Clean TeQ Holdings Limited
(ABN 34 127 457 916)

Half-year Financial Report
31 December 2016

Clean TeQ Holdings Limited
Corporate Directory
31 December 2016

DIRECTORS
Sam Riggall (Co-Chairman and CEO)
Robert Friedland (Co-Chairman and Non-Executive Director)
Peter Voigt (Executive Director)
Roger Harley (Independent Non-Executive Director)
Ian Knight (Independent Non-Executive Director)
Eric Finlayson (Independent Non-Executive Director)
Michael Spreadborough (Independent Non-Executive Director)

COMPANY SECRETARY
Melanie Leydin

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SHARE REGISTER
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AUDITORS
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LEGAL ADVISORS
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Level 19, 181 William Street
Melbourne, Victoria 3000

BANKERS
Commonwealth Bank of Australia
Ground Floor, Tower 1,
201 Sussex Street
Sydney, New South Wales 2000

STOCK EXCHANGE LISTING
Clean TeQ Holdings Limited shares are listed on the Australian Securities Exchange (ASX: CLQ)

WEBSITE
www.cleanteq.com

Clean TeQ Holdings Limited
Contents
For the financial half-year ended 31 December 2016

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, for the financial half-year ended 31 December 2016, and the auditor's report thereon.

Directors

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

Sam Riggall (Co-Chairman and CEO)

Robert Friedland (Co-Chairman and Non-Executive Director - appointed 8 September 2016)

Peter Voigt (Executive Director)

Roger Harley (Independent Non-Executive Director)

Ian Knight (Independent Non-Executive Director)

Eric Finlayson (Independent Non-Executive Director)

Michael Spreadborough (Independent Non-Executive Director – appointed 8 December 2016)

Principal activities

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

- The ongoing development and use of the Clean-iX® resin technology for application in the extraction and purification of a range of resources in the mining industry including base metals, precious metals and rare earth elements and through the development of the Consolidated Entity's Syerston Project in New South Wales ('Metals Division'); and,
- The ongoing development and commercialisation of the Company's proprietary Continuous Ionic Filtration ('CIF®') and Macroporous Polymer Adsorption ('MPA®') resin technologies for application in the purification and recycling of industrial and mining waste waters ('Water Division').

There have been no significant changes in the nature of the Consolidated Entity's activities during the financial half-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 $8,168,000 (31 December 2015: loss after tax of $3,357,000).

During the financial half-year ended 31 December 2016, the Consolidated Entity's revenue from continuing operations decreased to $325,000 (2015: $1,267,000) primarily due to a decrease in ATO research and development rebate income accrued in the current period.

Revenues from continuing operations were low during the financial year due to the fact that the Consolidated Entity's technologies remain at the early stages of commercialisation and as a result of the Syerston Project being at the pre-production development phase.

The key focus for the Metals Division was advancing the development of the Consolidated Entity's Syerston Project in New South Wales, the background of which is discussed further below.

A Feasibility Study for a small scale Scandium Project at Syerston was completed in August 2016. The proposed scandium project involved mining and processing ore from a number of small pods with exceptionally high grades of scandium on the periphery of the larger nickel/cobalt resource. That Feasibility Study confirmed the robust economics of an operation to produce approximately 50 tonnes per annum of scandium oxide.

Table 1 below provides a summary of the key parameters and outcomes of the Scandium Feasibility Study, for full details see the ASX announcement dated 30 August 2016:

Table 1 – Syerston Scandium Project Feasibility Study Overview

Parameter	Assumption / Output
Processing Plant Throughput[1]	**64,000tpa**
Processing Plant Average Feed Grade (Years 2-20)[2]	**583g/t Sc**
Sc_2O_3 Average Production Rate (Years 2-20)	**49.2tpa Sc_2O_3**
Processing Plant Sc Recovery (Years 2-20)	**88%**
Construction period	**18 months**
Commissioning and ramp up period	**18 months**
Life of Mine (including commissioning and ramp up period)	**20 years**
Long Term Sc_2O_3 Price Assumption (99.9% purity)	**US$1,500/kg Sc_2O_3**
Exchange Rate	**A$/USD 0.75**
Total Capital Cost[3]	**A$100M**
Average Sc_2O_3 C1 Cash Cost (Year 2-20)[4]	**A$593/kg Sc_2O_3** **US$444/kg Sc_2O_3**
Net Present Value (NPV_8) – post tax[5]	**A$273M**
Internal Rate of Return (IRR) – post tax	**33%**

Notes:
1. *Autoclave feed rate. Following 18-month commissioning and ramp up period*
2. *Includes pit selection, dilution and mining factors applied*
3. *Includes A$4.5M contingency on capital costs*
4. *Excludes commissioning and ramp-up operating costs and scandium oxide production during year 1 and royalties*
5. *Post Tax, 8% discount rate, 100% equity, real terms*

In addition, the Company completed a Pre-Feasibility Study ('PFS') to assess the economics of a large scale operation at Syerston to produce nickel sulphate and cobalt sulphate products specifically targeted at the fast-growing lithium ion battery ('LiB') market

The PFS assessed the economics of a mine with a designed throughput capacity of 2.5Mtpa of autoclave ore feed from Syerston's near-surface resource for life of mine, focusing on an initial 20-year period.

Table 2 below provides a summary of the key parameters and outcomes of the PFS Base Case, for full details see the ASX announcement dated 5 October 2016.

Table 2 – Syerston Nickel Cobalt Project PFS Base Case Overview

Parameter		Assumption / Output
Autoclave Throughput[1]		**2.5Mtpa**
Life of Mine		**39 years**
Initial operating period		**20 years**
Autoclave Feed Grade[2] (Year 3-20 average)	*Nickel*	**0.80%**
	Cobalt	**0.14%**
Production (Years 3-20 average)	*Nickel sulphate*	**85,135tpa**
	Cobalt sulphate	**15,343tpa**
Production (Years 3-20 average)	*Contained nickel*	**18,730tpa**
	Contained cobalt	**3,222tpa**
Recovery (Years 3-20 average)	*Nickel*	**94.2%**
	Cobalt	**93.0%**
Nickel price assumption[3]		**US$7.50/lb**
Cobalt price assumption[3]		**US$12.00/lb**
Exchange Rate		**AUD/USD 0.75**
Total Capital Cost[4]		**US$680M (A$906M)**
C1 Cash Cost (Year 3-20 average)[5]	*before Co credits*	**US$2.96/lb Ni**
	after Co credits	**US$0.89/lb Ni**
Net Present Value (NPV_8) – post tax[6]		**US$891M (A$1,188M)**
Internal Rate of Return (IRR) – post tax		**25%**

Notes:
1. *Designed processing throughput rate following a 24-month commissioning and ramp up period.*
2. *Includes pit selection, dilution and mining factors*
3. *Based on bank/broker long-term consensus market pricing for metal content only. Does not include premiums that are typically paid in the market for battery-grade nickel and cobalt sulphate*
4. *Includes a US$62M (A$83M) contingency on capital costs*
5. *C1 cash cost excludes potential by-product revenue from scandium oxide sales and royalties*
6. *Post tax, 8% discount, 100% equity, real terms*

Following an initial commissioning and ramp up period, the Nickel & Cobalt Project was estimated to generate free cashflow of approximately US$300 million (A$400 million) per annum over years 3-10 at bank/broker long term consensus forecast nickel and cobalt prices and a AUD/USD 0.75 exchange rate.

The large scale nickel & cobalt resource assessed through the PFS also hosts significant quantities of scandium, however, given the scandium market is still developing, the PFS Base Case assumed no scandium revenue. In order to demonstrate the significant upside potential that exists from producing scandium oxide as a by-product of nickel and cobalt production, the Company prepared an Upside Case which includes the capital and operating cost and revenue impact of scandium production. The Upside Case analysis, which includes the impact of sales of 50 tonnes per annum of scandium oxide, is presented in Table 3 below.

Table 3 – Syerston Nickel Cobalt Project Upside Case Overview

Parameter		Assumption / Output
Autoclave Feed Grade[1] (Years 3-20 average)	*Scandium*	**53ppm**
Recovery (Years 3-20 average)	*Scandium*	**85%**
Production (Years 3-20 average)	*Scandium oxide*	**50tpa Sc_2O_3**
Scandium oxide price assumption		**US$1,500/kg**
Additional Capital Cost for Scandium Plant		**US$15M (A$20M)**
Upside Case Total Capital Cost		**US$695M (A$927M)**
C1 Cash Cost (Year 3-20 average)[2]	*before Co & Sc credits*	**US$3.12/lb Ni**
	after Co & Sc credits	**-US$0.76/lb Ni**
Net Present Value (NPV_8) – post tax		**US$1,233M**
Internal Rate of Return (IRR) – post tax[3]		**30%**

Notes:
1. *Includes pit selection, dilution and mining factors applied*
2. *C1 cash cost does not include royalties*
3. *Post tax, 8% discount, 100% equity, real terms*

Table 3 above highlights the potential for scandium to provide an important source of additional revenue for the Nickel / Cobalt Project. The incremental capital and operating cost of generating that additional scandium revenue is much lower than could be achieved by construction of a small-scale, stand-alone plant, focused only on extraction from the highest-grade scandium zones surrounding the nickel / cobalt resource. As scandium recovery would form part of the primary processing route, it allows for a reliable supply of significant quantities of scandium oxide to customers for the life of the mine. At 2.5Mtpa of ore throughput, the plant has the potential, on average, to produce circa 170tpa of scandium oxide over the first twenty years of operation.

The mine plan presented in the Upside Case does not rely on the vast majority of the very high grade scandium resource which sits adjacent to the nickel/cobalt deposit (for full details of the scandium only resource see the ASX announcement of 17 March 2016). This provides the Company with the ability to readily and significantly increase scandium production in future years for virtually no additional capital cost by adjusting feed to the plant. It also sends a very strong signal to potentially high-volume customers of scandium that long-term, low cost and reliable supply will be delivered to the market.

Given the favourable Project economics demonstrated by the PFS and the strong offtake demand that is currently being indicated by potential customers in the LiB sector, the Company has commenced a Definitive Feasibility Study ('DFS') for the Project. The DFS will be used to assess the definitive economics of the Project for financing as well as providing the plan for the implementation of the Project.

As part of the DFS activities the Company re-commissioned its resin-in-pulp pilot plant at ALS Metallurgy in Perth. The purpose of the pilot campaign was to generate samples of high purity nickel and cobalt sulphate eluate solution for further testing to confirm the flow sheet design for the refinery section of the processing plant and to provide samples of nickel sulphate and cobalt suphate for potential offtake customers.

In parallel with the DFS, the Syerston Project team is running an optimisation study which will review the potential to implement the Project on an accelerated schedule. The optimisation study will assess the impact on the timeframe to first production if commitments for early works and long lead items are made in the second half of 2017, prior to the completion of the DFS.

In recent months, Clean TeQ has met with numerous companies in the LiB cathode supply chain from traders and cathode makers through to EV auto manufacturers. The Company has received strong expressions of interest for offtake of the Syerston nickel and cobalt sulphate materials from a number of these parties.

The Company has entered into a number of non-binding offtake Memoranda of Understanding (MoU) representing a proportion of Syerston's anticipated production over the first five years of the mine life, with counterparties who are well established in the LiB supply chain. The MoU's define certain key terms of the offtake contracts including volumes, pricing structure and delivery terms. As the Definitive Feasibility Study is progressed, offtake discussions will continue with these parties, and others, with a view to committing the majority of Syerston production under binding off take agreements over the next 12 months.

An on-going focus for the Company has been to secure offtake contracts for scandium oxide, given the highly value accretive impact of producing scandium as a by-product to nickel and cobalt sulphate production. Clean TeQ marketing personnel continue to working with a number of counterparties in the aerospace and solid oxide fuel cell industries with the aim of securing scandium oxide offtake contracts. In addition to these discussions, several offtake opportunities are also being pursued in the automotive, marine and space sectors using Al-Sc sheet, welding wire, extruded parts and powder, which are expected to provide other additional sources of offtake in the future.

The Clean TeQ Water Division continues to promote and demonstrate our Continuous Ion Exchange Technology (CIF®) with a particular emphasis on the Chinese water market, the largest and most rapidly growing water treatment market in the world. Continuous Ion Exchange (CIF®) provides a water treatment solution to many Chinese industries including power, mining, oil and gas and municipal.

Clean TeQ has formed a Chinese incorporated joint venture ('JV Company') with Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd ('Hoyo') to pursue water treatment opportunities in China's Shanxi Province utilising Clean TeQ's water purification technology.

The JV Company has been awarded an initial contract to build, own and operate a Clean TeQ CIF® water treatment plant to treat up to 13,000 tonnes of effluent per day for a 20 year period at a waste water treatment plant owned by Hoyo. The proposed project contract provides for the JV Company to be paid a service fee of 1RMB per tonne of water treated, subject to a minimum payment for 9,000 tonnes per day. Clean TeQ has actively pursued a build, own and operate business model, targeting generation of long term sustainable cashflows and favourable economic returns.

Design and engineering of the plant has been completed and the plans have been submitted to the Shanxi Urban & Rural Planning Design Institute for approval. The approval is expected to be received in the first quarter 2017, with procurement of materials and construction of the plant anticipated to commence shortly thereafter.

Conventional wastewater treatment plants in China are struggling to meet the new regulations on chemical oxygen demand (COD), nitrogen and phosphorus levels for surface discharge. The CIF® technology will be used as a tertiary treatment, removing COD, nitrogen and phosphorus which allows the plant to achieve surface discharge requirements. Successful demonstration of the CIF® technology and its relatively low cost, is anticipated to open up significant opportunities in the vast market for wastewater treatment plant upgrades.

A number of significant water purification project opportunities have been identified, both inside and outside China, in a number of key markets with a focus on treatment of waste water from mining operations.

Clean TeQ will continue working towards securing commercial contracts in the near future, and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

The continuing development of the Syerston Project resulted in $4,178,000 of expenditure being capitalised as an exploration and evaluation asset during the financial half-year. This expenditure, along with the net cash outflows from operating activities of $2,445,000 (31 December 2015 net outflow $1,898,000), was financed largely by capital raisings totalling $15,294,000 (31 December 2015: $8,339,000) after issue costs.

As a result of the above, the Consolidated Entity's net assets increased during the financial half-year by $11,857,000 to $34,582,000 (30 June 2016: $22,725,000). Working Capital, being current assets less current liabilities, amounts to a surplus of $18,622,000 (30 June 2016: $9,361,000), with cash reserves increasing from $7,226,000 to $15,471,000 during the financial half-year.

Significant changes in the state of affairs

On 8 September 2016, the Company announced the appointment of Mr Robert Friedland, as Co - Chairman and non-executive director.

Mr Friedland is an international financier and global leader in resources and technology industries. Since the early 1980s, he has specialised in securing financing for the exploration and development of mineral and technology ventures. Mr Friedland is the founder of Ivanhoe Mines Ltd (formerly Ivanplats Limited) - a Canadian public company listed on the New York, NASDAQ and Toronto exchanges - and has been Executive Chairman and Director since November 2000. Mr Friedland has directed the assembly by Ivanhoe Mines Ltd of a portfolio of interests in several countries over 15 years and led the company's discoveries and initial development of the world-class Oyu Tolgoi copper-gold project in southern Mongolia.

Mr Friedland is also Chairman and President of Ivanhoe Capital Corporation, a private company based in Singapore that specialises in providing venture capital and project financing for international business enterprises, predominantly in the fields of energy and minerals.

On 3 November 2016, the Company announced its agreement to a placement of 38,461,538 new shares at an issue price of $0.39 per share to raise proceeds of $15,000,000. Of this placement, 33,333,333 shares were issued to AustralianSuper, a large Australian institutional investor. The balance of 5,128,205 shares was issued to a number of institutional investors who are existing shareholders and clients of BW Equities.

On 8 December 2016, the Company announced the appointment of Mr Michael Spreadborough as a non-executive director.

Mr Spreadborough is a mining engineer with extensive experience in the development and operation of mineral resources projects spanning a range of commodities including copper, gold, uranium, lead, zinc and iron ore. Over the past 20 years Mr Spreadborough has held senior executive roles with a number of mining companies including Chief Operating Officer of Sandfire Resources and Inova Resources Ltd (formerly Ivanhoe Australia), General Manager – Coastal Operations for Rio Tinto and General Manager – Mining for WMC and later Vice President – Mining for BHP Billiton at the world-class Olympic Dam mine in South Australia.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2016 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.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, 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 11 and forms part of the directors' report for the financial half-year ended 31 December 2016.

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
Co-Chairman and Chief Executive Officer

15 February 2017
Melbourne

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

To: the directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dana Bentley

Partner

Melbourne

15th February 2017

Clean TeQ Holdings Limited
Statement of Profit or Loss and Other Comprehensive Income
For the financial half-year ended 31 December 2016

	Note	Consolidated	
		31 Dec 2016 $'000	**31 Dec 2015 $'000**
Revenue	5	325	1,267
Expenses			
Raw materials and other direct costs		(13)	(23)
Employee benefits expenses	6	(6,458)	(2,623)
Depreciation and amortisation expenses		(449)	(368)
Legal and professional expenses		(239)	(72)
Occupancy expenses		(151)	(173)
Marketing expenses		(365)	(203)
Other expenses		(744)	(891)
Finance costs		(74)	(271)
Loss before income tax benefit from continuing operations		**(8,168)**	**(3,357)**
Income tax expense		-	-
Loss after income tax benefit from continuing operations		**(8,168)**	**(3,357)**
Profit after income tax benefit from discontinued operations		-	-
Loss after income tax benefit for the year attributable to the owners of Clean TeQ Holdings Limited		**(8,168)**	**(3,357)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Clean TeQ Holdings Limited		**(8,168)**	**(3,357)**
Total comprehensive income for the year is attributable to:			
Shareholders of the Company		(8,168)	(3,357)
		(8,168)	**(3,357)**

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

Clean TeQ Holdings Limited
Statement of Profit or Loss and Other Comprehensive Income
For the financial half-year ended 31 December 2016

		Consolidated	
	Note	**31 Dec 2016 Cents**	**31 Dec 2015 Cents**
Earnings per share for loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share		(1.81)	(0.83)
Diluted earnings per share		(1.81)	(0.83)
Earnings per share for loss attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share		(1.81)	(0.83)
Diluted earnings per share		(1.81)	(0.83)

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

Clean TeQ Holdings Limited
Statement of Financial Position
As at 31 December 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 30 June 2016 $'000
Current assets			
Cash and cash equivalents		15,471	7,226
Trade and other receivables		462	302
Inventories		96	96
Income tax receivable		4,291	2,395
Other financial assets		128	377
Total current assets		20,448	10,396
Non-current assets			
Other financial assets		80	-
Investment in equity accounted investee	7	529	-
Property, plant and equipment		2,403	2,329
Intangibles	8	10,709	11,103
Exploration and evaluation assets	9	5,564	3,201
Total non-current assets		19,285	16,633
Total assets		39,733	27,029
Current liabilities			
Trade and other payables	10	1,509	715
Employee benefits		270	274
Deferred revenue		47	46
Total current liabilities		1,826	1,035
Non-current liabilities			
Deferred revenue		519	544
Notes payable	11	2,755	2,684
Employee benefits		51	41
Total non-current liabilities		3,325	3,269
Total liabilities		5,151	4,304
Net assets		34,582	22,725
Equity			
Issued capital	12	55,150	39,856
Reserves	13	8,033	3,302
Accumulated losses		(28,601)	(20,433)
Total equity		34,582	22,725

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

Clean TeQ Holdings Limited
Statement of Changes in Equity
For the financial half-year ending 31 December 2016

Consolidated	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2015	27,717	(14,010)	1,063	14,770
Loss after income tax benefit for the financial half-year	-	(3,357)	-	(3,357)
Total comprehensive income for the financial half-year	-	(3,357)	-	(3,357)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	8,339	-	-	8,339
Share-based payments (note 20)	-	-	1,309	1,309
Lapse of options	-	-	-	-
Total contribution and distribution:	8,339	-	1,309	9,648
Total transactions with owners of the Company	8,339	-	1,309	9,648
Balance at 31 December 2015	36,056	(17,367)	2,372	21,061
Balance at 1 July 2016	39,856	(20,433)	3,302	22,725
Loss after income tax benefit for the financial half- year	-	(8,168)	-	(8,168)
Total comprehensive income for the financial half-year	-	(8,168)	-	(8,168)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	15,294	-	-	15,294
Share-based payments (note 20)	-	-	4,731	4,731
Total contribution and distribution:	15,294	-	4,731	20,025
Total transactions with owners of the Company	15,294	-	4,731	20,025
Balance at 31 December 2016	55,150	(28,601)	8,033	34,582

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

Clean TeQ Holdings Limited
Statement of Cash Flows
For the financial half-year ending 31 December 2016

		Consolidated	
	Note	**31 Dec 2016 $'000**	**31 Dec 2015 $'000**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		436	780
Payments to suppliers and employees (inclusive of GST)		(2,896)	(3,128)
Cash used in operating activities		(2,460)	(2,348)
Interest received		17	52
Interest and other finance costs paid		(2)	(57)
Research and development tax incentive received		-	455
Net cash used in operating activities		(2,445)	(1,898)
Cash flows from investing activities			
Payments for property, plant and equipment		(86)	-
Proceeds from sale of property, plant and equipment		20	-
Acquisition of equity accounted investee	7	(529)	-
Payments for exploration and evaluation assets		(4,178)	-
Development expenditure		-	(1,741)
Net cash (used in)/from investing activities		(4,773)	(1,741)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuance costs		15,294	8,339
Payment of hire purchases		-	-
Cash on deposit for security over bank guarantees		169	(16)
Repayment of borrowings		-	(1,170)
Net cash from financing activities		15,463	7,153
Net increase in cash and cash equivalents		8,245	3,514
Cash and cash equivalents at the beginning of the period		7,226	3,313
Cash and cash equivalents at the end of the period		15,471	6,827

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

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 (‘the Company’) and its subsidiaries. The financial statements are presented in Australian dollars, which is the Consolidated Entity’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:

Unit 12, 21 Howleys Road
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 15 February 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the financial half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(a) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, 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.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual period beginning after 1 July 2016, however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Note 2. Significant accounting policies (continued)

(b) New standards and interpretations not yet adopted (continued)

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 2018, 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.

IFRS 16 Leases

IFRS 16 requires companies to bring most leases on-balance sheet from 2019. Companies with leases will appear to be more asset-rich, but also more heavily indebted. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, 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.

(c) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity reported a net loss after tax from continuing operations for the financial half-year of $8,168,000 (31 December 2015: loss of $3,357,000). We note there were no significant revenues from continuing operations during the financial half-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 surplus of $18,622,000 (31 December 2015: $8,508,000 surplus), with cash reserves increasing from $7,226,000 to $15,471,000 during the financial half-year. Net cash outflows from operating activities were $2,445,000 for the financial half-year (31 December 2015: $1,898,000 outflow).

Note 2. Significant accounting policies (continued)

(c) Going concern (continued)

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

- The Consolidated Entity increased its available cash on hand as at 31 December 2016 to $15,471,000;
- During the year, the Consolidated Entity raised $15,294,000 in equity capital after issue costs, indicating strong support from investors to invest in the Consolidated Entity and its technologies;
- The Consolidated Entity anticipates that a significant proportion of the 2016 and forecast 2017 financial years' development expenditure, including a large proportion of Syerston testwork and feasibility study expenditure will be eligible to receive a cash inflow rebate from the Australian Tax Office for eligible research and development expenditure; and,
- The forecast cash flows for the Consolidated Entity indicate a positive cash position for at least the period of 12 months to December 2017.

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

During the financial half-year the Consolidated Entity made good progress in respect of the ongoing development of the Syerston Project. The Consolidated Entity also made good progress in respect of the commercialisation of its water and metals recovery technologies. A number of significant project opportunities have been identified in a number of key markets with a focus on treatment of waste water from mining operations. The Consolidated Entity will continue working towards securing commercial contracts in the near future, and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

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.

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 financial 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.

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 or 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 discounted cash flow modelling. The impairment review carried out as at 31 December 2016 did not reveal any impairment.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 2 operating segments: Water and Metals. These operating segments offer different products and services, and are managed separately because they require different marketing strategies and operational philosophies. 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. The information reported to the CODM is on at least a monthly basis. There is no aggregation of operating segments.

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

Information regarding the results of each reportable segment is included below. Performance is measured based on the net result before interest, depreciation, amortisation 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, amortisation 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.

Note 4. Operating segments (continued)

Operating segment information

Consolidated – 31 December 2016	Metals $'000	Water $'000	Intersegment eliminations/ unallocated* $'000	**Total $'000**
Revenue				
Sales to external customers	1	126	-	127
Rental income	40	-	-	40
Interest income	-	-	17	17
Other revenue	81	60	-	141
Total revenue	122	186	17	325
Reportable segment (loss)/profit before tax	(1,017)	(895)	(6,256)	(8,168)
Profit/(loss) before income tax expense				(8,168)
Income tax expense				-
Loss after income tax expense				(8,168)
Assets				
Segment assets	17,641	5,734	16,358	39,733
Total assets				39,733

Consolidated – 31 December 2015	Metals $'000	Water $'000	Intersegment eliminations/ unallocated* $'000	**Total $'000**
Revenue				
Sales to external customers		95	43	138
Rental income	-	-	-	-
Interest income	-	-	52	52
Other revenue	502	426	149	1,077
Total revenue	502	521	244	1,267
Reportable segment (loss)/profit before tax	(275)	(1,391)	(1,691)	(3,357)
Profit/(loss) before income tax expense				(3,357)
Income tax expense				-
Loss after income tax expense				(3,357)
Assets				
Segment assets	10,123	5,254	9,523	24,900
Total assets				24,900

Note 4. Operating segments (continued)

*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.

Note 5. Revenue

	Consolidated	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Sales revenue		
Contract revenue	127	138
Government grants	129	888
Rental income	40	44
	296	1,070
Other revenue		
Interest	17	52
Other revenue	12	145
	29	197
Revenue	325	1,267

Note 6. Employee benefits expenses

	Consolidated	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Wages and salaries	(1,059)	(1,087)
Employee entitlements	(5)	12
Superannuation	(111)	(93)
Equity settled share based payments	(4,731)	(1,309)
Other costs	(552)	(146)
	(6,458)	(2,623)

Note 7. Investment in equity accounted investee

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Investment in joint venture	529	-
	529	-

Note 7. Investment in equity accounted investee (continued)

The investment in the joint venture pertains to an investment in Shanxi Hoyo Clean TeQ Environmental Company Ltd, a company incorporated in the People's Republic of China. The Consolidated Entity has joint control and a 50% ownership interest.

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Capitalised development costs - at cost	18,213	18,212
Less: Accumulated amortisation and impairments	(9,369)	(8,941)
	8,844	9,271
Patents and trademarks - at cost	713	713
Less: Accumulated amortisation and impairments	(319)	(302)
	394	411
Licence rights - at cost	4,522	4,472
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,471	1,421
	10,709	11,103

Note 9. Non-current assets - Exploration & evaluation assets

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
At the beginning of the period	3,201	246
Transfer from intangibles	-	394
Additions	4,178	4,657
R&D tax incentive on exploration asset off-set	(1,813)	(2,096)
Disposals	(2)	-
At end of the period	5,564	3,201

Exploration tenement summary

Licence Number	**Project Name**	**Location**	**Equity Interest 2016**	**Equity Interest 2015**
EL4573	Syerston	NSW	100%	100%

Note 10. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Trade payables	1,316	412
Other payables	193	303
	1,509	715

Note 11. Notes payable

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Notes payable	2,755	2,684

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 $2,755,000 (30 June 2016: amortised cost of $2,684,000).

Note 12. Equity – issued capital

			Consolidated	
	31 Dec 2016 Shares	**30 June 2016 Shares**	**31 Dec 2016 $'000**	**30 June 2016 $'000**
Ordinary shares – fully paid	478,246,635	437,052,097	55,150	39,856

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue Price**	**$'000**
Balance	1 July 2016	437,052,097		39,856
Exercise of Options by Option Holder	4 July 2016	200,000	$0.40	79
Exercise of Options by Option Holder	6 July 2016	2,000,000	$0.15	290
Exercise of Options by Option Holder	18 August 2016	500,000	$0.28	141
Exercise of Options by Option Holder	23 August 2016	33,000	$0.30	10
Share placement	8 November 2016	38,461,538	$0.39	15,000
Capital raising costs				(226)
Balance	31 December 2016	478,246,635		55,150

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.

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.

Note 12. Equity – issued capital (continued)

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 2016 Annual Report.

Note 13. Equity – reserves

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Share based payments reserve	8,033	3,302
	8,033	3,302

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

Consolidated	**Share Based Payments $'000**	**Total $'000**
Balance as at 1 July 2016	3,302	3,302
Lapsed options	-	-
Transfer to accumulated losses	-	-
Share based payments	4,731	4,731
Balance as at 31 December 2016	8,033	8,033

Note 14. Equity – dividends

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

Note 15. Contingent liabilities

The Consolidated Entity has a contingent liability, incurred in the 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.

Note 16. Commitments

	Consolidated	
	31 Dec 2016 $'000	**30 June 2016 $'000**
Operating leases (non-cancellable)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	146	75
One to five years	518	-
More than five years	-	-
	664	75

Note 17. Related party disclosures

Parent Entity
Clean TeQ Holdings Limited is the Parent Entity.

Subsidiaries
Interests in subsidiaries are set out in note 18.

Transactions with related parties
No transactions occurred with related parties outside the consolidated entity.

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

Loans to/from related parties
There were no loans outstanding at the reporting date owed to related parties.

Note 18. 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:

		Ownership interest	
		31 Dec	30 June
	Principal place of business/	2016	2016
Name	Country of incorporation	%	%
Clean TeQ Limited	Australia	100%	100%
Clean TeQ Metals Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Scandium Holding Company Pty Ltd	Australia	100%	100%
Scandium21 Pty Ltd	Australia	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
Uranium Development Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%

Note 19. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2016 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 20. 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:

Note 20. Share-based payments (continued)

2016/2017

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
30/06/2011	30/06/2016	$0.3960	500,000	-	(200,000)	(300,000)	-
19/12/2014	19/06/2017	$0.1155	2,000,000	-	-	-	2,000,000
19/12/2014	19/06/2017	$0.1455	2,000,000	-	-	-	2,000,000
25/02/2015	25/02/2018	$0.1574	8,000,000	-	-	-	8,000,000
01/03/2015	01/03/2018	$0.1495	6,000,000	-	(2,000,000)	-	4,000,000
06/07/2015	30/06/2018	$0.3010	1,000,000	-	(33,000)	-	967,000
20/11/2015	30/06/2018	$0.2305	8,000,000	-	-	-	8,000,000
20/11/2015	31/03/2018	$0.1450	2,000,000	-	-	-	2,000,000
20/11/2015	30/11/2018	$0.2712	3,500,000	-	-	-	3,500,000
16/05/2016	16/05/2019	$0.2820	5,000,000	-	(500,000)	-	4,500,000
25/08/2016	25/06/2019	$0.6320		3,000,000			3,000,000
06/09/2016	16/05/2019	$0.2820	-	1,000,000	-	-	1,000,000
06/09/2016	16/05/2019	$0.2820	-	8,000,000	-	-	8,000,000
06/09/2016	16/05/2019	$0.3100	-	375,000	-	-	375,000
06/09/2016	16/05/2019	$0.3100	-	375,000	-	-	375,000
06/09/2016	16/05/2019	$0.3100	-	375,000	-	-	375,000
15/12/2016	15/12/2019	$0.5850		500,000			500,000
			38,000,000	13,625,000	(2,733,000)	(300,000)	48,592,000
Weighted average exercise price:			$0.1966	$0.3889	$0.1936	$0.3960	$0.2519

*Denotes options expired during the year

The weighted average number of years for share options issued under the Plan is 2.82 years (2015: 2.73 years).

The options vest immediately at grant date to the holder, except for 4,000,000 options granted on 20 November 2015, with a vesting date of 31 December 2015.

For the options granted during the current financial period, a Black-Scholes 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:

2016/2017

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
25/08/2016	25/06/2019	$0.50	$0.6320	85.57%	-%	1.85%	$0.248
06/09/2016	16/05/2019	$0.56	$0.2820	85.35%	-%	1.90%	$0.378
06/09/2016	16/05/2019	$0.56	$0.2820	85.35%	-%	1.90%	$0.367
06/09/2016	16/05/2019	$0.56	$0.3100	85.35%	-%	1.90%	$0.367
06/09/2016	16/05/2019	$0.56	$0.3100	85.35%	-%	1.90%	$0.367
06/09/2016	16/05/2019	$0.56	$0.3100	85.35%	-%	1.90%	$0.367
15/12/2016	15/12/2019	$0.55	$0.5850	85.49%	-%	2.87%	$0.300

Note 20. Share-based payments (continued)

Set out below are summaries of performance rights granted under the Plan:

2016/2017

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
08/07/2015	01/07/2018	$0.00	1,674,416	-	-	(508,000)*	1,166,416
20/11/2015	01/07/2018	$0.00	880,000	-	-	-	880,000
16/05/2016	01/07/2019	$0.00	1,756,281	-	-	(217,474)*	1,538,807
06/09/2016	06/09/2019	$0.00	-	1,292,706	-	-	1,292,706
			4,310,697	1,292,706	-	(725,474)	4,877,929

*Performance rights forfeited as the employee ceased employment.

The performance rights have the following vesting conditions:

- Rights vesting if the Company's total shareholder return outperforms a comparator group of 12 ASX-listed and 1 Toronto listed companies over a three year period from the grant date; and
- Continuous service from Date of Grant to Vesting Date.

For the performance rights granted during the current financial period, a Binomial Option Valuation model was used to value the performance rights. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration. The valuation model inputs used to determine the fair value at the grant date are as follows:

2016/2017

Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
06/09/2016	06/09/2019	$0.56	1.48%	92.72%	-%	35.07%	$0.1946

Note 21. Fair value measurement

There were no assets or liabilities measured or disclosed at fair value at the reporting date.

Unless otherwise stated, and except for notes payable as disclosed in the annual report for the year ended 30 June 2016, the carrying amounts of financial instruments reflect their fair value. The carrying amount 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.

Clean TeQ Holdings Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached Consolidated financial statements and notes thereto, comply with the Corporations Act 2001, the Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached Consolidated financial statements and notes thereto, give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Sam Riggall
Co-Chairman and Chief Executive Officer

15 February 2017
Melbourne

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

We have reviewed the accompanying half-year financial report of Clean TeQ Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 21 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 half-year's end or from time to time during the half-year.

Responsibility of the Directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Clean TeQ Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clean TeQ Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – going concern

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

KPMG

KPMG

Dana Bentley

Partner

Melbourne

15th February 2017