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Clean TeQ China JV Company signs first water treatment agreement

On 28 June 2016 Clean TeQ Holdings Limited (ASX:CLQ) (**Clean TeQ** or **Company**) announced the execution of a binding agreement with Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd (**'Hoyo'**) to form a Chinese incorporated joint venture (**'JV Company'**) to pursue water treatment opportunities in China's Shanxi Province utilising Clean TeQ's water purification technology.

It was also announced that Clean TeQ and Hoyo had reached in-principle agreement on the terms on which the JV Company will build, own and operate a Clean TeQ Continuous Ionic Filtration (**'CIF®'**) water treatment plant at an existing wastewater treatment facility owned and operated by Qixian Hoyo Waste Water Treatment Co., Ltd (**'Qixian'**) in Shanxi Province.

All government approvals for the establishment and registration of the JV Company, *Shanxi HOYO Clean TeQ Environmental Company Ltd*, have now been received. The binding Project Agreement under which the JV Company will deliver the initial project has also now been executed by the parties.

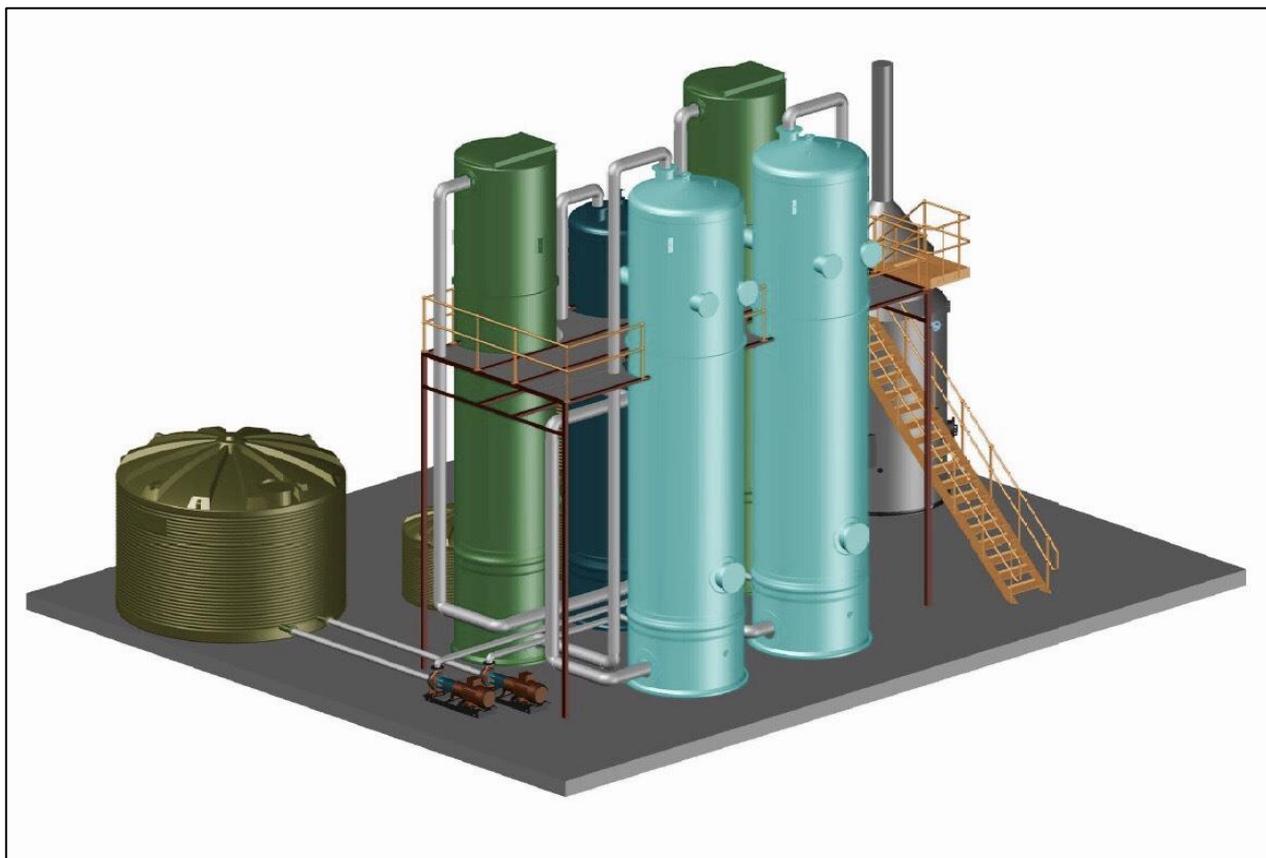


Clean TeQ Executive Director, Mr Peter Voigt (RHS) signing the Project Agreement with Mr Jin Changliu, Executive Vice President from Hoyo

Hoyo and Qixian are both members of the Nanjing Hoyo Municipal Utilities Investment Administration Group ('Hoyo Group'). Hoyo Group is a large diversified private Chinese conglomerate which is active in a range of industries including pipeline construction, operation of urban sewage and waste water treatment plants, construction, aviation and manufacturing of agricultural machinery.



The JV Company, Shanxi Hoyo Clean TeQ Environmental Company Ltd, is owned 50:50 by Clean TeQ and Hoyo and will be capitalised through equity contributions of US\$600,000 from each of the parties. The equity contributions are to be funded by the each of the parties making scheduled payments to the JV Company during September through December 2016. Clean TeQ will fund its share of the equity contributions from cash reserves currently on hand. The start-up capital contributions are expected to be sufficient to build the first project and fund modest overheads of the JV Company until it becomes cashflow positive.



Qixian Project water treatment plant concept design

The Project Agreement details the terms under which Shanxi HOYO Clean TeQ Environmental Company Ltd will 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. 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 engineering of the plant is well underway. Procurement of materials and construction of the plant is anticipated to begin in October 2016 subject to the JV Company obtaining standard Chinese regulatory approvals (construction, environmental etc) and the parties making the required equity contributions to fund the JV Company.

Peter Voigt, Executive Director of Clean TeQ, said “This will be the first commercial scale plant built in the world using Continuous Ionic Filtration (CIF®) to upgrade treated effluent to surface water discharge quality. The plant will serve as a demonstration site to showcase the technology and its application to resolving some of the world’s most pressing water problems.”

China has a severe water scarcity problem. Its resources of freshwater, around 2,000 cubic meters per capita, are one-third of the global average. About 300 million people in China, almost a quarter of its population, drink contaminated water every day. At least one-third of China’s lakes and rivers are unfit for human use, and 73% of the watersheds that supply water to China’s 30 fast-growing cities face medium to high pollution levels.

The project at the Qixian facility is an important milestone for Clean TeQ as it represents the first commercial application of the CIF® technology for upgrading of treated effluent. Treated effluent can be a valuable source of fresh water if contaminants are reduced to meet appropriate standards. Western countries have typically adopted membrane technology to meet these standards but at a cost which is not sustainable in the Chinese market.

Clean TeQ has been working in China for over two years and is focused on the rapid growth markets of wastewater reuse and nutrient recovery. Clean TeQ, along with our partners in China, have identified the value in municipal wastewater effluent as a source of freshwater for industrial, agricultural and recreational reuse. Extensive trials have confirmed that Clean TeQ’s CIF® process provides water at a quality and price-point that is able to unlock the latent value of wastewater in this market.

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About Clean TeQ Holdings Limited (ASX:CLQ) – Based in Melbourne, Clean TeQ, using its proprietary Clean-iX® continuous ion exchange technology, is a leader in resource recovery and industrial water treatment.

For more information about Clean TeQ please visit the Company’s website at www.cleanteq.com.

This release may contain forward-looking statements. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.