below.

### Impairment test

As a result of the impairment assessment at 30 June 2015, the directors and management of the Consolidated Entity identified that the recoverable amount of the licence rights, recorded in the Water CGU, as estimated from the discounted cash flows was impaired and an impairment charge of \$2,751,000 was recognised. All other intangible assets were deemed by management to not be impaired (30 June 2014: impairment of \$nil). The impairment loss was recognised in the statement of profit and loss and other comprehensive income.

### Impairment testing of significant CGUs

The Consolidated Entity's intangible assets are reviewed for impairment at a CGU level using operating segments and individually identifiable projects to develop appropriate discounted cash flow models. The discounted cash flow models take into account a range of factors including:

- the status of an individual project with regard to its stage of project development;
- the extent of any incremental costs expected to be incurred to commercialise the development assets;
- five to twenty year (resource sector) forecast revenues from commercialisation of the development assets, including assumptions with respect to sales growth dependent upon either the quantum of projects forecast to commence;



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 18. NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

- the risks attached to commercialising the asset, including any industry specific or regulatory risk;
- anticipated levels of competition; and
- other general economic factors.

The discounted cash flows have been prepared using a variety of sourced data such as sales data from Memorandum's of Understanding signed, anticipated sales resulting from discussions with potential customers and other market data to forecast future revenue. As there are no guarantees that new projects will be awarded, given regulatory approval where such approval is required or be commercialized within planned timeframes, there is an inherent risk attached to the discounted cash flows that is factored into the key assumptions by way of probability factor adjustments.

In generating the forecast cash flows, the Consolidated Entity has used a post-tax discount rate of 15% (2014: 15%) for all future cash flows for a 5 year period plus the terminal value (Water CGU) and a 20 year period (Resource Recovery CGU). The discount rate was used in conjunction with a range of probability factors for both CGUs to reflect the current assessment of the likelihood of success of the forecast cashflows.

Management note that reasonably possible changes in key assumptions include changes to probability factors applied to forecast cash flows, changes in the timing of cash flows and changes to assumed rates of market penetration. The most significant potential changes and their impact, independent of each other, on the carrying values to be tested for impairment are as follows at 30 June 2015:

	Consolidated	
	2015 \$'000	2014 \$'000
A reduction of 10% in the probability factors applied to forecast cash flows	-	-
A delay of six months in the commencement of forecast cash flows	-	-
A reduction of 25% to the consolidated entity's assumed market penetration rates	-	-
	-	-

Management's conclusion is that these changes in key assumptions, while reducing the recoverable amounts of the Consolidated Entity's technologies, would not, as at 30 June 2015, reduce the recoverable amounts to the extent that the development intangible assets would be impaired.

## NOTE 19. NON-CURRENT ASSETS – EXPLORATION & EVALUATION ASSETS

	Consolidated	
	2015 \$'000	2014 \$'000
Exploration expenditure - Syerston	246	-

### Exploration Tenement Summary

Licence Number	Project Name	Location	Equity Interest 2015	Equity Interest 2014
EL4573	Syerston	NSW	100%	0%

## NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Trade payables	282	591
Deferred consideration payable	1,171	2,000
Other payables	325	295
	<b>1,778</b>	<b>2,886</b>

Refer to note 32 for further information on financial instruments.

Deferred consideration of \$1,171,000 is payable to Nippon Gas Co Ltd for the acquisition of Associated Water Pty Ltd and Clean World Japan.

## NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2015 \$'000	2014 \$'000
Loans	-	-
Hire purchase	-	22
	<b>-</b>	<b>22</b>

Refer to note 32 Financial Instruments and note 38 Related party transactions for details of relevant loans.

## NOTE 22. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2015 \$'000	2014 \$'000
Annual leave	129	193
Long service leave	147	146
	<b>276</b>	<b>339</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 23. DEFERRED REVENUE

	Consolidated	
	2015 \$'000	2014 \$'000
<b>CURRENT</b>		
Work in progress	-	293
Government grant*	46	46
	46	339
<b>NON-CURRENT</b>		
Government grant*	590	637
	<b>636</b>	<b>976</b>

\* This relates to the Commonwealth government grant money received associated with the Climate Ready project. This income is being recognised over 17 years, being the estimated useful life of the related asset.

## NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2015 \$'000	2014 \$'000
Convertible notes payable	-	4,072
Hire purchase	-	8
	<b>-</b>	<b>4,080</b>

Refer to note 32 for further information on financial instruments.

On 5 December 2013 the Consolidated Entity issued 5,000,000 Convertible Notes at \$0.10 (10 cents) per note, raising \$500,000 for working capital purposes. The notes were issued to Sam Riggall, who was then Chairman and Non-Executive Director of the Company, on terms that are considered to be normal market terms. On 14 May 2015, Mr Riggall elected to convert those notes to shares in the Consolidated Entity. Shares were issued on 20 May 2015 to Mr Riggall. Mr Riggall is currently Chairman and Chief Executive Officer of the Company.

On 14 May 2015, the convertible note holders who held convertible notes issued by the Consolidated Entity on 21 May 2013 and 2 August 2013 elected to convert those notes to shares in the Consolidated Entity. Shares were issued on 20 May 2015 to the note holders. Refer to note 28 for details.

### Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Hire purchase	-	30

### Financing arrangements

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

	Consolidated	
	2015 \$'000	2014 \$'000
Total facilities		
Guarantees against work in progress and credit card facilities	-	430
Hire purchase facilities	-	30
	-	460
Used at the reporting date		
Guarantees against work in progress and credit card facilities	-	261
Hire purchase facilities	-	30
	-	291
Unused at the reporting date		
Guarantees against work in progress and credit card facilities	-	169
Hire purchase facilities	-	-
	-	169

## NOTE 25. NOTES PAYABLE

	Consolidated	
	2015 \$'000	2014 \$'000
Notes payable	2,490	-

As part of the acquisition of the Syerston Project from Ivanhoe Mines Ltd on 31 March 2015, a promissory note was issued by the Consolidated Entity with a face value of \$3,000,000 payable in three years' time and carrying a zero coupon. This promissory note is secured by first ranking mortgages against the real property of the Syerston Project. The promissory note is recognised at its amortised cost of \$2,490,000.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 26. NON-CURRENT LIABILITIES/ASSETS – DEFERRED TAX

	Consolidated				
	Net balance 1 July	Recognised in profit or loss	Recognised directly in equity	Balance at 30 June 2015	
				Deferred tax assets	Deferred tax liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Deferred tax asset (liability) comprises temporary differences attributable to:</i>					
Amounts recognised in profit or loss:					
Intangible assets	(2,832)	(22)	-	-	(2,854)
Unearned interest	(1)	1	-	-	-
Accrued expenses	232	49	-	281	-
Employee benefits	107	(14)	-	93	-
Transaction costs on share issues	133	-	74	207	-
Legal and consulting fees	82	-	-	82	-
Plant & equipment	15	(15)	-	-	-
Unused tax losses	2,264	(73)	-	2,191	-
	-	(74)	74		
Tax liabilities (assets) before set-off	-			2,854	(2,854)
Set off deferred tax assets/liabilities	-			(2,854)	2,854
Net tax liabilities (assets)	-			-	-
<b>MOVEMENTS 2015</b>					
Opening balance	-				
Charged to profit or loss (note 9)	-				
Closing balance	-				

## NOTE 27. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2015 \$'000	2014 \$'000
Annual and long service leave	33	16



## NOTE 28. EQUITY – ISSUED CAPITAL

	Consolidated			
	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares – fully paid	<b>368,765,739</b>	<b>241,670,775</b>	<b>27,717</b>	<b>17,787</b>

### Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$'000
Balance	1 July 2013	143,793,514		13,149
Shares issued as a result of the Employee Tax Exempt				
Share Plan	5 November 2013	163,504	\$0.10	16
Shares issued in accordance with share purchase plan	8 November 2013	5,563,757	\$0.07	412
Shares issued through placement	14 March 2014	37,032,755	\$0.05	1,852
Shares issued as approved by the annual general meeting	8 May 2014	55,117,245	\$0.05	2,756
Capital Raising Costs		-	-	(398)
<b>Balance</b>	<b>30 June 2014</b>	<b>241,670,775</b>		<b>17,787</b>
Shares issued through private placement	4 September 2014	2,000,000	\$0.05	100
Shares issued through private placement	8 October 2014	18,685,714	\$0.07	1,308
Shares issued to Employees	19 December 2014	241,965	\$0.06	15
Shares issued through private placement	19 December 2014	37,500,000	\$0.06	2,250
Capital Raising Costs		-	-	(141)
Shares issued as approved by the general meeting	23 February 2015	1,666,667	\$0.06	100
Shares issued as approved by the general meeting	31 March 2015	7,373,053	\$0.14	1,000
Shares issued as approved by the general meeting	11 May 2015	7,449,143	\$0.14	1,050
Shares issued through private placement	15 May 2015	1,246,537	\$0.14	176
Convertible notes converted to equity	20 May 2015	50,931,885	\$0.08	4,072
<b>Balance</b>	<b>30 June 2015</b>	<b>368,765,739</b>		<b>27,717</b>

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. All ordinary shares rank equally with regard to the Consolidated Entity's residual assets.

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

### Share buy-back

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 28. EQUITY – ISSUED CAPITAL CONTINUED

### Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends likely to be proposed and paid to ordinary shareholders. The Board's target is for employees of the Consolidated Entity, excluding the founders, to hold 10 percent of the Company's ordinary shares in due course. At present assuming that all outstanding share options vest and / or are exercised, significantly less than this amount of the shares would be held by the Consolidated Entity's employees.

The Board ultimately seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, new share issues and the issuing of convertible notes and the advantages and security afforded by a sound capital position. The Consolidated Entity may increase its debt levels if and when required in order to achieve increased returns for shareholders. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

## NOTE 29. EQUITY – RESERVES

	Consolidated	
	2015 \$'000	2014 \$'000
Share based payments reserve	1,063	198
	<b>1,063</b>	<b>198</b>

### Movements in reserves

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

	Foreign currency \$'000	Share based payments \$'000	Change in Owner Reserve \$'000	Total \$'000
<b>CONSOLIDATED</b>				
Balance at 1 July 2013	-	91	-	91
Lapsed options	-	(50)	-	(50)
Share based payments	-	157	-	157
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>198</b>
Gain on sale transactions with equity holders	-	-	1,120	1,120
Lapsed options	-	(158)	-	(158)
Transfer to accumulated losses	-	-	(1,120)	(1,120)
Share based payments	-	1,023	-	1,023
<b>Balance as at 30 June 2015</b>	<b>-</b>	<b>1,063</b>	<b>-</b>	<b>1,063</b>

## NOTE 30. EQUITY – ACCUMULATED LOSSES

	Consolidated	
	2015 \$'000	2014 \$'000
Accumulated losses at the beginning of the financial year	(6,905)	(2,045)
Loss after income tax expense for the year	(8,225)	(4,910)
Transfer from change of ownership reserve	1,120	-
Transfer from share based payments reserve	-	50
Accumulated losses at the end of the financial year	<b>(14,010)</b>	<b>(6,905)</b>

## NOTE 31. EQUITY – DIVIDENDS

### Dividends

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

### Franking credits

	Consolidated	
	2015 \$'000	2014 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head Entity in the tax Consolidated Entity has assumed the benefit of franking credits of \$ nil (2014: \$nil).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 32. FINANCIAL INSTRUMENTS

### Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities. The Consolidated Entity, through their experience and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity. The Board is assisted in its oversight role by the Audit Committee and executive management team. Executive management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board and the Audit Committee.

### Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. There is no current material exposure to foreign exchange risk.

### Market price risk

The Consolidated Entity is not exposed to any significant price risk.

### Interest rate risk

The Consolidated Entity currently has no significant debt subject to variable interest rates. Accordingly the Consolidated Entity has limited exposure to interest rate movements. The Consolidated Entity has a term deposit facility used as security for bank guarantees.

All borrowings are at fixed rates of interest and therefore not subject to interest rate risk.

### **Fair value sensitivity analysis for fixed-rate instruments**

The Consolidated Entity does not account for any fixed-rate financial assets or liabilities at fair value through profit or loss, and the Consolidated Entity does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by approximately nil after tax (2014: \$37,000).

### **Credit risk**

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

### **Trade and other receivables**

The Consolidated Entity's exposure to credit risk relating to trade receivables of \$36,000 (2014: \$613,000) is influenced mainly by the individual characteristics of each customer. The demographics of the Consolidated Entity's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically there is an Australian concentration of credit risk. The Consolidated Entity is exposed to significant concentrations of credit risk in relation to project revenue, due to the high values of progress invoicing on a number of projects. The Board has established a credit policy under which each new significant customer is analysed individually for creditworthiness before the Consolidated Entity's standard payment and delivery terms and conditions are offered. Each new contract of works to be undertaken by the Consolidated Entity, which is greater than a predetermined level, must be approved by the Board prior to the contract being signed.

Many of the Consolidated Entity's customers are large multinationals and government organisations who have been transacting with the Consolidated Entity for a number of years. Losses relating to recovery of amounts owing to the Consolidated Entity have occurred very infrequently since the inception of the business. The majority of sales transactions undertaken by the Consolidated Entity require the customer to make payments as contract milestones

are achieved. Failure of the customer to make payment by the due date will result in the further supply of goods and services being put on hold until such time as payment is received by the Consolidated Entity. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal Entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Consolidated Entity's trade and other receivables relate mainly to the Group's wholesale customers who are predominantly made up of public companies and government bodies. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of executive management. From inception to the date of this report, the Consolidated Entity has only ever had two minor trade bad debts. Refer to note 12 for debtors aging analysis.

### **Guarantees**

The Consolidated Entity's policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in note 24.

The Consolidated Entity provides guarantees for work performed on each project contracts. These guarantees are put in place at the commencement of the contract and remain in place until approximately 12 months after the completion of the contract.

### **Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its obligations associated with its financial liabilities as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity adopts milestone and progress invoicing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Consolidated Entity maintains the following lines of credit:

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 32. FINANCIAL INSTRUMENTS (CONTINUED)

### Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2015 \$'000	2014 \$'000
Guarantees against work in progress	-	124

### Exposure to liquidity risk

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments

Consolidated - 2015	Contractual cash flows					Total
	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>NON-DERIVATIVES</b>						
<i>Non-interest bearing</i>						
Trade payables	282	282	-	-	-	282
Other payables	325	325	-	-	-	325
Notes payable	2,490	-	-	3,000	-	3,000
<i>Interest-bearing – fixed rate</i>						
Deferred consideration payable	1,171	1,203	-	-	-	1,203
Convertible notes payable	-	-	-	-	-	-
Hire purchase	-	-	-	-	-	-
<b>Total non-derivatives</b>	<b>4,268</b>	<b>1,810</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>4,810</b>



Consolidated - 2014	Contractual cash flows					
	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>NON-DERIVATIVES</b>						
<i>Non-interest bearing</i>						
Trade payables	591	591	-	-	-	591
Other payables	295	295	-	-	-	295
Deferred consideration payable	2,000	2,000	-	-	-	2,000
<i>Interest-bearing – fixed rate</i>						
Other loans						
Convertible notes payable	4,072	407	2,720	1,767	-	4,894
Hire purchase	30	25	8	-	-	33
<b>Total non-derivatives</b>	<b>6,988</b>	<b>3,318</b>	<b>2,728</b>	<b>1,767</b>	<b>-</b>	<b>7,813</b>

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

#### Fair value of financial instruments

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Trade and other payables are measured at fair value on recognition and at amortised cost using the effective interest rate method subsequently. Due to their short term nature neither trade and other receivables or trade and other payables are discounted.

Borrowings are recognised at fair value of consideration received, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method. In estimating amortised cost the Consolidated Entity takes into account its borrowing capacity and the source of its borrowings. The categorisation of the borrowings based on the fair value hierarchy is detailed in note 33.

## NOTE 33. FAIR VALUE MEASUREMENT

#### Fair value hierarchy

The following tables show the carrying amounts and fair values of the Consolidated Entity's financial assets and financial liabilities, measured or disclosed at fair value, using a three level hierarchy, being:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Unobservable inputs for the asset or liability

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

### NOTE 33. FAIR VALUE MEASUREMENT (CONTINUED)

Consolidated – 2015		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and cash equivalents	3,313	-	-	-	-
Trade and other receivables	523	-	-	-	-
Other financial assets	353	-	-	-	-
	<b>4,189</b>	-	-	-	-
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Trade and other payables	(1,778)	-	-	-	-
Other borrowings	-	-	-	-	-
Notes payable	(2,490)	-	(3,000)	-	(3,000)
	<b>(4,268)</b>	-	<b>(3,000)</b>	-	<b>(3,000)</b>
Consolidated – 2014					
	Carrying amount	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and cash equivalents	2,540	-	-	-	-
Trade and other receivables	788	-	-	-	-
Other financial assets	307	-	-	-	-
	<b>3,635</b>	-	-	-	-
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Trade and other payables	(2,866)	-	-	-	-
Other borrowings	(38)	-	-	-	-
Convertible Notes*	(4,072)	-	(4,661)	-	(4,661)
	<b>(6,976)</b>	-	<b>(4,661)</b>	-	<b>(4,661)</b>

There were no transfers between levels during the financial year.

The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

**Financial instruments not measured at fair value – valuation technique**

Type	Valuation technique	Significant unobservable inputs
Convertible notes	Discounted cash flows	Not applicable
Promissory notes	Discounted cash flows	Not applicable

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Compliance with the Consolidated Entity's standards is supported by a programme of periodic reviews undertaken by management.

\* These convertible notes were converted to equity in May 2015. Refer to note 24 for details.

**NOTE 34. KEY MANAGEMENT PERSONNEL DISCLOSURES****Directors**

The following persons were directors of Clean TeQ Holdings Limited during the financial year:

- Sam Riggall (Chairman and Chief Executive Officer)
- Peter Voigt (Executive Director)
- Roger Harley (Independent Non-Executive Director)
- Ian Knight (Independent Non-Executive Director)

**Other key management personnel**

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

- Cory Williams Chief Executive Officer – resigned 18 November 2014
- Tony Panther Chief Financial Officer – resigned 31 January 2015
- Ben Stockdale Chief Financial Officer – appointed 15 January 2015

**Compensation**

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

	Consolidated	
	2015 \$	2014 \$
Short-term employee benefits	802,815	973,307
Post-employment benefits	79,731	81,151
Long-term benefits	5,036	11,421
Termination benefits	264,583	50,000
Share-based payments	678,971	156,952
	<b>1,831,136</b>	<b>1,272,831</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 34. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

The key management personnel receive no compensation in relation to the management of the Company. Key management personnel are compensated for management of the Consolidated Entity.

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, note 24 or note 38, no director has entered into a material contract with the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at the year end.

## NOTE 35. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated	
	2015 \$	2014 \$
<b>AUDIT SERVICES – KPMG</b>		
Audit or review of the financial statements	126,493	96,300
Audit-related services	-	28,675
	<b>126,493</b>	<b>124,975</b>
<b>OTHER SERVICES – KPMG</b>		
Advisory services	-	-
Taxation services	97,732	23,500
	97,732	23,500
	<b>224,225</b>	<b>148,475</b>

## NOTE 36. CONTINGENT LIABILITIES

The Consolidated Entity has a current contingent liability, incurred in the current financial year ended 30 June 2015, to pay a 2.5% gross revenue royalty on output mined from the Syerston Project. This royalty is payable to Ivanhoe Mines, and is payable by Scandium 21 Pty Ltd, a company within the consolidated group. This royalty was part of the consideration paid for the acquisition of the Syerston Project from Ivanhoe Mines, on 31 March 2015. For the previous year ended 30 June 2014, the Consolidated Entity had no contingent liabilities.

## NOTE 37. COMMITMENTS

	Consolidated	
	2015 \$'000	2014 \$'000
<b>HIRE PURCHASES</b>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	25
One to five years	-	8
Total commitment	-	33
Less: Future finance charges	-	(3)
Net commitment recognised as liabilities	-	<b>30</b>
Representing:		
Current hire purchase liability (note 21)	-	22
Non- current hire purchase liability (note 24)	-	8
	-	<b>30</b>
<b>OPERATING LEASES (NON-CANCELLABLE)</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	212	216
One to five years	636	789
More than five years	-	35
	<b>848</b>	<b>1,040</b>

## NOTE 38. RELATED PARTY TRANSACTIONS

### Parent Entity

CleanTeQ Holdings Limited is the Parent Entity.

### Subsidiaries

Interests in subsidiaries are set out in note 41.

### Key management personnel

Disclosures relating to key management personnel are set out in note 34 and the remuneration report in the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015 \$	2014 \$
Consulting fees paid to an entity associated with Ian Knight	6,421	-

These consulting fees were entered into on an arm's length basis.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 38. RELATED PARTY TRANSACTIONS CONTINUED

### Receivable from and payable to related parties

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

### Loans to/from related parties

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

	Consolidated	
	2015 \$	2014 \$
<b>CURRENT BORROWINGS</b>		
Convertible notes issued to Mr Sam Riggall	-	500,000

Mr Sam Riggall is the Chairman, Executive Director and Interim Chief Executive Officer of the Company. During the financial year, the convertible notes previously issued to him, were converted to equity at his request. See Note 24 for further details.

## NOTE 39. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the Parent Entity.

	Parent	
	2015 \$'000	2014 \$'000
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Profit/(loss) after income tax	(2,095)	(995)
Total comprehensive income/(loss)	(2,095)	(995)

	Parent	
	2015 \$'000	2014 \$'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
Total current assets	-	33
Total assets	25,324	18,269
Total current liabilities	-	44
Total liabilities	2,471	4,116
<b>EQUITY</b>		
Issued capital	27,717	17,787
Share-based payments reserve	1,063	198
Accumulated losses	(5,927)	(3,832)
Total equity	<b>22,853</b>	<b>14,153</b>

### Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries

The Parent Entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 and 30 June 2014, other than the cross guarantee referred to elsewhere in these financial statements.



### Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

### Capital commitments - Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment at as 30 June 2015 and 30 June 2014, or since the end of the financial year.

### Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

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

## NOTE 40. BUSINESS COMBINATIONS

### (i) Australian Business of Aromatrix Technologies (Hong Kong) Ltd

On 1 December 2014, CleanTeQ Air Pty Ltd ('Air'), a controlled Entity of the Consolidated Entity, completed the acquisition of all of the assets of the Aromatrix Australia air treatment business of Aromatrix Technologies (Hong Kong) Ltd (ATHK). Total consideration for the acquisition was \$1,500,000 and was settled by an issue of Air shares with a value of \$1,500,000 by Air to ATHK. Air acquired the Australian business of ATHK and operated as a single entity/CGU as from 1 December 2014, hence revenues and earnings contributed by the Australian business of ATHK to the Consolidated Entity from that date cannot be separately determined.

During this financial year, the Aromatrix business was successfully integrated with Air's existing air treatment business. The merger was expected bring together the best of both companies' capabilities and create a business of significant scale in Australia whilst providing the platform for growth through Asia and was expected to provide access to procurement and fabrication channels that will allow the company to continue to build on its reputation for high quality products and delivery whilst providing the necessary competitiveness on price that is required to compete in S.E. Asian markets.

Clean TeQ Air Pty Ltd changed its name to Clean TeQ Aromatrix Pty Ltd during January 2015.

	2015 \$'000
Fair value of identifiable assets	-
Goodwill arising on acquisition	1,500
<b>Total fair value of net assets acquired</b>	<b>1,500</b>
PURCHASE CONSIDERATION:	
Cost of issuance of shares	1,500
<b>Consideration paid</b>	<b>1,500</b>

As at 30 June 2015, Clean TeQ Holdings had disposed of its interest in Clean TeQ Aromatrix Pty Ltd and had lost control of the subsidiary. Refer to Note 10. Discontinued operations for further details.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 40. BUSINESS COMBINATIONS CONTINUED

### (ii) Associated Water Pty Ltd

In the prior financial year, the Consolidated Entity acquired the remaining 50% of the shares and voting rights of Associated Water Pty Ltd (AW) from Nippon Gas Co Ltd (NGC) for the total consideration of \$2,000,000, thereby gaining control of AW. Previously the consolidated entity had a 50% shareholding in AW and had operated AW as a joint venture with NGC in order to develop, test and commercialise coal seam gas (CSG) water treatment technology. The consolidated entity acquired the remaining shareholding of AW in order to control the marketing and licensing of AW's CSG water treatment technology. Accordingly, as from acquisition date, AW became a wholly-owned subsidiary of Clean TeQ Limited and therefore part of the consolidated entity. AW contributed revenues of \$39 and loss after tax of \$46,770 to the consolidated entity for the period from 15 January 2014 to 30 June 2014. If the acquisition occurred on 1 July 2013, the full year contributions would have been revenues of \$8,561 and loss after tax of \$628,206, of which the Consolidated Entity actually recognised \$291,000 as its equity-accounted share of AW's pre-acquisition loss.

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair value \$'000
Cash and cash equivalents	9
Prepayments	4
Rental bond	10
Other current assets (receivable from Clean TeQ Ltd)	601
Plant and equipment	567
Intellectual property – reacquired licence rights	3,014
Trade and other payables	(205)
Total identifiable net assets acquired	<b>4,000</b>

## NOTE 41. INTERESTS IN SUBSIDIARIES

The Consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2015 %	2014 %
CleanTeq Limited	Australia	100%	100%
CleanTeQ Metals Pty Ltd (incorporated 28 August 2014)	Australia	100%	-%
Clean TeQ Global Water Solutions Pty Ltd (incorporated 20 November 2014)	Australia	100%	-%
Clean Teq Air Pty Ltd*	Australia	-%	100%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Clean World Japan	Japan	100%	100%
Scandium Holding Company Pty Ltd**	Australia	100%	-%
Scandium 21 Pty Ltd**	Australia	100%	-%
Syerston Scandium Pty Ltd**	Australia	100%	-%
Uranium Development Pty Ltd**	Australia	100%	-%

\* This company changed its name to Clean Teq Aromatrix Pty Ltd in January 2015. The whole shareholding in the company was sold as at 30 June 2015. Refer note 10 for details.

\*\* These companies were acquired as part of the acquisition of the Syerston Project from a subsidiary of Ivanhoe Mines Ltd effective 31 March 2015.

## NOTE 42. DEED OF CROSS GUARANTEE

The following entities are or were party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Clean TeQ Holdings Limited
- Clean TeQ Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Clean TeQ Holdings Limited, they also represent the 'Extended Closed Group'.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 42. DEED OF CROSS GUARANTEE CONTINUED

Set out below is a Consolidated statement of profit or loss and other comprehensive income and statement of financial position of the Closed Group.

<b>Statement of profit or loss and other comprehensive income</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Revenue	777	6,013
Share of losses of joint ventures accounted for using the equity method	-	(291)
Other income	-	407
Profit on intra group disposal	338	-
Changes in finished goods and inventory write downs	(85)	(447)
Raw materials and other direct costs	(567)	(3,988)
Employee benefits expenses	(2,837)	(3,428)
Impairment of investment in subsidiary	(3,749)	-
Depreciation and amortisation expenses	(697)	(566)
Legal and professional expenses	(628)	(588)
Occupancy expenses	(296)	(285)
Marketing expenses	(406)	(406)
Other expenses	(543)	(520)
Finance costs	(715)	(464)
<b>Loss before income tax (expense)/benefit</b>	<b>(9,408)</b>	<b>(4,563)</b>
Income tax (expense)/benefit	(23)	(21)
<b>Loss after income tax (expense)/benefit</b>	<b>(9,431)</b>	<b>(4,584)</b>
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>(9,431)</b>	<b>(4,584)</b>

<b>Equity – retained profits</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Retained profits/(accumulated losses) at the beginning of the financial year	(6,389)	(1,855)
Loss after income tax (expense)/benefit	(9,431)	(4,584)
Transfer to Accumulated Losses	1,120	-
Transfer from options reserve	-	50
<b>Accumulated losses at the end of the financial year</b>	<b>(14,700)</b>	<b>(6,389)</b>

Statement of financial position	2015 \$'000	2014 \$'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,283	2,528
Trade and other receivables	414	797
Inventories	96	939
Income tax receivable	963	463
Other financial assets	25	27
	4,781	4,754
<b>NON-CURRENT ASSETS</b>		
Receivables	2,973	-
Other financial assets	329	280
Plant and equipment	107	294
Intangible assets	10,600	10,560
Investment in subsidiary company	251	4,000
Other	248	2
	14,508	15,136
Total assets	19,289	19,890
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,774	2,861
Borrowings	-	22
Employee benefits	276	339
Deferred revenue	46	339
	2,096	3,561
<b>NON-CURRENT LIABILITIES</b>		
Deferred revenue	590	637
Borrowings	-	4,080
Notes payable	2,490	-
Employee benefits	33	16
	3,113	4,733
Total liabilities	5,209	8,294
<b>Net assets</b>	<b>14,080</b>	<b>11,596</b>
<b>EQUITY</b>		
Issued capital	27,717	17,787
Reserves	1,063	198
Accumulated losses	(14,700)	(6,389)
<b>Total equity</b>	<b>14,080</b>	<b>11,596</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 43. EVENTS AFTER THE REPORTING PERIOD

Effective 1 July 2015 Sam Riggall, Executive Chairman and Interim Chief Executive Officer, was appointed Chairman and Chief Executive Officer.

In early July 2015 the Consolidated Entity received a further \$455,000 cash rebate from the Australian Tax Office for eligible research and development expenditure in the 2014 financial year. The Company anticipates that a significant proportion of the 2015 and 2016 financial years' expenditure, including a large proportion of Syerston testwork and feasibility studies, will also be eligible for the refundable tax offset.

On 27 July 2015 the Company launched a non-renounceable one for ten entitlement offer at a price of \$0.18 (18 cents) per share ('Entitlement Offer') to raise \$6,638,000 before costs of the Entitlement Offer. The Entitlement Offer is fully underwritten by BW Equities Pty Ltd.

Apart from the matters referred to above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

## NOTE 44. RECONCILIATION CASH USED IN OPERATING ACTIVITIES

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Loss after income tax expense for the year		(8,225)	(4,910)
Adjustments for:			
Depreciation, amortisation and impairment	8	3,975	705
Net loss on disposal and write-off of non-current assets		-	30
Share-based payments	8	880	173
Gain on sale of discontinued operation	10	(338)	-
Revaluation of investments	7	-	(407)
Write down of stock on hand	12	85	447
Share of associate losses	6	-	291
Non-cash finance costs		350	-
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(1,724)	2,953
Decrease in inventories		103	34
Decrease/(increase) in income tax refund due		-	220
(Increase)/decrease in accrued revenue		482	205
Increase/(decrease) in trade and other payables		929	(3,127)
Increase/(decrease) in employee benefits		102	67
Increase/(decrease) in other operating liabilities		-	128
Increase/(decrease) in tax payable (discontinued operation)		97	-
<b>Net cash used in operating activities</b>		<b>(3,284)</b>	<b>(3,191)</b>



## NOTE 45. EARNINGS PER SHARE

	Consolidated	
	2015 \$'000	2014 \$'000
<b>EARNINGS PER SHARE FOR LOSS FROM CONTINUING OPERATIONS</b>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	<b>(9,155)</b>	<b>(6,193)</b>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	286,131,872	166,578,551
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>286,131,872</b>	<b>166,578,551</b>
	Cents	Cents
Basic earnings per share	(3.20)	(3.72)
Diluted earnings per share	(3.20)	(3.72)
	Consolidated	
	2015 \$'000	2014 \$'000
<b>EARNINGS PER SHARE FOR PROFIT FROM DISCONTINUED OPERATIONS</b>		
Profit after income tax attributable to the owners of Clean TeQ Holdings Limited	<b>930</b>	<b>1,283</b>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	286,131,872	166,578,551
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>286,131,872</b>	<b>166,578,551</b>
	Cents	Cents
Basic earnings per share	0.33	0.77
Diluted earnings per share	0.33	0.77
	Consolidated	
	2015 \$'000	2014 \$'000
<b>EARNINGS PER SHARE FOR LOSS</b>		
Loss after income tax attributable to the owners of CleanTeQ Holdings Limited	<b>(8,225)</b>	<b>(4,910)</b>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	286,131,872	166,578,551
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>286,131,872</b>	<b>166,578,551</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CONTINUED

## NOTE 45. EARNINGS PER SHARE CONTINUED

	Cents	Cents
Basic earnings per share	(2.87)	(2.95)
Diluted earnings per share	(2.87)	(2.95)

The options and convertible notes have been classified as potential ordinary shares and are included in the determination of diluted earnings per share, except where the potential ordinary shares are anti-dilutive.

The options and convertible notes on issue throughout the current financial year are not dilutive in effect, as the Consolidated Entity recorded a net loss in the year.

## NOTE 46. SHARE-BASED PAYMENTS

On 24 September 2007 the Company introduced a share option plan for employees, directors and service providers of the Consolidated Entity ('the Plan'). The Plan entitles key management personnel, service providers and employees to receive shares and options in the Company.

Set out below are summaries of options granted under the Plan:

2015							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2010	01/07/2014**	\$0.31	10,000	-	-	(10,000)	-
01/07/2010	01/07/2015	\$0.34	10,000	-	-	-	10,000
30/06/2011	30/06/2015*	\$0.25	500,000	-	-	(500,000)	-
30/06/2011	30/11/2018***	\$0.10	2,000,000	-	-	(2,000,000)	-
30/06/2011	30/06/2016	\$0.40	500,000	-	-	-	500,000
15/11/2012	30/11/2015	\$0.19	1,500,000	-	-	-	1,500,000
01/12/2013	30/11/2018**	\$0.10	4,000,000	-	-	(4,000,000)	-
19/12/2014	19/06/2017	\$0.12	-	2,000,000	-	-	2,000,000
19/12/2014	19/06/2017	\$0.15	-	2,000,000	-	-	2,000,000
25/02/2015	25/02/2018	\$0.16	-	8,000,000	-	-	8,000,000
01/03/2015	01/03/2018	\$0.15	-	6,000,000	-	-	6,000,000
			<b>8,520,000</b>	<b>18,000,000</b>	-	<b>(6,510,000)</b>	<b>20,010,000</b>
Weighted average exercise price:			\$0.1428	\$0.1489	-	\$0.36	\$0.1588

\* Options expired during the year

\*\* Options lapsed as employee ceased employment

\*\*\* Options forfeited during the year

The weighted average number of years for share options issued under the Plan is 3.0 years (2014: 3.54 years)

For the options granted during the current financial year, the Binomial pricing model was used to value the options. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/12/2014	19/06/2017	\$0.06	\$0.12	100.00%	-%	6.00%	\$0.026
19/12/2014	19/06/2017	\$0.06	\$0.15	100.00%	-%	6.00%	\$0.024
25/02/2015	25/02/2018	\$0.13	\$0.16	102.36%	-%	2.06%	\$0.073
01/03/2015	01/03/2018	\$0.11	\$0.15	102.63%	-%	1.80%	\$0.067

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached Consolidated financial statements and notes thereto, and the Remuneration report in the Directors' reports, comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached Consolidated financial statements and notes thereto and the Remuneration report in the Directors' reports, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(c) to the financial statements;
- the attached Consolidated financial statements and notes thereto and the Remuneration report in the Directors' reports, give a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 42 to the financial statements.

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

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

On behalf of the directors



**Sam Riggall**

Chairman & Chief Executive Office

25 August 2015

Melbourne



## **Independent auditor's report to the members of Clean TeQ Holdings Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Clean TeQ Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 46 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 is free from material misstatement whether due to fraud or error. In note 2(c), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REPORT

CONTINUED



## *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(c).

## *Emphasis of matter - going concern*

Without modifying our opinion, we draw attention to Note 2(b) under the heading "Going Concern" which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## **Report on the remuneration report**

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Clean TeQ Holdings Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Dana Bentley

*Partner*

Melbourne

25<sup>th</sup> August 2015



## SHAREHOLDER INFORMATION

The information below is current as at 31 July 2015.

### Distribution of equity securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of convertible notes
1 to 1,000	36	-	-
1,001 to 5,000	323	-	-
5,001 to 10,000	433	-	-
10,001 to 100,000	1,450	1	-
100,001 and over	359	5	-
	<b>2,601</b>	<b>6</b>	<b>-</b>
The number of shareholders holding less than a marketable parcel of ordinary shares:	<b>105</b>		

### Equity security holders

#### Twenty largest quoted equity security holders

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

	Ordinary Fully Paid Shares	
	Shares Held	% of total shares issued
MR ROBERT MARTIN FRIEDLAND	62,275,118	16.89
THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	22,995,009	6.24
DAK DRAFTING SERVICES PTY LTD <PETER DIAMOND FAMILY A/C>	13,000,000	3.53
MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	12,743,422	3.46
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,494,765	2.03
NIPPON GAS CO LTD	7,449,143	2.02
MR PETER JOHN DIAMOND + MRS DIANA ELIZABETH DIAMOND <PETER&DIANA DIAMOND S/F A/C>	7,000,000	1.90
MR JEFFREY FRANK HALIBURTON	6,500,000	1.76
SALITTER PTY LTD <SALITTER A/C>	6,253,304	1.70
JEREMY'S HAVEN PTY LTD	5,690,310	1.54
THIERVILLE PTY LTD	4,550,801	1.23
MR RICHARD ARMSTRONG CALDOW <THE LOOSE GOOSE FAMILY A/C>	4,500,000	1.22
PALAZZO CORPORATION PTY LTD	4,250,000	1.15
MR DAVID NEVILLE COLBRAN	4,000,000	1.08

# SHAREHOLDER INFORMATION

CONTINUED

	Ordinary Fully Paid Shares	
	Shares Held	% of total shares issued
THREE ZEBRAS PTY LTD <THE JUDD FAMILY A/C>	3,650,000	0.99
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,500,000	0.95
WALLOON SECURITIES PTY LTD	3,500,000	0.95
MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARK FAMILY A/C>	3,000,000	0.81
TT NICHOLLS PTY LTD <SUPERANNUATION A/C>	3,000,000	0.81
MS IRENE BONDAREW + MR MARTIN FRANCIS JUNKER <PHOENIX RISING SMSF A/C>	2,790,619	0.76
<b>Total: Top 20 holders of Ordinary Fully Paid Shares</b>	<b>188,142,491</b>	<b>51.02</b>
<b>Total Remaining Holders Balance</b>	<b>180,623,248</b>	<b>48.98</b>

## Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares with various exercise prices and expiry dates	20,010,000	6

## Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Mr Robert Martin Friedland	62,275,118	16.89
Peter Voigt and Thierville Pty Ltd	27,614,683	7.48
Peter Diamond and Dak Drafting Services Pty Ltd (Peter Diamond Family A/C)	20,000,000	5.23
Mr Gregory L Toll + Mrs Margaret E Toll (Toll S/F A/C)	12,743,422	3.46

## Voting rights

The voting rights attached to ordinary shares are set out below. Other classes of equity securities do not have voting rights.

## Ordinary shares

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

There are no other classes of equity securities.

# Corporate Directory

## COMPANY

The registered office of the company is:

### **Clean TeQ Holdings Limited**

#### **Melbourne – Head Office**

Ferntree Business Park  
2 Acacia Place  
Notting Hill, Victoria 3168  
Australia  
Ph: +61 3 9797 6700  
Fax: +61 3 9706 8344  
[www.cleanteq.com](http://www.cleanteq.com)

## DIRECTORS

**Sam Riggall** (Chairman and CEO)

**Peter Voigt** (Executive Director)

**Roger Harley** (Non-Executive Director)

**Ian Knight** (Non-Executive Director)

**Eric Finlayson** (Non-Executive Director)

## COMPANY SECRETARY

**Melanie Leydin**

## AUDITOR

### **KPMG**

147 Collins Street  
Melbourne, Victoria 3000

## SHARE REGISTRY

### **Computershare Investor Services Pty Limited**

Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067  
Ph: +61 3 9415 5000  
Fax: +61 3 9473 2500

## STOCK EXCHANGE LISTING

Clean TeQ Holdings Limited is listed on  
the Australian Stock Exchange (Code: CLQ)

**CleanTeQ Holdings Ltd**

ABN 34 127 457 916

Ferntree Business Park  
2 Acacia Place  
Notting Hill, Victoria 3168

**P** +61 3 9797 6700

**F** +61 3 9706 8344

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ASX code: CLQ

